

WESTERN
WATER



Annual Report 2014/15



Contents

Introduction	1
YEAR IN REVIEW	4
Foreword from the Chair and Managing Director	4
Highlights	4
Financial summary	4
Business at a glance	6
Capital projects	7
GOVERNANCE AND ORGANISATIONAL STRUCTURE	9
Organisational structure	9
Board and committees	10
Human resource management	13
OPERATIONS REPORT	16
Water consumption and drought response	16
Water efficiency	20
Environmental sustainability	21
- Sustainable water use	21
- Sustainable and resilient water systems	22
- Environmental statutory obligations	24
Social sustainability	29
- Service delivery	29
- Customer service	30
- Community service obligations	31
PERFORMANCE REPORT	32
OTHER DISCLOSURES	38
FINANCIAL REPORT	42
APPENDICES	108
1. Disclosure index	108
2. Bulk entitlements report	110
Annual Report index	114

Introduction

Manner of establishment and responsible Minister

Established under the *Water Act 1989*, Western Region Water Corporation (trading as Western Water) is one of Victoria's 13 regional urban water corporations.

During the reporting period, 1 July 2014 to 30 June 2015, the relevant minister was:

- Hon Peter Walsh MLA, Minister for Water from 1 July 2014 until 3 December 2014, and
- Hon Lisa Neville MP, Minister for Environment, Climate Change and Water from 4 December 2014 to 30 June 2015.

Western Water is responsible to the current Minister for Environment, Climate Change and Water via the Department of Environment, Land, Water and Planning (DELWP). DELWP is a new department formed 1 January 2015.

Prior to that, Western Water was responsible to the Minister via the Department of Environment and Primary Industries (DEPI).

The Department of Treasury and Finance (DTF) also has a shareholder governance role. The Department of Health and Human Services (DHHS) sets and supervises water quality standards, while the Environment Protection Authority (EPA) governs environmental standards, particularly for wastewater discharge, recycled water and biosolids management.

The Essential Services Commission (ESC), the Victorian Government's economic regulator for essential utility services, regulates Western Water's prices, service standards and market conduct.

The Energy and Water Ombudsman Victoria (EWOV) receives, investigates and resolves enquiries and complaints against electricity and water suppliers across Victoria.

Objectives, functions, powers and duties

Under sections 93 and 94 of the *Water Act 1989*, Western Water must have regard to the following principles:

- the need to ensure that water resources are conserved and properly managed for sustainable use and for the benefit of present and future generations
- the need to encourage and facilitate community involvement in the making and implementation of arrangements relating to the use, conservation and management of water resources
- the need to integrate both long term and short term economic, environmental, social and equitable considerations
- the need for the conservation of biological diversity and ecological integrity to be a fundamental consideration
- lack of full scientific certainty should not be used as a reason for postponing measures to address threats of serious or irreversible environmental damage.

In addition, in carrying out its duties, Western Water must act as efficiently as possible, consistent with commercial practice. The Corporation is required to undertake research into its functions and educate the community.

This Annual Report provides a detailed review of how Western Water has met these objectives, functions, powers and duties during the 2014/15 year.

Vision

To be recognised as a successful water business that is valued by our community.

Mission

To provide safe, secure, healthy and reliable water and sewerage services to meet the current and future needs of our community, and to do so in an efficient and sustainable manner.

Values

- People
- Integrity
- Respect
- Teamwork
- Excellence

Strategic theme: Optimisation

We will make optimal, efficient and innovative use of our local water, capital, systems, processes and people to balance the needs of our stakeholders.

Our pursuit of this theme will follow three pathways:

1 Commercial sustainability

We will test all decisions and activities to ensure they make commercial business sense.

2 Operational efficiency and integration

We will operate in an integrated manner to optimise the value we derive from our people, systems, processes and assets.

3 Collaborative innovation

We will work with open minds and, together with our external stakeholders, aim to find more efficient and imaginative ways to meet current and emerging challenges.

Nature and range of services provided

In 2014/15, Western Water provided water, recycled water and sewerage services to 61,190 properties - with a population of 161,400 - across a region of 3,000 square kilometres to the north-west of Melbourne.

The region has been one of the fastest growing in the state, with population growth rates of 3-4% per annum over the past decade. However, the past few years have witnessed a slowing in growth with the population increasing by 1.0% this reporting period.

At the same time, serviced properties increased by 2.6% this year reflecting a buoyant residential development market and the strong likelihood of return to higher population growth rates in coming years – particularly in and around Melton, Sunbury and Bacchus Marsh.

Western Water has forecast population rates for the next decade at 3-4% per annum.

Service Area



Year in review

Highlights

- Safely delivered 13,100 million litres of drinking water to population of 161,400
- Supplied 5,600 million litres of recycled water to 1,400 customers, and
- Invested \$19.5 million in capital works.

Awards

- Received Keep Australia Beautiful's Protection of the Environment Award with Pinkerton Landcare and Environment Group (PLEG) for ecological restoration work at the Werribee River Volcanic Gorge.

Financial summary

- Net pre-tax profit \$11.7 million
- Developer revenue of \$11.9 million
- Capital expenditure of \$19.5 million
- Debt level now \$181 million

Subsequent events

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.

Foreword from the Chair and Managing Director

Since Western Water was established 20 years ago, our service population has almost doubled. During that time we also experienced one of the worst droughts on record with our major reservoirs close to drying up.

We are proud of how we addressed these challenges. Today, we provide water, sewer and recycled water services to more than 160,000 people and have guaranteed them, and future generations, a secure supply through interconnection across our region and with Melbourne's water system.

Western Water's 2014/15 Annual Report sets out how we have met and exceeded our corporate objectives in the past year, and provides insight on how we will continue to do so in future.

Unprecedented levels of growth are forecast for Melbourne's western corridor. Western Water is well-placed to address this significant, ongoing challenge through our strategic focus on optimal – efficient and innovative - use of our local water, capital systems, processes and people to balance the needs of our customers and stakeholders.

This focus has delivered a significant reduction in expenditure and, combined with increased revenue driven by customer growth, has resulted in an improvement in profit for the year.

We are well aware of the fine balance that we must maintain between capital investment, service delivery and the cost of services to ensure we provide exceptional value to our customer base.

Table 1: Financial summary (\$M) - 5 years

	2010/11	2011/12	2012/13	2013/14	2014/15
Revenue (\$M)	69,074	77,226	82,261	77,090	81,735
Expenses (\$M)	64,798	72,041	78,132	75,444	70,058
Net profit before tax (\$M)	4,276	5,185	4,129	1,646	11,677

In the past year, Western Water has invested close to \$20 million in capital works to meet the needs of the growing population. With higher growth rates forecast, nine times that amount is earmarked for investment over the coming three years.

Ongoing efficient planning and financing is critical. With one in four customers claiming concessions, it is essential that we contain prices, working closely with the Department of Environment, Land, Water and Planning in delivering the Government Efficiency Initiative.

Simultaneously we will maintain our strong focus on the environment, caring for the land we own and ensuring little impact on waterways from our activities.

Integrated water management will ensure we deliver the best solutions for the region, making the most of local resources. Today we have close to 1400 recycled water customers, using an amount of this alternative supply equal to more than 40% of the drinking water consumed in the region.

We are confident that Western Water will remain successful through continual focus and re-alignment with our three strategic pathways - commercial sustainability, operational efficiency and integration, and collaborative innovation.

We would like to take this opportunity to thank the Board, executive and staff at Western Water for their support and effort during 2014/15.

We look forward to the coming year, excited to meet our challenges head on. By working with our stakeholders, we will create highly sustainable, liveable communities throughout the service region.



Accountable officers' declaration

In accordance with the *Financial Management Act 1994*, we are pleased to present Western Water's Annual Report for the year ending 30 June 2015. It is compliant with all statutory reporting requirements.

Lucia Cade, Chair

Neil Brennan, Managing Director

2 September 2015

Business at a glance

Table 2: Business at a glance - FY14 vs FY15

Properties	2013/14	2014/15
Serviced assessments (including vacant land)	59,661	61,190
Serviced assessments (vacant land)	2,731	2,713
Water supply		
Connected water customers	56,930	58,477
- Residential	53,939	55,418
- Non-residential	2,991	3,059
Water consumption (ML)	12,648	13,101
- Residential consumption (ML)	9,794	9,836
- Non-residential consumption (ML)	1,716	1,795
- Non-revenue water (ML)	1,138	1,470
Water mains (km)	1,955	1,924*
Water filtration plants	7	7
Chlorination plants	14	14
Sewer service		
Serviced sewer customers	53,445	54,997
Connected sewer customers	51,004	52,564
Sewage treated (ML)	8,567	9,030
Sewer mains (km)	1,205	1,231
Recycled water supply		
Recycled water customers	1,095	1,390
- Residential (class A)	1,011	1,285
- Non-residential (classes A, B or C)	84**	105
Recycled water produced (ML)	7,628	7,500
Percentage reused	66%	74%
Recycled water mains - classes A, B & C (km)	145	167
Recycled water plants	7	7

*The 2014/15 figure is lower than last year due to data cleansing associated with removing abandoned mains. Total water mains (km) figure includes 68km of Class A mains.

**The 2013/14 figure includes Class B & C non-residential customers only.

Capital projects

Western Water's capital works program ensures water, sewer and recycled water services are in place to meet the needs of existing and future customers.

In the past five years, Western Water has invested \$121 million in capital works with \$19.5 million dedicated to the program in 2014/15.

To address the needs of the growing population, nine times that amount - \$179.3 million - is earmarked for investment over the next three years alone.

The majority of capital works during the financial year were for projects valued at less than \$0.5 million and incorporated IT upgrades and ongoing actions for the Sewer Spills Prevention Strategy.

Capital works achievements for 2014/15 include:

- \$1.0 million on Exford Road outfall sewer in Melton
- \$0.7 million on Brooklyn Road sewer pump station emergency storage in Melton
- \$1.0 million on Mt Macedon Wastewater Solutions
- \$0.7 million on Melton South Sewer Pump Station and main, and
- \$0.7 million Orde Hill Reservoir Upgrade, Mount Macedon.

Corporate capital expenditure during 2014/15 included:

- \$1.0 million on new motor vehicles
- \$0.5 million on new telephone system, and
- \$0.4 million on plant and equipment.

Capital works projects or programs spanning more than one financial year or not completed in 2014/15:

- \$0.8 million on purchase of irrigation equipment in Melton
- \$0.8 million on Exford Road recycled water main in Melton
- \$0.6 million on Brooklyn Road Sewer Pump Station inlet main upgrade in Melton
- \$1.1 million on Sunbury Recycled Water Plant upgrade
- \$1.4 million on Sewer Spill Prevention Strategy, and
- \$0.7 million on water main replacements.

Major capital works projects planned to commence in 2015/16 include:

- \$1.3 million on Masons Lane sewer pump station and mains, Bacchus Marsh
- \$35.2 million on Sunbury Recycled Water Plant upgrade
- \$8.8 million on Stage 3B upgrade for Melton Recycled Water Plant
- \$6.0 million on Leakes Road trunk water main in Melton, and
- \$9.6 million on Rockbank sewage pump station and mains.

Table 3: Capital works investment (\$M) - 5 years

	2010/11	2011/12	2012/13	2013/14	2014/15
Capital works investment (\$M)	31.3	27.9	22.5	19.9	19.5

Disclosure of grants

Western Water provided a total of \$17,635 in financial grants to 14 community organisations during 2014/15.

These grants support the development of school and community gardens, more liveable communities, and enhance biodiversity across the service region.

Western Water's grants are named after our education mascots, Sammy the Snake and Frances the Frog.

Table 4a: Sammy's school garden grants

Recipient	Project description	Amount
Diggers Rest Primary School	Efficient watering system and fruit trees	\$973
Killara Primary School, Sunbury	Efficient watering system and entrance garden plants	\$1,000
Lancefield Kindergarten	Rainwater tank for taste and herb garden	\$1,000
Lerderberg Preschool, Bacchus Marsh	Rainwater tank for vegetable garden	\$1,000
Melton Specialist School	Rainbow vertical edible garden (wicking bed)	\$904
St Mary's Primary School, Lancefield	Efficient watering system for Leaving our Mark project	\$1,000
Sunbury Heights Primary School	Tank taps and raised gardens for house colours garden project	\$1,000
Total school garden grants		\$6,877

Table 4b: Sammy's community garden grants

Recipient	Project description	Amount
Jill Gibbs Neighbourhood Garden, Sunbury	Communal greenhouse for seed sharing & seedlings	\$450
New Gisborne Community Garden	Watering system, fruit trees, native plants and materials	\$2,000
Riddells Creek Lions Memorial Park Upgrade Committee	Sensory garden sprinkler, irrigation system and plants	\$2,000
Woodend Permaculture Garden	Drip irrigation system for permaculture orchard	\$1,198
Total community garden grants		\$5,648

Table 4c: Frances' environment project grants

Recipient	Project description	Amount
Friends of Blind Creek, Sunbury	Vegetation work to limit erosion along Blind Creek	\$2,000
Greening of Riddell, Riddells Creek	Revegetating walking path from Wybejong Park to Smith's Nursery along Riddells Creek	\$1,110
Lancefield Primary School	Lancefield wetlands project, diverting school stormwater to wetlands and purchasing tubestock	\$2,000
Total environmental grants		\$5,110

Governance and organisational structure

Organisational structure and corporate governance arrangements

Western Water’s executive management team is comprised of experienced professionals committed to achieving our corporate and strategic objectives.

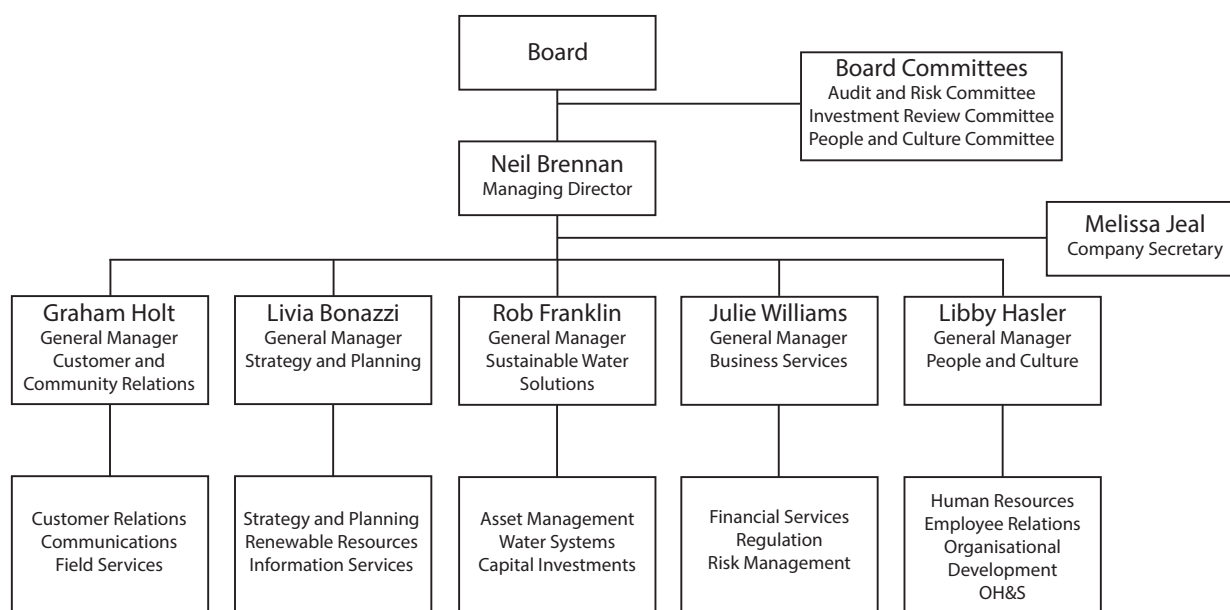
Led by Managing Director, Neil Brennan, the team is accountable to the Board and consists of General Managers in five areas:

- Business Services
- Strategy and Planning
- Customer and Community Relations
- Sustainable Water Solutions, and
- People and Culture.

Neil Brennan, Managing Director - July 2012

Neil commenced as Managing Director of Western Water in July 2012. Prior to his appointment, Neil was Managing Director of Central Highlands Water for 15 years. He previously held CEO positions at Western Water and Macedon Region Water Authorities. Neil has been employed in the Victorian water industry for 33 years and has had various Ministerial appointments to industry committees. He is currently a Director of the Board of the Energy and Water Ombudsman Scheme Victoria, Executive Council Member of the Institute of Water Administration, and Chair of the Victorian Water Industry, Intelligent Water Networks Executive. Neil’s academic achievements include a Graduate Diploma in Management, a Masters in Business Leadership and completion of the Oxford Advanced Management Programme.

Chart 1: Organisational chart as at 30 June 2015



Board, committee membership and roles

Board of Directors

A Board of Directors, supported and advised by the executive management team, is appointed by the Minister to set Western Water's strategic direction and policies. Board Directors are now appointed for a four year term and have a broad range of relevant skills, experience and expertise to meet our objectives.

Lucia Cade, Chair – October 2012

Lucia has extensive experience in the utility, infrastructure and construction industries as an executive and an advisor, specialising in business strategy, organisational change, strategic stakeholder engagement, incentivised procurement models

and major projects. Lucia is a past President of the Australian Water Association, a director of that organisation for seven years and was previously a director of Western Water for five years.

Lucia's executive experience includes roles at City West Water, AECOM, Evans & Peck and Comdain Infrastructure. Lucia holds a Bachelor of Engineering and a Bachelor of Economics, a Masters of Engineering Science and an MBA. She is a fellow of the Australian Institute of Company Directors and of Engineers Australia.



Board of Directors (left to right): Russell Cooper, Andrew Osborne, Jane Doolan, Lucia Cade, Neil Brennan, Miranda Douglas-Crane, Russell Anderson and Ross Johns.

Russell Anderson, Deputy Chair - October 2007

Russell has extensive experience in financial management, governance, risk management and auditing gained from senior governance roles at Air New Zealand, the CSIRO, PricewaterhouseCoopers and the Qantas Group. Holding a Bachelor of Commerce and being a member of the Australian Institute of Company Directors and Governance Institute of Australia, Russell is actively involved in ensuring sustainability principles are adopted in corporate governance frameworks in the public and private sectors. He has provided independent governance reporting to listed public companies and government authorities incorporating financial and strategic risk analysis and is currently a director of public sector and not-for-profit bodies in the sustainability sector.

Russell Cooper – October 2012

Russell Cooper has held Managing Director roles with Goulburn Murray Water (Northern Victoria), SUEZ/Degremont (Australia/NZ) and South East Water (Melbourne). He has been a director of Murrumbidgee Irrigation, the Cooperative Research Centre for Irrigation Futures, Vic Water and the Water Services Association of Australia and a special advisor to the Chairman of the National Water Commission. Russell holds a Bachelor of Science and a Diploma of Management and is currently a director of the Melbourne Market Authority and a member of the Enforceable Undertakings Panel of the EPA.

Professor Jane Doolan – October 2013

Jane was the Professorial Fellow in Natural Resource Governance at the University of Canberra and a commissioner with the National Water Commission. Prior to this, she was the Deputy Secretary for Water in the Victorian Department of Environment and Primary Industries, and has more than 27 years' experience in the sustainable management of catchments and water resources. Jane is also the Chair of the Murray-Darling Freshwater Research Centre. She has a Bachelor of Science (Hons) and is a Doctor of Philosophy and is a member of the Australian Institute of Company Directors.

Miranda Douglas-Crane – October 2012

Miranda has held senior executive and board positions in both the public and private sectors. She has also held several international roles related to governance of infrastructure. Miranda holds a Bachelor of Commerce, a Master of Business Administration and is a Fellow of the Australian Institute of Management and Australian Institute of Company Directors. She is a member of the Deakin University Council and the RACV Foundation Committee. Miranda previously served on the boards of Austin Health, the National Occupational Licensing Authority, Northern Victoria Irrigation Renewal Project, Intelematics Pty Ltd, Special Olympics (Vic), Fred Hollows Foundation (Vic) and the Ministerial Council on Freight Transport.

Ross Johns – October 2011

Ross is past President of the Victorian Farmers Federation Wimmera Branch. He has a primary production background, owning a farm in Warracknabeal in the Northern Wimmera region of Victoria. Ross was Director of ABB Grain, an ASX top 100 company, from 1996 to 2009, serving on the Audit Committee. He was also Director and Deputy Chair of the Grain Research and Development Corporation from 2003 to 2006 and chaired its Finance and Audit Committee.

Andrew Osborne – October 2011

Andrew has more than 40 years' experience in the water industry. He has held senior management and director positions in national and international consulting and contracting, and has worked in London, the Middle East and more broadly in the Asia Pacific basin. Andrew brings extensive experience in the delivery of major infrastructure in the areas of procurement, risk management and commercial business arrangements, and currently provides strategic and technical advice to government and the private sector for the provision of water infrastructure including irrigation and recycling through separate consulting arrangements. Andrew holds undergraduate and post graduate qualifications in engineering and engineering science and is a member of the Australian Institute of Company Directors.

Board committees

Western Water has three Board committees to assist in carrying out its corporate governance functions:

- Audit and Risk
- People and Culture
- Investment Review.

Each Board committee is chaired by a Board Director and operates under approved terms of reference. Committee members are chosen for their skills, experience and other relevant qualities.

Board committees are entitled to any resources and information required. This includes direct access to Western Water staff and the Managing Director, members of the executive management team and other staff, who attend committee meetings as required. All Board Directors receive committee agendas and can attend all meetings, subject to reviewing any conflict of interest requirements. A verbal report by the Chair of each committee is presented at each Board meeting and all committee minutes are circulated to Board Directors.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its responsibilities by reviewing all matters relating to corporate finance, auditing functions, review of financial statements and accounting policies. The committee also considers compliance with legislation and other activities and procedures, including insurance and risk management. The

independent members of the Audit and Risk Committee are Ross Johns (Chair), Russell Anderson, Lucia Cade, Miranda Douglas-Crane and Andrew Osborne.

People and Culture Committee

The People and Culture Committee reviews remuneration and performance arrangements of executives, and terms of employment for all employees. The Committee's scope also includes OHS, culture, leadership development, as well as improvement and induction programs. The members of the People and Culture Committee are Lucia Cade (Chair), Russell Cooper, Jane Doolan and Russell Anderson.

Investment Review Committee

The Investment Review Committee provides strategic input to Western Water's capital works plan and monitors its implementation in accordance with timeframes and budgets. The members of the Investment Review Committee are Andrew Osborne (Chair), Lucia Cade, Russell Cooper, Miranda Douglas-Crane and Ross Johns.

Board and committee meeting attendance

The Board has 11 scheduled meetings each year, with additional meetings convened as required.

The Board committees meet four times a year, with additional meeting convened as required.

Table 5: Board meeting and committee meeting attendance

Board Director	Board	Audit and Risk Committee	People and Culture Committee	Investment Review Committee
Lucia Cade (Chair)	10/11	4/4	5/5	4/4
Russell Anderson (Deputy Chair)	11/11	4/4	5/5	-
Russell Cooper	11/11	-	5/5	4/4
Jane Doolan	10/11	-	5/5	-
Miranda Douglas-Crane	10/11	4/4	-	4/4
Andrew Osborne	11/11	4/4	-	4/4
Ross Johns	11/11	4/4	-	4/4
Neil Brennan (Managing Director)	10/11	-	-	-

Human resource management

Workforce data

Employment and conduct principles

Western Water is committed to applying merit and equity principles when appointing staff. Selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of key selection criteria and other accountabilities without discrimination.

Western Water's values and employment principles are critical to maintaining and improving the performance of the workforce. Policies and practices are in place so that the Corporation continually strives to uphold the principles of equal opportunity, employee diversity and work life balance/flexibility. These include our People & Culture Policy, Occupational Health & Safety Policy, Equal Opportunity, Anti-Discrimination, Harassment and Bullying Policy.

Training and career development

Western Water supports employees through training and development, performance management and recognition programs to fully develop their potential and deliver leading services to customers. In 2014/15, the training budget represented 2.4% of payroll.

Identified as a key strategic driver, Western Water is making a considerable commitment to building culture and strengthening leadership capability across the business.

Table 6: Workforce composition by function – 2 years

	2013/2014		2014/15	
	Male	Female	Male	Female
Board Directors	4	3	4	3
Managing Director/General Managers	3	3	3	3
Managers	6	6	8	8
Operational, administration and field staff	79	62	77	63
Total	92	74	92	77
Full time equivalent employees	87	61	88	64

Comparative workforce data

Western Water aims to attract, engage, develop, and retain talented and committed people. At 30 June 2015, 162 people were employed in a variety of roles including professional, technical, trade and administrative.

The employee base includes all permanent, casual and temporary employees, excluding Board Directors. Not taking vacancies into account, the employee base decreased by 3 from the prior reporting period. Of total employees, 45% are female.

Executive officer disclosures

At 30 June 2015, Western Water's executive officers totalled 13 comprised of:

- Managing Director
- 7 Board Directors
- 5 General Managers, and
- Company Secretary.

The number of executive officers remained the same as prior year and no positions were vacant at 30 June 2015. Remuneration received, or due and receivable from Western Water in connection with the management of Western Water, by executive officers totalled \$1,410,000. Full executive officer disclosures including retirement benefits, other related party transactions, and payment to other personnel can be found in Note 21 of the financial statements.

Occupational health and safety

Western Water is committed to providing a healthy and safe workplace for employees, contractors and the wider community. Key safety messages are reinforced across the business via safety alerts, the intranet and onsite toolbox meetings.

Consultation is a significant feature of Western Water's commitment to Occupational Health and Safety (OHS) with monthly OHS committee meetings playing a key role in improving the safety of the work environment. To support this, Western Water's OHS Policy, committee member details and meeting minutes are displayed on worksite noticeboards, the intranet and/or via monthly team meetings.

Western Water's OHS training program is aligned with its Health and Wellbeing Strategy and has a strong emphasis on prevention and early intervention. Positive OHS outcomes during 2014/15 include:

- improving reporting systems
- improvements made to equipment used for confined space entry
- continuing to improve traffic management and improved management of mobile plant
- increased emphasis on internal audits for Western Water operations including contractors, and
- improving the competency-based induction program for staff and contractors.

In the coming year, Western Water will work to:

- promote and improve OHS culture and reduce the manual handling risk
- improve internal training and refreshers
- improve OHS systems, and
- continue to improve the OHS governance of external contractors.

Incident management

Table 7: Workplace incidents - 5 years

	2010/11	2011/12	2012/13	2013/14	2014/15
Workplace incidents	27	19	29	15	30

In total there were 30 reported incidents in 2014/15. The increase on the prior year reflects improved reporting systems and a greater emphasis on the reporting of minor injuries. Of the 30 reported incidents, 3 were lost time injuries, 18 were minor injuries requiring first aid or medical treatment and there were 9 near misses.

There were 40 hazard alerts received, representing a significant increase in preceding years. This is due to a broader reporting base and improved reporting systems.

WorkCover claims

Table 8: WorkCover claims - 5 years

	2010/11	2011/12	2012/13	2013/14	2014/15
New standard* claims	1	2	6	5	5
New minor claims	5	4	13	5	2
Total	6	6	19	10	7

* For a claim to be classified as a standard claim it must exceed a threshold of \$660 of medical payments or ten days' lost time. Any claim that falls below these thresholds is classified as a minor claim.

The number of WorkCover minor claims decreased while the standard claims remained the same. Of the 5 standard claims one was due to a fall and four were manual handling injuries. Manual handling remains the greatest OHS risk at Western Water. Programs addressing this and other risks include:

- ongoing manual handling training for field and office-based staff
- significant investment in management and support of staff with work related or pre-existing

injuries

- improvements to the OHS induction program for staff and contractors
- ongoing elimination of hazards, and
- ongoing development of Safe Work Method Statements and contractor management, reducing overall OHS risk.

Table 9: WorkCover lost days - 5 years

	2010/11	2011/12	2012/13	2013/14	2014/15
Lost time injuries	2	2	2	2	3
Lost time injury days	109	78	135	118	33

WorkCover lost days

WorkCover lost days significantly decreased in 2014/15. Of the 33 days lost, the majority were due to injuries that occurred outside the reporting period and were due to ongoing surgical and paramedical treatment of pre-existing injuries. Western Water's return to work programs are fully supported at all levels of the organisation, reducing the impact of work related injuries and the number of WorkCover lost days.

WorkCover premiums

WorkCover premiums decreased in 2014/15. The premiums are calculated from the application of industry rates and claims made between 1 January 2012 and 30 June 2014, thereby reflecting the claim history within that period. Claims reported after 30 June 2014 are not used in this year's premium, but form part of the claims history and will affect future premiums. To further reduce the WorkCover premium, Western Water is working to reduce injuries and return injured workers to meaningful work as quickly as possible.

Table 10: WorkCover premiums (\$) - 5 years

	2010/11	2011/12	2012/13	2013/14	2014/15
Premiums	164,943	173,178	228,984*	199,509*	172,395**

*This figure excludes GST and is the certified premium.

**Excludes GST and is the WorkSafe generated estimate.

Operations report

Water consumption and drought response

Reservoir levels

Most of Western Water’s service region is supplied by two major local reservoirs – Rosslynne and Merrimu. Having recovered capacity significantly in recent years, these local water sources are used for drinking water supply whenever possible. In 2014/15, 98% of all drinking water supplied was sourced from local catchments, compared to 74% the year before.

The combined reservoir storage levels dropped in the reporting period from 66% to 33% capacity due to poor inflows. To assure future water supply security, it is critical that the Western Water region remains connected to the Melbourne Headworks system, maintaining and securing its bulk entitlement in that system to supplement local sources, especially during high demand over summer months.

Table 11: Major reservoir levels (% capacity) - 10 years

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Rosslynne Reservoir	7%	4%	3%	3%	5%	66%	72%	85%	76%	44%
Merrimu Reservoir	17%	13%	13%	10%	9%	85%	78%	76%	63%	29%

Total drinking water consumption

During 2014/15, Western Water supplied 13,101 million litres of drinking water to the service region. This is an increase of 3.6% on last year and the highest level of annual water consumption in over a decade. However, residential per capita usage decreased marginally in 2014/15 from 168 to 166 litres per person per day.

Table 12: Regional water consumption (ML) and population – 10 years

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Consumption (ML)	12,891	11,601	10,730	10,719	10,592	10,251	11,260	12,830	12,648	13,101
Population	128,758	131,312	134,810	139,730	144,948	150,664	155,431	158,290	159,813	161,447

Chart 2: Water consumption (ML) - 10 years

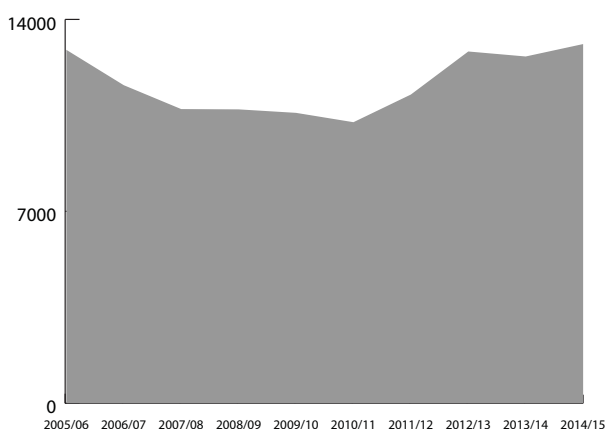
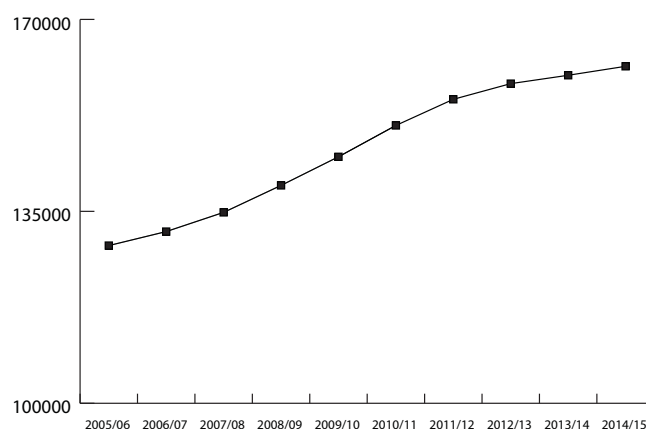


Chart 3: Service area population - 10 years



Consumption by district

Western Water monitors water consumption at a town level and, in some cases, smaller district areas within towns. Collection of data to this level enables alerts of sudden changes in water demand which can indicate bursts or leaks within the reticulation system. Consumption of recycled water is also monitored and included in Table 13. Western Water will be trialling a stormwater project at Toolern, near Melton, in the coming year. There is no stormwater consumption to report.

Table 13: Water consumption (ML) by district

	Bacchus Marsh	Sunbury/ Macedon Ranges	Melton/ Eynesbury	Romsey/ Lancefield	Total
Residential water customers	7,727	23,360	21,944	2,387	55,418
Residential water consumption (ML)	1,474	4,041	3,911	410	9,836
Residential per capita consumption (litres/ person/day)	178	162	166	161	166
Non-residential water customers	514	1,471	909	165	3,059
Non-residential water consumption (ML)	269	737	714	75	1,795
Annual real water losses (ML)	152	417	404	42	1,015
Non-revenue water (ML)	220	604	584	62	1,470
Total annual consumption (ML)	1,963	5,382	5,209	547	13,101
Average annual consumption (7 years)* (ML)	1,803	4,918	4,772	503	11,996
Recycled water consumption (ML)	427	1,312	3,536	294	5,569

* average calculated for the seven financial years to 30 June 2015

Table 14: Average daily household drinking water consumption (ML)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Daily consumption (ave)	22	23	23	27	31	30	32	34	28	27	23	23
Monthly consumption	688	721	700	850	933	929	994	966	867	797	715	677

Water quality

Consistent with previous years, all of Western Water's 19 water quality zones complied with all microbiological requirements for drinking water quality. In February 2015, Western Water also passed an external hazards and critical control points (HACCP) audit for drinking water quality.

Western Water continued to draw the majority of its water from local sources during 2014/15, with only 2% drawn from the Melbourne water supply system. Periodic maintenance flows of water sourced from the Melbourne system were achieved with improved customer communications of system changes and improved monitoring.

Whilst there were no significant water quality related capital projects in the year, a project to improve the condition of water tanks in the distribution system is planned for the 2015/16 financial year.

Corporate water consumption

Corporate water consumption data is based on water used at Western Water's Sunbury administration office. It does not include water consumption at any other sites including depots, treatment plants or sewer infrastructure.

In 2014/15, corporate water consumption increased to 488,000 litres, with usage per FTE staff member higher than the prior year. The water meter at the Sunbury office is shared with other tenants in the building. As a result, corporate water consumption is calculated on the proportion of Western Water staff in the building. Increased usage can be misleading as it can be affected by significantly higher usage by other tenants as well as greater numbers of visitors, contractors and consultants who are not included in the FTE figure.

Western Water conserves drinking water supplies by using recycled water where available to wash fleet vehicles, for garden watering, cleaning and other maintenance tasks at recycled water plants.

Table 15: Office based water consumption (kL) – 5 years

	2010/11	2011/12	2012/13	2013/14	2014/15
Water consumption (kL)	382	374	395	428	488
Full time equivalent (FTE) staff	95	106	108	105	100
Water consumption (kL) per year per FTE staff	4.0	3.5	3.7	4.1	4.9

Non-revenue water and real water losses

Table 16: Real water losses calculation (ML)

	Non-revenue water	Western Water operational usage	Fire fighting usage (estimated)	Unauthorised consumption and meter errors (estimated)	Annual real losses
Drinking water (ML)	1,470	129	80	246	1,015

Non-revenue water - including real water losses - is calculated and reported every customer billing period (i.e. three times each year). The calculation methodology is aligned with the guidelines in the National Performance Framework. A summary of water supplied and consumption - including water supply network losses for 2014/15 - is shown in Table 2: Business at a glance.

Addressing water losses is a key component of Western Water's efficiency approach to guarantee future supply. Total estimated non-revenue water for the supply system was 11.2% of water consumption. However, real losses (i.e. bursts and leaks from the supply system) are estimated at 7.8% of total consumption, as shown in Table 16.

The amount of water losses has increased from the prior year's results of 9.0% and 5.5% respectively. This is due to the following:

- increased flushing of water mains in 2014/15 to reduce water quality complaints
- a suspected increase in unauthorised taking of water by land developers, water carters and farmers associated with greater land development activity and reduced rainfall in the reporting period, and
- short term effect of fluctuations in data due to the different timing of meter readings.

Table 17 shows annual values for non-revenue water and real losses over the past five years. Results for 2012/13 (hot, dry with bursts and suspected thefts) and 2013/14 (high rainfall period) are extreme ends of the spectrum. The 2014/15 results are close to the average over time.

Table 17: Non-revenue water and real water losses (% of total consumption) - 5 years

	2010/11	2011/12	2012/13	2013/14	2014/15	5 year performance average
Non-revenue water	10.9%	10.5%	12.9%	9.0%	11.2%	10.9%
Real water losses	8.2%	8.0%	8.4%	5.5%	7.8%	7.6%

Bulk entitlements, transfers, groundwater and water shares

Western Water has ten bulk entitlements which provide rights to use and supply water. Bulk entitlement agreements specify rules regarding the timing, location, type and amount of water that can be taken from streams, reservoirs and headworks.

Much of the local water sourced for the region is supplied through bulk entitlements to the region's two major reservoirs: Merrimu Reservoir, near Bacchus Marsh, and Rosslynne Reservoir, near Gisborne. Both reservoirs are owned and operated by Southern Rural Water. Entitlements also exist for a number of smaller local storages and reservoirs.

Western Water also has an entitlement to access water from the Melbourne Headworks system. This entitlement was critical during the Millennium Drought.

The Bulk Entitlements Report in Appendix 2 provides details about water sourced by Western Water, and its compliance with the 10 bulk entitlements, as well as transfers and other related topics.

To supplement surface water supplies, Western Water has access to groundwater from bores in Lancefield and Romsey. Groundwater is supplied in compliance with Take and Use Licences issued to Western Water. Groundwater supplies are closely monitored via a network of monitoring bores which allow Western Water to determine any impacts on the greater aquifer.

A connecting pipeline from Romsey to Lancefield was commissioned during the year allowing Western Water to transfer water from its greater water supply network to Lancefield. This allowed greater flexibility to optimise water quality supplied to Lancefield during 2014/15 as well as enhancing supply security.

Drought response

Western Water's Water Supply Demand Strategy and Drought Response Plan provide guidance to ensure adequate long term supply to customers, accommodating population growth across the region. It is supported by an annual operating plan that guides water supply operations.

All customers in Western Water's service area have been on Permanent Water Saving Rules since December 2012.

Western Water's Drought Response Plan By-Law was not invoked during the year. While shortages in small surface supplies were experienced in Lancefield and Romsey, these were addressed by groundwater and surface water transfers from other connected systems.

Water efficiency

Major non-residential water users

Non-residential customers make up 5% of Western Water's customer base and account for 14% of water consumption. However, there are no major water users in the region exceeding 200 million litres of drinking water consumption per year. Western Water's two largest non-residential water customers are ABMT Textiles and Saizeriya Australia who respectively consumed 67 and 90 million litres of drinking water in the past year.

Western Water works closely with all large non-residential water users to address their water consumption, as illustrated in Table 18. Alternative water solutions are offered whenever suitable.

Table 18: Large non-residential customer participation in water conservation programs

Customer name	Water conservation actions
ABMT Textiles, Melton	ABMT continue to implement actions identified in cleaner production strategies as well as other improvements that have reduced general water consumption. Overall, water usage per kilogram of product has reduced by 20% since 2009/10. Western Water is working with ABMT to progress the implementation of the modified trade waste treatment processes. ABMT has committed to implement an innovative treatment process to capture the salt and water for reuse within the process.
Saizeriya Australia, Melton	Saizeriya is implementing opportunities to minimise waste and water consumption, as identified in its waste management and cleaner production plan. They are also participating in research with Western Water to identify other water efficiency opportunities and considering involvement in a potential waste to energy program.
Tripod Farmers, Bacchus Marsh	Western Water has worked with Tripod Farmers to engage an independent expert to undertake a water balancing assessment and improve water management and efficiency. The findings and recommendations of this report are with Tripod Farmers for consideration.

Other water efficiency actions

Key activities addressing water efficiency with major customers during 2014/15 include:

- a nodal monitoring program, aimed at establishing key water (and sewer) real-time monitoring locations across all towns serviced, continues to be rolled out over the current Water Plan period. These monitoring sites and their outputs align with the work of the Intelligent Water Networks to enable improved system management, asset utilisation, customer service and performance optimisation
- a key account program that works with major businesses to better understand water usage patterns and encourage use of local water solutions wherever relevant. This is supported by the provision of intelligent meters to large and key customers to help monitor, understand and reduce water usage, and
- ongoing development of the market for recycled water. Currently we supply 105 non-residential properties with locally sourced recycled water to provide a resilient water supply, supporting commerce and industry across the region.

In the coming year, Western Water will focus on greater collaboration with stakeholders to prioritise integrated water management initiatives to deliver innovative solutions to industry, commercial businesses and agriculture within the region.

Environmental sustainability

Sustainable water use

Western Water's Integrated Water Management (IWM) Strategy outlines a new approach to water planning and management, safeguarding water resources for the future. The strategy provides a platform to collaborate with regional partners and implement whole-of-water-cycle opportunities that contribute value to the community.

The IWM Strategy aims to deliver a range of outcomes, including:

- optimising local water supplies
- maximising the beneficial reuse of recycled water
- protecting waterway health
- enhancing liveability, and
- maintaining economic prosperity.

The strategy aims to achieve:

- maximum (greater than 95%) drinking water sourced from local supplies
- reduction of 50% in drinking water consumption in new growth areas through alternative supply, and
- 100% beneficial reuse of recycled water.

Significant sustainable water achievements during 2014/15 include:

- allocation of 1.2 gigalitres of Class C recycled water from the Melton Recycled Water Scheme to outer Eynesbury for beneficial agricultural use
- allocation of 60 million litres of Class C recycled water from the Bacchus Marsh Recycled Water Scheme supporting industry and substituting potable water in the Parwan region

- commencement of stormwater harvesting scheme pilot in Toolern, south of Melton, and
- connection of Romsey Golf Club and Recreation Reserve to the Class C Romsey Recycled Water Scheme saving approximately 20 million litres of drinking water annually.

Sourcing water from the Melbourne system will remain an integral component of Western Water's plan to meet growing customer demand and insure against potential future severe dry periods and peak demand events.

Recycled water

In 2014/15, Western Water's seven recycled water plants received 9,030 million litres of sewage and produced 7,500 million litres of recycled water. Almost three quarters of this available volume was used by customers. This equates to savings of an estimated 2,467 million litres of drinking water through substitution with recycled water for non-potable purposes. Overall, the use of recycled water in the region is equal to more than 40% of drinking water consumption.

Recycled water customer numbers increased significantly in the past year, with strong growth in the number of residential customers supplied with Class A recycled water. Close to 1,300 customers now have recycled water supplied to their homes in Eynesbury and Toolern.

Customer numbers also grew from 84 to 88 for Class B and Class C recycled water. These customers include recreational, agricultural, local government and construction businesses.

Table 19: Recycled water volume produced and used (ML) and % used – 5 years

	2010/11	2011/12	2012/13	2013/14	2014/15
Recycled water (ML)	7,992	7,544	7,494	7,628	7,500
Recycled water used (ML)	4,156	4,225	5,021	5,042	5,569
Recycled water used (%)	52%	56%	67%	66%	74%

In addition to integrated water management highlights mentioned previously, further highlights for Western Water's recycled water program during 2014/15 include:

- continuing Class A recycled water for clothes washing machines investigations by allowing the installation of recycled water taps in laundries of all new homes in Eynesbury. Monitoring at Eynesbury will inform Western Water's long term strategic direction on Class A for clothes washing machines, and
- completion of Gisborne Recycled Water Plant case study and Water Quality Offsets Framework for the Victorian water industry, investigating the use of recycled water for environmental flows. This project was undertaken with key stakeholders, with support from Smart Water Fund.

Sustainable and resilient water services systems

Ensuring Western Water has sustainable, resilient water services systems requires a consultative, collaborative approach with all stakeholders; engaging customers, the community and others in our integrated water management philosophy, and encouraging all to make the most of local resources through choosing the right water for the purpose and conserving resources as much as possible. We have undertaken the following activities in 2014/15 to build sustainable, resilient water services systems.

Working with customers

Western Water's sustainable gardening program continued in 2014/15 providing monthly electronic newsletters to more than 2,000 subscribers with local advice on sustainable gardening practices. In partnership with local government and community groups, the program has also provided workshops and presentations to more than 300 customers featuring strong promotion of waterwise gardening behaviours.

Western Water continued to promote showerhead exchange and government rebates for water-

efficient purchases during 2014/15. We also worked directly with customers in Eynesbury to trial the use of recycled water in washing machines. Part of an ongoing study, the trial will provide valuable insights into the potential for the additional use for recycled water in our service region.

Community awareness and engagement

In support of our customer-focussed sustainable gardening program, Western Water provided 11 grants to community groups and schools during 2014/15. Four grants were provided for community garden projects and a further seven grants were given to local primary schools and preschools for their gardens, including two grants to provide water tanks.

Western Water formally expanded its community advisory network in the reporting period to incorporate the online panel of customers who had been recruited through our research program and at community events as well as all customers who had registered their email address. Membership of the online panel now exceeds 7,000 customers and will provide a vital consultation tool in helping the business prepare for development of the upcoming Price Submission. Members of the customer reference groups who have traditionally met 3-4 times a year will instead meet when consultation for the Price Submission gets underway.

More than 7,500 preschool and primary students took part in presentations by trained educators as part of Western Water's education program in the reporting period. In a new initiative for 2014/15, presenters are visiting local cub groups and we are also looking to expand presentations to girl guides and VCAL students. Western Water's longstanding, successful engagement with schools has resulted in 26 out of the 60 schools in our service region now involved in the Schools Water Efficiency Program. This is one of the highest levels of involvement across the state.

Western Water is also taking sustainable water messages focussing on drinking tap water to community events through its purpose designed H2O Café marquee. Set up like a café environment, staff

engage with the community by offering them free drinking water and magazines featuring Western Water's achievements and key messages for the local area.

We are also promoting Choose Tap in our service region. This commenced with the H2O Café and we have now also provided close to 50 local cafes with glass Choose Tap bottles for table service to encourage customers to drink tap water. Plans are well underway to provide local businesses with Choose Tap bottles for staff in the coming year, create a Choose Tap sports partnership and to install Choose Tap drinking fountains in public places in our major towns, in partnership with local councils.

Industry programs

This year Western Water led the development of the Water Quality Offsets Framework to assist Victorian water corporations to utilise offsets in waterways to meet regulatory compliance. The framework was developed to ensure the best outcomes for the environment and the community at the least cost to the water corporation.

Our Sunbury Integrated Water Management Analysis (IWMA) involves multiple stakeholders and aims to inform the future planning, design and construction of the development areas and the water infrastructure which supports it. This study considers proposed development across Sunbury region, which are anticipated to deliver 21,000 new homes. The analysis reviews integrated water management opportunities arising from development that could deliver greater community outcomes when compared to traditional servicing options.

Likewise, the Melton IWMA is a multiple stakeholder project that is investigating the best way to service the growing Melton community. The analysis aims to identify and optimise opportunities that use all available water resources to deliver community and stakeholder benefits through improved liveability, waterway health and wellbeing.

Western Water continues to play a lead role in the water industry's Intelligent Water Networks

(IWN) to encourage trials, shared services and joint procurement to ensure opportunities are more efficient and leveraged whenever possible.

Working with local government

Western Water actively partners with councils to deliver alternative water to support liveable communities and they are intrinsically involved in integrated water management planning. Councils are among the largest users of recycled water across the service area and most major recreation reserves in the region are now supplied with recycled water. We also work closely with councils on capital works projects including strong involvement from Macedon Ranges Shire Council in the past year on the Mount Macedon Sewerage Solution and in the pipeline to provide recycled water to Romsey Golf Club and Recreation Reserve.

In addition, we are continuing to build stronger ties with councils through joint initiatives on customer programs including the sustainable gardening program and the Choose Tap campaign. In 2015/16, we aim to work more closely with councils on these and further programs.

Environmental statutory obligations

Regional Catchment Management Strategy

The Regional Catchment Management Strategy contains a number of objectives and targets towards improving land, water and biodiversity as part of environmental and catchment management of Victoria. The objectives and targets outlined are assigned to a number of stakeholders including water corporations. Specifically, Western Water must comply with targets regarding bulk water entitlements and biodiversity management. More information on Western Water's bulk entitlement agreements is contained in Appendix 2.

Western Water is a significant landholder and undertakes biodiversity enhancement actions at its properties including the following in 2014/15:

- planting trees along Jacksons Creek in Sunbury and Deep Creek in Romsey
- assisting Pinkerton Landcare and Environment Group (PLEG) with the ecological restoration of the Werribee River Volcanic Gorge, resulting in jointly winning the Keep Australia Beautiful's Protection of the Environment Award, and
- obtaining approval under the Biodiversity Conservation Strategy for the removal of native vegetation for the upgrade of the Sunbury Recycled Water Plant.

Victorian Biodiversity Strategy

The Victorian Biodiversity Strategy requires Western Water to undertake weed and pest control programs at its landholdings. During the reporting period, particular focus was given to the ongoing and extensive rehabilitation work of a 30 hectare block of land known as Pinkerton Link. The land was previously used for controlled disposal of sewage sludge.

Through this project which will span many years, native vegetation is being seeded to create a habitat corridor between two remnants of significant Grey Box Woodland at Pinkerton Forest and Bush's Paddock. This year 50kg of native seeds were collected from

previously seeded areas to further the biodiversity enhancement work at the link.

Victorian Waterway Management Strategy

Rivers within Western Water's service region are classified as Cleared Hills and Coastal Plains in the State Environment Protection Policy (Waters of Victoria). The Victorian Waterway Management Strategy outlines specific management issues required for waterways for various stakeholders including water authorities. Western Water is committed to minimising any potential impacts on surface water quality from the discharge of recycled water to streams. We also aim to achieve the objectives specified for the protection of the river segments in the Waters of Victoria Policy.

Waterway management obligations

Western Water has no direct jurisdiction in the control of river health. However, we recognise that activities - such as discharging recycled water to streams and harvesting water from streams - can have adverse impact on river health. Western Water also owns assets along waterways.

Western Water is helping ensure waterway health through:

- implementing a recycled water business model to fund schemes that will reduce the quantity of recycled water discharged to waterways, improving river health
- working with Melbourne Water, local government and other stakeholders to ensure there is adequate water resources available for maintaining flows in rivers and streams through the development of an Integrated Water Management Strategy
- working with Melbourne Water (over the past six years) on the stream frontage program - with additional funding from other agencies - to enhance stream frontages, planting trees and shrubs to minimise soil erosion, and enhance biodiversity values

- building partnerships with local landcare and environment groups who assist with work and to obtain Federal Government funding for joint biodiversity projects
- working closely with the farming community on sustainable land management practices (e.g. providing controlled grazing opportunities to minimise weeds and improve biodiversity values)
- working with other water corporations and stakeholders to develop an offset management framework to consider opportunities to improve river health through offsets and improve net environmental outcomes
- funding biodiversity programs as part of Victorian Biodiversity Strategy and managing weeds as required in the *Catchment and Land Protection Act*.

Western Water is also committed to minimising the impact on the environment and risks to the aquatic ecosystem from its activities. To support this, the following actions were undertaken in 2014/15:

- planting 3,400 trees and shrubs along Jacksons Creek, Deep Creek and at Pinkerton Link, and
- controlling noxious weeds and pest animals.

State Environment Protection Policy (Waters of Victoria)

A core activity for Western Water is the collection of domestic wastewater and trade waste, and treating that waste to a standard to protect the environment. These standards are stipulated by State Environment Protection Policy (Waters of Victoria), outlined in licences issued by Victoria's Environment Protection Authority (EPA).

Western Water holds an EPA-issued amalgamated licence for its seven recycled water plants which are listed as scheduled premises under Environment Protection (Scheduled Premises and Exemptions) Regulations 2007. The policy states that recycled water must be reused, in preference to discharge to waterways, where it is practical and sustainable.

Discharge to waterways

The recycled water plants at Sunbury and Gisborne are licenced to discharge to Jacksons Creek. The Woodend Recycled Water Plant is licenced to discharge to Five Mile Creek. Discharge to surface water must comply with discharge limits for various water quality parameters specified in the licence, and also meet the water quality and biological indicators specified in the State Environment Protection Policy (Waters of Victoria). This compliance must be demonstrated through an appropriate monitoring program.

Discharge to land

The recycled water plants at Bacchus Marsh, Melton, Romsey and Riddells Creek are licenced only for discharge to land for beneficial reuse, with an allowance for automatic discharge to surface water during wet weather conditions. The flexibility in the licence condition is because, regardless of appropriate design at plants¹, some climatic conditions may result in storages and irrigation areas being unable to contain all flows. When required, a controlled release can minimise environmental impact.

During 2014/15, Western Water achieved compliance with all the limits specified in its EPA licence except for pH at the Woodend, Riddells Creek and Romsey recycled water plants. The pH exceedance at Woodend was suspected to be due algal blooms which can occur during summer. In order to prevent further exceedances, acid dosing was undertaken at Woodend Recycled Water Plant and online continuous pH measuring units are being installed at all the plants to detect the pH increase in a timely manner in order to take appropriate control measures.

Riddells Creek, Romsey and Melton recycled water plants do not have enough land for beneficial reuse of recycled water. During the reporting period, it was necessary to discharge excess water to Jacksons Creek, Deep Creek and Werribee River respectively. Such discharges were reported to EPA and considered non-compliance against the EPA licence.

1. The current policy standard relating to recycled water reuse system design is that the occupier must provide adequate irrigation land and storage lagoon capacity to retain all waste up to a 90th percentile wet year.

Western Water has commenced an Ecological Risk Assessment of Jacksons Creek as a precursor to obtaining a licence to discharge to creek from Riddells Creek Recycled Water Plant.

Western Water has obtained a works approval from EPA for the expansion of Sunbury Recycled Water Plant. As part of the works approval process with EPA, Western Water made a commitment to improve the water quality of the future discharge to Jacksons Creek particularly for total nitrogen and total phosphorous. Through this the potential for future adverse impact on Jacksons Creek will be reduced.

Western Water also commenced negotiations with EPA for a reduction of nutrient limits in the EPA licence for the discharge from Gisborne Recycled Water Plant.

Western Water also installed a new irrigation infrastructure at its Woodend Recycled Water Plant to reuse additional recycled water. This will help reduce discharges during summer months when there is low flow in Five Mile Creek.

Stormwater

Working with Melbourne Water, the stormwater harvesting trial in Toolern is an important step in beginning the process for developing best practice environmental management guidelines for urban stormwater management. Western Water expects to liaise closely with all relevant stakeholders as these evolve.

Environmental flows

Western Water is required to manage its water storages in accordance with environmental flow requirements detailed in the bulk entitlements report. To meet these requirements, Western Water's detailed monitoring infrastructure network is regularly examined to ensure compliance.

This network was upgraded in 2012 in conjunction with the Bureau of Meteorology funding program, to improve the accuracy and completeness of data captured. Western Water continues to improve the network with two new metering sites completed

during 2014/15. Details of passing flows and environmental releases can be viewed in Western Water's bulk entitlements report, contained in Appendix 2.

Biosolids

Biosolids are the solid, organic by-product of sewage treatment. They can be reused safely as nutrients, soil conditioners and for compost.

In 2014/15, Western Water developed a partnership with two farms in the Bacchus Marsh area for the beneficial use of biosolids resulting in the beneficial use of approximately 1200 dry tonnes of biosolids produced by the Bacchus Marsh Recycled Water Plant.

Western Water also completed construction of a temporary storage area at Melton RWP for interim storage of biosolids from Sunbury. The construction was undertaken with an approval from EPA. The temporary storage provides an opportunity to dry the biosolids prior to composting at Pinegro's facility to help reduce offensive odours from the composting activity.

Greenhouse gas emissions

Western Water is reducing greenhouse gas emissions through a combination of energy efficiency measures, renewable energy generation and the purchase of carbon offsets.

This year Western Water decided not to retire offsets to reach its aspirational goal of maintaining an annual 50% reduction of net greenhouse gas emissions, based on 2004/05 levels. As a result, net greenhouse gas emissions for 2014/15 are higher than last year at 30,420 tonnes CO₂e. Future offsetting decisions will be informed by policy to be developed by the state government.

Energy consumption

Energy consumption for water treatment and supply was 24,110,036 megajoules. This equates to an energy intensity of 1,840 megajoules per megalitre (MJ/ML) of water produced. Energy consumption for sewage treatment and management was 33,861,710 megajoules. This equates to an energy intensity of 4,516 MJ/ML of effluent produced by recycled water plants.

Table 20: Total energy consumption

	2010/11	2011/12	2012/13	2013/14	2014/15
Energy consumption: water treatment and supply	22,237,672	24,325,421	31,987,963	26,310,392	24,110,036
Energy consumption: sewage treatment and supply	25,858,056	25,742,686	25,806,684	29,199,273	33,861,710
Total potable water produced (ML)	10,251	11,260	12,830	12,648	13,101
Total effluent produced (ML)	7,992	7,544	7,494	7,628	7,498
MJ consumed/ML of potable water	2,169	2,160	2,493	2,080	1,840
MJ consumed/ML of effluent produced	3,235	3,412	3,444	3,828	4,516

Significant activities generating greenhouse gas emissions

The two main activities generating greenhouse gas emissions for Western Water are the treatment and supply of water and the treatment and management of sewage. However, during 2014/15, emissions associated with water treatment and supply decreased by 8%. This was primarily due to decreased demand for pumping Melbourne water supplies, with corresponding increased use of supplies from local water filtration plants.

Emissions generated by sewage treatment and management increased by 28% this year, or 4,600 tonnes CO₂e. There were a number of reasons for this increase:

- new monitoring equipment on the sludge dewatering process at the Melton Recycled Water Plant revealed that volatile suspended solid concentrations had been underestimated in previous years. This correction accounted for an additional 2,800 tonnes CO₂e
- the recycled water plants at Sunbury and Melton combined used an additional one million kilowatt-hours of electricity. This accounted for an additional 1,200 tonnes CO₂e. The Melton plant's increased electricity can in part be attributed to the cogeneration facility being out of operation for 70% of the reporting period, and
- some fuel purchases that had previously been allocated to transport emissions were redirected to stationary emissions due to the inclusion of additional purchasing information from suppliers.

Transportation emissions decreased by 25% from the previous year and were due to the reallocation of fuel use to stationary, as well as a reduction in the volume of fuel used.

Table 21: Significant activities generating GGE (tonnes CO₂e) – 5 years

Activities generating GGE	2010/11	2011/12	2012/13	2013/14	2014/15
Water treatment and supply	7,599	8,176	10,574	8,551	7,903
Sewerage treatment and management	14,916	14,688	15,235	16,186	20,790
Transport	638	572	549	635	476
Other - recycled water distribution	723	719	1,183	1,281	1,252
Other - office	591	547	574	568	0*
Total gross scope 1 and 2 emissions (tonnes CO ₂ e)	24,467	24,702	28,115	27,221	30,420

* Western Water's Sunbury office sourced 100% GreenPower from the grid during 2014/15 which is a zero emissions electricity source.

Net greenhouse gas emission sources

The main contributor to Western Water's overall net greenhouse gas emissions is electricity consumed from the Victorian electricity grid. This accounts for 67% of all emissions. Highlights of Western Water's greenhouse gas reduction program for 2014/15 include:

- implementing our Climate Change Adaptation Strategy, which encompasses risk management, service resilience, operational energy and carbon efficiency
- continuing investigation into redirecting regional organic waste streams from landfill to Melton Recycled Water Plant for treatment and conversion into biogas
- completing the detailed facility study investigation as part of the Greener Government Buildings Program which identified a number of potential energy efficiency initiatives that can be progressed including UV treatment upgrade, improved aeration at Gisborne RWP and advanced methane recovery of digested sludge
- ongoing trials with Victoria University to grow and harvest algae for recycled water treatment and as an alternative biofuel, and
- ongoing creation of Victorian Energy Efficiency Certificates (VEECs) through the WaterTight home plumbing audit program.

Table 22: Net GGE source breakdown* (tonnes CO₂e) – 5 years

	2010/11	2011/12	2012/13	2013/14	2014/15
Nitrous oxide emissions	3,052	3,673	3,643	3,591	3,605
Methane emissions	2,966	2,318	2,994	2,984	5,845**
Diesel consumed	456	386	303	584	520
Unleaded petrol consumed	222	200	172	142	153
Gaseous fuel combustion	25	29	28	49	43
B20 biodiesel	2	2	1	0	0
Other	0	0	0	0	0
Autogas	0	0	1	3	0
Direct emissions (scope 1)	6,723	6,608	7,141	7,353	10,167
Vic grid electricity consumed	17,745	18,094	20,855	19,868	20,834
Reduction from GreenPower purchase	-895	-1,403	-545	-568	-580
Indirect emissions (scope 2)	16,850	16,691	20,310	19,300	20,253
Offsets purchased and retired	-1,952	-5,783	-11,927	-11,436	0
Total net scope 1 and 2 emissions (tonnes CO ₂ e)	21,621	17,515	15,524	15,217	30,420

* Table data has been rounded with total based on actual numbers.

** New monitoring equipment on sludge dewatering process at Melton RWP revealed historical underestimation of emissions.

Social sustainability

Western Water’s service area population grew by 1.0% during the reporting period to reach 161,447. This is lower growth than historically recorded in the region. However, serviced properties grew by 2.6% to 61,190 suggesting an ongoing lag in occupancy rates for new homes.

The regional population is forecast to escalate in coming years as Melton and Sunbury undergo rapid development.

Service delivery

Water supply system

In 2014/15, Western Water supplied water to 58,447 connected properties via 1,856 km of drinking water mains. The extensive reticulation system is maintained through renewals, repairs and operational actions such as valve exercising, mains flushing, and flow and condition monitoring and assessment. These actions help reduce water losses through leakage and bursts and assist in maintaining water quality standards supplied to customers.

Table 23: Water main bursts per 100km – 5 years

	2010/11	2011/12	2012/13	2013/14	2014/15
Bursts per 100km of water main	14.0	18.0	18.8	14.0	12.1

Key performance results during the reporting period include:

- average time for unplanned interruptions increased by 12 minutes from last year to 59 minutes. While higher, this result remains well within the target of 88 minutes. The increase was due to some complex bursts this year requiring additional attention and time.
- average time for planned interruptions increased by 5 minutes since last year to 159 minutes. This was due to the need for several longer and more

detailed shutdowns associated with growth and maintenance. Again, the result remains well within the target of 180 minutes.

- the proportion of customers experiencing repeat unplanned interruptions fell to 0.1% from 1.4% last year, demonstrating improved customer service as a result of the maintenance and renewal program.

The number of water main bursts during 2014/15 was less than in previous years (see Table 23).

Sewer system

In 2014/15, Western Water supplied 52,564 connected properties with sewage and trade waste collection services through 1,231 km of sewer mains and the innovative Sewer Spill Prevention Strategy continued successfully to maintain improved performance of the system.

Overall, there has been a significant decline in sewer blockages and consequent spills since the strategy commenced four years ago, settling to approximately 15 blockages per 100km of sewer mains.

Table 24: Sewer main blockages per 100km – 5 years

	2010/11	2011/12	2012/13	2013/14	2014/15
Sewer blockages per 100km of sewer main	22.1	15.8	12.7	15.7	15.5

Customer service

The total number of customer service calls decreased slightly in 2014/15 as more customers seek information on Western Water's website as well as focussed efforts to improve first call resolution and internal call distribution.

Correspondence increased by 40% – the increase was virtually all refund requests for the Government Water Rebate.

Table 25: Customer service statistics – 5 years

	2010/11	2011/12	2012/13	2013/14	2014/15
Customer service calls received	78,236	67,341	62,410	65,620	63,005
Calls answered within 30 seconds (%)	96%	98%	97%	98%	95%**
Average wait time (seconds)	9	8	8	19*	20*
Correspondence requiring a response	1,909	1,766	1,698	1,953	2,792

*Western Water's privacy message of 10 secs is included in the total for 2013/14 and 2014/15

** Western Water introduced a new telephone system in December 2014. Callers are now answered by an auto attendant that allows customers to select from a number of options to fast track their call to the appropriate area.

Managing complaints

Overall customer complaints reduced by 16% (from 265 to 222) during 2014/15. This was mainly due to a reduction in water quality complaints.

When a customer is not satisfied with Western Water's service, they have the opportunity to refer their issue to the Energy and Water Ombudsman Victoria (EWOV).

During 2014/15, EWOV handled 16 referrals on behalf of Western Water customers. The majority of these were handled as enquiries requiring no further action with only one being escalated for further investigation by the Ombudsman's office. This case has now been resolved.

Table 26: Customer complaints – FY14 vs FY15

Complaint category	2013/14	2014/15
Water quality	221	185
Water supply reliability	4	1
Sewerage service reliability	0	1
Payment issue	25	24
Flow rate	4	1
Sewerage odour	2	0
Other	9	10
Total	265	222

Community service obligations

More than a quarter of Western Water's residential customers hold a pensioner, healthcare or a veteran affairs concession card. During the year, a total of 45,817 concessions were provided, amounting to \$3.7 million with an annual concession cap of \$291. There was a slight increase in the number of not-for-profit organisations receiving rebates on their annual water and sewer charges.

The number of customers receiving Utility Relief Grants provided by Department of Health and Human Services (DHHS) decreased this year. Customers receive payments for the Hardship Relief Grant Scheme (Sewerage Connection Scheme) and Non-Mains Water Concession directly from DHHS. While the number of life support customers reduced slightly, the amount rebated for life support increased as more water was used by eligible customers.

Addressing hardship

Western Water is a member of the Vulnerable Customer Taskforce, a water industry group formed to provide a consistent approach to prevention, early identification and provision of assistance to financially vulnerable and hardship customers. We also work with local financial counsellors to support customers experiencing financial difficulty, offering customers tailored individual payment solutions when required.

During 2014/15, 143 customers entered our Customer Support Program while 76 customers graduated. This is nearly twice the number since 2013/14 indicating the program's success in assisting vulnerable

customers. Of 372 applications for financial assistance received from customers, 226 applications were approved, totalling over \$101,559. Staff also visited 156 properties of customers in need of support.

Service charges

Western Water's tariffs for 2013/14 were based on the Water Plan 2013-2018 price determination by the ESC.

Table 28: Water and sewerage charges

	Residential	Non-residential
Water service & usage		
Service charge (per annum)	\$236.62	\$236.62
Usage (per kl) - rate based on average litres used per day per bill		
0-440 litres	\$1.5412	\$2.0500
441-888 litres	\$2.0500	
889+ litres	\$4.1162	
Sewerage tariff		
Service charge (per annum)	\$537.40	\$537.40
Class A recycled water		
Service charge (per annum)	\$104.70	
Usage (per kl)	\$1.5412	

Table 27: Community service obligations – FY14 vs FY15

Concession type	2013/14		2014/15	
	No.	\$	No.	\$
Pensioners, Healthcare, Veterans Affairs	14,713	3,439,148	14,768	3,677,942
Not for profit rebates	441	159,399	466	161,189
Utility Relief Grant Scheme	299	130,880	226	101,559
Water concession on life support machines – haemodialysis	7	1,330	6	1,783

Performance Report

Performance reporting indicators

Financial performance indicators

Table 29: Financial performance indicators

Performance indicator	2013/14 Result	2014/15 Result	2014/15 Target	Variance to prior year %	Notes	Variance to target %	Notes
Cash interest cover (times) Net operating cash flows before net interest and tax/ net interest payments	2.15	2.88	2.50	34.0%	1a	15.2%	1b
Gearing ratio (%) Total debt (including finance leases)/ total assets * 100	24.6%	25.1%	26.0%	2.0%		(3.5%)	
Internal financing ratio (%) Net operating cash flow less dividends/ capital expenditure * 100	61.2%	118.0%	57.3%	92.8%	2a	105.9%	2b
Current ratio (times) Current assets/ current liabilities (excluding long-term employee provisions and revenue in advance)	0.45	1.14	0.85	153.3%	3a	34.1%	3b
Return on assets (%) Earnings before net interest and tax/ average assets * 100	1.75%	3.12%	2.74%	78.3%	4a	13.9%	4b
Return on equity (%) Net profit after tax/ average total equity * 100	0.25%	1.85%	1.18%	640.0%	5a	56.8%	5b
EBITDA margin (%) # Earnings before interest, tax, depreciation and amortisation/ total revenue * 100	38.36%	49.55%	47.25%	29.2%	6a	4.9%	

Notes:

1a, 2a, 4a, 5a, 6a *The variance is due to improved operating profit and cash flows as a result of increased developers' contributions and service charges revenue, in addition to lower payments to suppliers. Increased use of local water supplies resulted in lower purchases from the Melbourne water system which contributed to the lower payments to suppliers.*

1b, 2b, 4b, 5b *The improved result compared to target includes additional revenue from higher water sales volumes, and only minimal water purchased as local supplies were optimised.*

3a *The improved ratio is a result of a \$16.5m reduction in loans maturing in the next 12 months combined with an increase in the cash balance at 30 June 2015. The cash balance is temporarily higher due to capital expenditure forecast for the 2015 year being deferred into the 2016 year. The increased cash balance will support payment of the expenditure deferred to 2016.*

3b *The improved ratio is due to a higher than planned cash balance at 30 June 2015. The cash balance is temporarily higher due to capital expenditure forecast for the 2015 year, being deferred into the 2016 year. The increased cash balance will support payment of the expenditure deferred to 2016.*

The EBITDA margin has been recalculated for 2013/14 due to the omission of interest income (\$115k) from the net interest calculation. The EBITDA result in the 2013/14 Annual Report was stated at 38.21%.

Water and sewerage service performance indicators

Table 30: Water and sewerage service performance indicators

Performance indicator	2013/14 Result	2014/15 Result	2014/15 Target	Variance to prior year %	Notes	Variance to target %	Notes
Unplanned water supply interruptions Number of customers receiving >5 unplanned interruptions in the year/ total number of water (domestic and non-domestic) customers * 100	0.0%	0.0%	0.01%	0.0%		(100.0%)	6b
Interruption time indicators Average duration of unplanned water supply interruptions	47 minutes	59.2 minutes	88 minutes	26.0%	7a	(32.7%)	7b
Restoration of unplanned water supply Unplanned water supply interruptions restored within 5 hours/total unplanned water supply interruptions * 100	99.0%	98.5%	98.0%	(0.5%)		0.5%	
Containment of sewer spills Sewer spills from reticulation and branch sewers contained within 5 hours/ total sewer spills from reticulation and branch sewers	100.0%	100.0%	99.9%	0.0%		0.1%	
Sewerage interruptions Number of residential sewerage customers affected by sewerage interruptions restored within 5 hours	100.0%	100.0%	100.0%	0.0%		0.0%	

Notes:

- 6b Western Water has a focussed water mains renewal program which considers repeat failures as a key asset management driver. This, along with consequence of failure considerations such as number of customers affected, cost of repair and recovery, potential for damage etc, aims to minimise repeat failures through a targeted renewals program which has the greatest impact on this indicator. The other impact is 3rd party contractors hitting our mains by mistake. Western Water provides dial-before-you-dig advice as a mitigation against this. The target is small to allow for unforeseen events that occasionally occur. However, in most years, no customers receive more than 5 interruptions.*
- 7a The average duration of unplanned interruptions is governed largely by the time to undertake the repair of a burst main. This activity is highly variable depending on the situation of the burst. During 2014/15 on average it took 12 minutes extra over the previous year to restore unplanned water supply interruptions, which was associated with some bursts being complex and taking extra time to complete. However, this result is still acceptable as it was 29 minutes better than plan. Restoration of interruptions will continue to be assessed on a case by case basis and repaired to ensure minimal customer inconvenience whilst ensuring quality repairs are performed to reduce repeat interruptions.*
- 7b The average duration of unplanned interruptions in governed largely by the time to undertake the repair of a burst main. This activity is highly variable depending on the situation of the burst, and the target of 88 minutes for this KPI is provided to ensure adequate time expectation to allow the repair crew to complete a quality repair, rather than conveying a message that the job must be done as fast as possible. Again, during 2014/15, repair crews have been able to complete repairs on average well within the target, acknowledging their experience, training and processes.*

Customer responsiveness performance indicators

Table 31: Customer responsiveness performance indicators

Performance indicator	2013/14 Result	2014/15 Result	2014/15 Target	Variance to prior year %	Notes	Variance to target %	Notes
Water quality complaints Number of complaints per 100 customers							
- Colour	0.198	0.175	0.206	(11.6%)	8a	(15.0%)	8b
- Taste and odour	0.116	0.109	0.085	(6.0%)	9a	28.2%	9b
- Turbidity	0.000	0.000	0.000	0.0%		0.0%	
- Other	0.015	0.038	0.034	153.3%	10a	11.8%	10b
Sewerage service quality complaints Number of complaints per 100 customers	0.000	0.002	0.020	100.0%	11a	(90.0%)	11b
Sewage odour complaints Number of complaints per 100 customers	0.004	0.000	0.003	(100.0%)	12a	(100.0%)	12b
Billing complaints Number of complaints per 100 customers	0.042	0.039	0.050	(7.1%)	13a	(22.0%)	13b

Notes:

- 8a *Eleven fewer comments received as a result of continuation of the air scouring program cleaning the pipe network.*
- 8b *Target number of complaints relating to colour was higher as it was anticipated additional complaints would arise with the switch to Rosslynne water at the start of the 2014/15 year.*
- 9a *Two less complaints received, with 67 in 2014/15 (2013/14: 69), which includes three less complaints from the Lancefield area following alternative water supplies being blended with local bore water after commissioning of a new supply main.*
- 9b *The switch to Rosslynne supply generated higher taste complaints. Ongoing monitoring and analysis will aim to minimise water quality variations.*
- 10a *Increased air scouring has resulted in higher than prior year complaints of cloudy water, with air bubbles present in water. Social media is used to educate customers when planned maintenance is undertaken.*
- 10b *Continuation of air scouring program has resulted in higher than planned complaints of cloudy water, with air bubbles present in water. Social media is used to educate customer when planned maintenance is undertaken.*
- 11a *One complaint received for the year with no complaints received in the prior year. Rectifications works were carried out to eliminate the issue.*
- 11b *Only one complaint against a target of ten was received during the year due to continued targeted maintenance under the Sewer Spill Prevention Strategy.*
- 12a *Nil sewer odour complaints received in current year compared to two in the prior year. Stockpile of biosolids was removed to eliminate the problem.*
- 12b *Stockpile of biosolids was removed to eliminate sewerage odour issues experienced in the prior year.*
- 13a *Five fewer affordability complaints received possibly due to the introduction of the \$100 Government Water Rebate.*
- 13b *Fewer affordability complaints received possibly due to the introduction of the \$100 Government Water Rebate.*

Environmental performance indicators

Table 32: Environmental performance indicators

Performance indicator	2012/13 Result	2013/14 Result	2013/14 Target	Variance to prior year %	Notes	Variance to target %	Notes
Effluent reuse volume (end use) Percentage recycled for each category	66.1%	74.3%	56.3%	12.4%	14a	32.0%	14b
Total net CO₂ emissions Net tonnes CO ₂ equivalent	15,217	30,420	15,217	99.9%	15a	99.9%	15b

Notes:

- 14a There was lower than average rainfall in 2014/15 which increased demand, reduced inflows and reduced volume available.
- 14b The reuse target for 2014/15 was based on an average rainfall year. The reuse target was also based on increased inflows due to growth. Actual growth was lower than forecast, and there was an increased demand due to low rainfall and additional recycled water allocation at Bacchus Marsh.
- 15a, 15b Western Water is reducing greenhouse gas emissions through a combination of energy efficiency measures, renewable energy generation and the purchase of carbon offsets. This year Western Water decided not to retire offsets to reduce annual net greenhouse gas emission. Over 2015/16, Western Water will update its approach to greenhouse gas emission reduction.

Certification of Performance Report 2014/15

We certify that the accompanying Performance Report of Western Region Water Corporation in respect of the 2014/15 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Environment, Climate Change and Water and as set out in the 2014/15 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 variation between 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.



Lucia Cade, Chair



Neil Brennan, Accountable Officer



Julie Williams, Chief Financial Officer

2 September 2015

Auditor General's report on the Performance Report



INDEPENDENT AUDITOR'S REPORT

To the Board Members, Western Region Water Corporation

The Performance Report

The accompanying performance report for the year ended 30 June 2015 of the Western Region Water Corporation which comprises the performance report, the related notes and the certification of performance report has been audited.

The Board Members' Responsibility for the Performance Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the performance report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the performance report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the overall presentation of the performance report.

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

Auditing in the Public Interest

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the performance report of the Western Region Water Corporation in respect of the 30 June 2015 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

MELBOURNE
2 September 2015



John Doyle
Auditor-General

Other disclosures

Implementation of the Victorian Industry Participation Policy

In October 2003, Parliament passed the *Victorian Industry Participation Policy (VIPP) Act 2003*. This requires public bodies and departments to report on implementation of the VIPP. The policy was developed to ensure that applicable Government projects use local suppliers whenever and wherever they offer the best value for money.

Department and public bodies are required to apply VIPP in all tenders over \$3 million in metropolitan Melbourne and \$1 million in regional Victoria. In Western Water's service area, both Hume City Council and Melton City Council are considered metropolitan, while Moorabool Shire Council and Macedon Ranges Shire Council are regional.

Table 33: VIPP applicable contracts

New projects	Western Water had one new metropolitan VIPP applicable project in 2014/15, which will be completed in 2017/18: Surbiton Park Biosolids Facility Upgrade at Melton Recycled Water Plant. Procurement for this \$7 million project commenced in 2014/15. Construction will commence in 2015/16 following selection of contractor. Contracts for this project are yet to be signed meaning that job creation and local content information is not yet available.
Completed projects	There were no projects completed during the period for which contracts were VIPP applicable.

Consultancy expenditure

In 2014/15, there were nine consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during the reporting period in relation to these consultancies is \$328,060 (excluding GST). Details of individual consultancies can be viewed at westernwater.com.au.

In the reporting period, there were four consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during the reporting period in relation to these consultancies is \$24,545 (excluding GST).

Disclosure of major contracts

Western Water did not enter into any contracts greater than \$10 million during the year ended 30 June 2015.

Advertising expenditure

Western Water's total advertising spend in 2014/15 was \$40,585. This very low level of advertising expenditure is a result of ongoing effort to reduce advertising costs including a shift to lower cost, effective advertising in local newsletters and social media for campaigns. Recruitment advertising fell by more than 50% this year.

Table 34: Advertising expenditure breakdown

Advertising category	2013/14	2014/15
Tenders and capital projects	\$23,417	\$10,825
Campaigns	\$25,000	\$17,297
Regional updates	\$1,918	\$1,814
Recruitment	\$24,224	\$10,649
Total	\$74,559	\$40,585

Freedom of information

Victoria's *Freedom of Information Act* gives customers the right to access documents held by government agencies, as well as the right to request that incorrect or misleading information be amended or removed. Western Water is considered to be a government agency under the Act and the decision to release information is made by an authorised officer.

During 2014/15, there were five requests for access to information in accordance with the Act. There were no requests outstanding at 30 June 2014 and, as at 30 June 2015, all requests were finalised.

Table 35: Freedom of information summary

Personal requests received	0
Non personal requests received	5
Requests outstanding at 30 June 2014	0
Reviews by the FOI Commissioner received	0
Reviews by the FOI Commissioner where the original decision was confirmed	0
Reviews by the FOI Commissioner where the original decision was varied or overturned	0
VCAT appeals lodged	0
VCAT appeals confirmed decision	0
VCAT appeals varied or overturned decision	0
Exemptions in requests, reviews by the FOI Commissioner and VCAT appeals	s.33(1)
Total dollar of application fees collected	\$134.50
Total dollar of charges collected and waived	\$0

Names and titles of FOI decision makers

Authorised person - Julie Williams, General Manager Business Services

Principal officer - Neil Brennan, Managing Director

Requests for access to information held by Western Water should be made in writing to:

FOI Officer

Julie Williams, General Manager Business Services
Western Water

PO Box 2371, Sunbury DC Victoria 3429

Phone - 9218 5400

Email - julie.williams@westernwater.com.au

From 1 July 2015, a fee of \$27.50 applies to any application for documents. Additional information and how to make an FOI request is available on Western Water's website and at www.foi.vic.gov.au.

Compliance with the *Building Act 1993*

Western Water complies with the building and maintenance provisions of the *Building Act 1993*.

National Competition Policy

Competitive neutrality seeks to enable fair competition between government and private sector business.

Western Water continues to comply with the requirements of the National Competition Policy and Competitive Neutrality Policy Victoria.

Compliance with *Protected Disclosure Act 2012*

The *Protected Disclosure Act* (PD Act) was part of a package of integrity reforms introduced by the Victorian Coalition Government, which also established the Independent Broad-based Anti-corruption Commission (IBAC).

The PD Act enables people to make disclosures about improper conduct within the public sector without fear of reprisal. It 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. Western Water is a public body for the purposes of the PD Act.

What is improper or corrupt conduct?

Improper or corrupt conduct involves substantial:

- mismanagement of public resources
- 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 Western Water or its Board Directors, officers or employees by contacting the Department of Environment, Land, Water and Planning (DELWP) or IBAC on the contact details provided below. Please note that Western Water is not able to receive protected disclosures.

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

Western Water has established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about

Western Water or its employees. You can access Western Water's procedures at westernwater.com.au.

Contacts

Department of Environment, Land, Water and Planning

Jennifer Berensen, Senior Advisor
Privacy & Ombudsman
Department of Environment, Land, Water and Planning
PO Box 500, East Melbourne Vic 3002

Phone 9637 8697 or website www.depi.vic.gov.au

Independent Broad-Based Anti-Corruption Commission Victoria

Street address:

Level 1, North Tower
459 Collins Street, Melbourne Victoria 3001

Postal address:

IBAC
GPO Box 24234, Melbourne Victoria 3000

Phone 1300 735 135 or website www.ibac.vic.gov.au.

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

Office-based environmental impacts

Under Western Water's Environment Policy, an Environment Committee was established comprising staff from across the business. Through the Environmental Management System, the environmental impacts from office-based activities have been identified and an environmental management program developed. The Environment Committee will oversee the implementation of actions including ways to decrease office:

- energy consumption and greenhouse gas emissions
- waste production
- use of paper
- water consumption, and
- transportation fuel consumption.

Office water consumption is monitored and reported separately in this report (refer Table 15) as are overall greenhouse gas emissions (Table 22). Detailed investigations into reducing emissions took place under the Greener Government Buildings initiative with recommendations being considered.

The Environment Committee will continue to seek new opportunities for sustainable practices and advise the business accordingly on procurement practices and further reductions to office-based environmental impacts.

Additional information available on request

Subject to the *Freedom of Information Act 1982*, the following information is available on request:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee, or held beneficially in a statutory authority or subsidiary
- details of all publications produced by Western Water about itself, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by Western Water
- details of any major external reviews carried out on Western Water
- details of major research and development activities undertaken by Western Water
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations & marketing activities undertaken by Western Water to develop community awareness of Western 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 Western Water and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by Western Water, the purpose 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.

Risk management attestation

Western Water continues to make improvements and embed risk management throughout the organisation. The Corporation has a dedicated risk team with a strong focus on emergency management, strategic and operational risk management and quality management systems.

We certify that Western Water has complied with the Ministerial Standing Direction 4.5.5 - Risk Management Framework and Processes.

Western Water's Audit and Risk Committee verifies this assurance and that the risk profile of Western Water has been critically reviewed within the last 12 months.



Lucia Cade, Chair



Ross Johns, Chairman, Audit and Risk Committee

2 September 2015

Financial Report

Financial summary

The following summary tables and graphs illustrate for the 2014/15 year, Western Water made an overall surplus of \$11.7 million before tax. This result includes developer assets and cash contributions of \$11.9 million.

Western Water invested \$19.5 million in capital works during the year which was fully financed from operating cash flows. The debt level, net of cash and cash equivalent assets, has now decreased to \$160.7 million from \$164.1 million in 2013/14.

Table F1: Operating revenue (\$000) – 5 year summary

	2010/11	2011/12	2012/13	2013/14	2014/15	% change on prior year	Plan 2014/15
Operating revenue	48,410	55,180	59,645	63,683	67,507	6.0%	66,301
New customer contributions	17,095	21,168	19,453	9,416	11,909	26.5%	11,058
Government contributions	1,270	142	1,227	2,044	182	(91.1%)	63
Interest	49	137	124	115	101	(12.2%)	60
Other	2,250	599	1,812	1,832	2,036	11.1%	2,126
Total	69,074	77,226	82,261	77,090	81,735	6.0%	79,608

Table F2: Operating costs (\$000) – 5 year summary

	2010/11	2011/12	2012/13	2013/14	2014/15	% change on prior year	Plan 2014/15
Operating expenses	41,496	45,736	52,026	50,427	46,673	(7.4%)	46,489
Corporate expenses	13,794	15,364	14,349	11,878	10,284	(13.4%)	11,145
Finance	7,893	9,326	10,142	10,729	10,691	(0.4%)	12,157
Environmental contribution	1,615	1,615	1,615	2,410	2,410	0	2,410
Total	64,798	72,041	78,132	75,444	70,058	(7.1%)	72,201

Table F3: Financial results (\$000) – 5 year summary

	2010/11	2011/12	2012/13	2013/14	2014/15	% change on prior year	Plan 2014/15
Current assets	16,143	21,534	21,838	19,918	32,099	61.2%	14,384
Non-current assets	613,953	652,857	696,871	686,205	690,003	0.6%	692,909
Total assets	630,096	674,391	718,709	706,123	722,102	2.3%	707,293
Current liabilities	11,941	35,828	34,742	48,553	33,295	(31.4%)	43,913
Non-current liabilities	197,070	206,073	226,776	221,115	244,184	10.4%	217,141
Total liabilities	209,011	241,901	261,518	269,668	277,749	2.9%	261,054
Net cash flow from operations	5,448	14,132	5,344	12,157	19,675	61.8%	19,248
Payments for property, plant & equipment	34,247	24,571	26,052	19,876	16,677	(16.1%)	26,932

Table F4: Performance indicators (\$000) – 5 year summary

	2010/11	2011/12	2012/13	2013/14	2014/15	Plan 2014/15
Internal financing ratio	15.9%	57.5%	20.5%	61.2%	118.0%	57.3%
Gearing ratio	20.5%	22.1%	23.5%	24.6%	25.1%	26.0%
Interest cover (EBIT)	1.55	1.56	1.41	1.16	2.10	1.61
Interest cover (Cash)	1.64	1.60	1.44	2.15	2.88	2.50
Return on average assets	0.5%	0.6%	0.4%	0.2%	1.1%	2.7%
Return on average equity	0.7%	0.9%	0.7%	0.3%	1.9%	1.2%

Revenue

Revenue increased by 6% in the 2014/15 year largely as a result of increases in core business operating revenues and a recovery in revenue from developers' contributions.

Chart F1: Revenue (\$'000) - 5 years

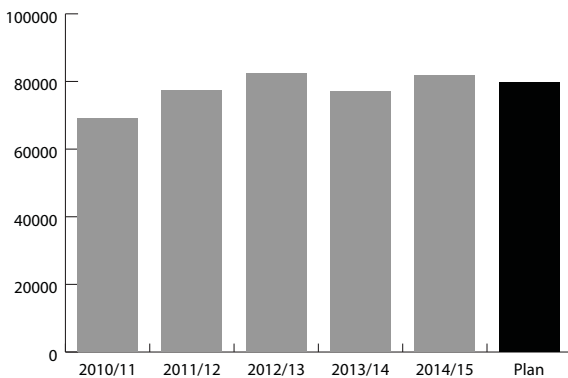
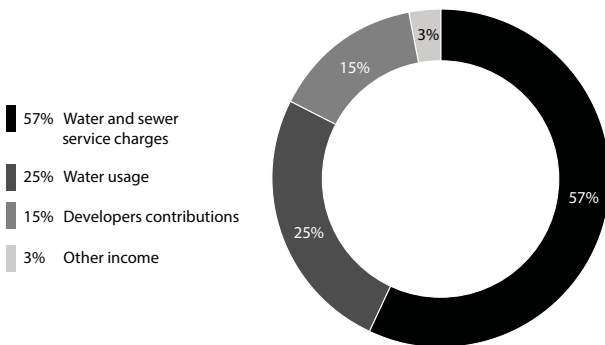


Chart F2: Revenue sources 2014/15



Expenditure

Expenses were lower in 2014/15 due to a business-wide focus on maximising the use of water sourced and treated locally rather than purchased from the Melbourne pool.

The mild summer conditions also supported the use of local water. Water expense represented 12% of total costs in 2013/14, which reduced to 7% in 2014/15.

Chart F3: Expenses (\$'000) - 5 years

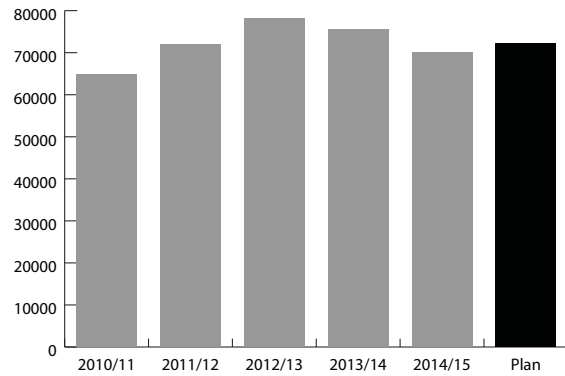
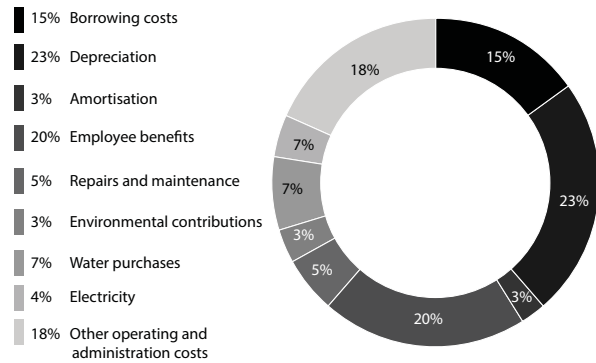


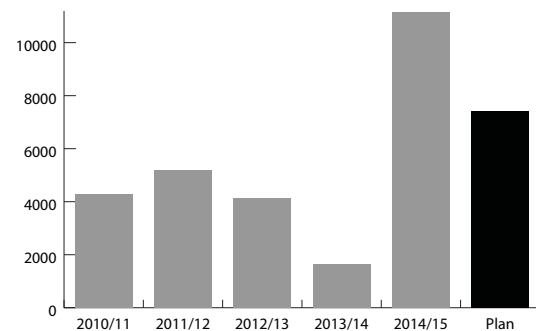
Chart F4: Expenses breakdown 2014/15



Net profit before tax

Western Water made an overall surplus pre-tax of \$11.7 million compared to \$1.6 million in 2013/14. The overall result includes developers' asset and cash contributions of \$11.9 million (\$9.4 million in 2012/13).

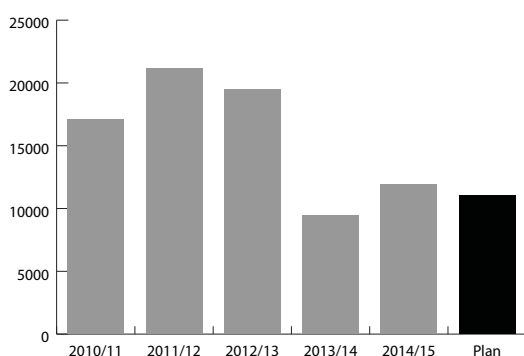
Chart F5: Net profit before tax (\$M) - 5 years



Developers' contributions

Total developers' contributions increased by \$2.5 million (26.5%) in 2014/15 reflecting increased growth activity within the region. Of the total revenue from developers' contributions, cash contributions increased by 109% to \$5.7 million as compared to \$2.8 million in 2013/14.

Chart F6: New customer contributions (\$M) - 5 years



Shareholder dividend

Western Water is required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the *Public Authorities (Dividend) Act 1983*, based on a prescribed percentage of the previous years' adjusted net profit. An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer, and a formal determination is made by the Treasurer. No shareholder dividend was paid for the year 1 July 2014 to 30 June 2015.

Major changes or factors affecting performance

In 2014/15 total expenses were 7.1% lower than the prior year due to a business wide focus on efficiency in operations and optimisation of resources, including use of local water. The reduction in expenses, combined with higher revenues driven by growth within the region, contributed to the significant \$7.1 million improvement in the net profit after tax result

for the year (from \$1.1 million in 2013/14).

A large portion of the \$19.5 million investment in capital works during the year related to growth and compliance related projects. The business focuses on ensuring growth related expenditure is just-in-time to optimise financial performance. As a result a number of projects were deferred into future years resulting in lower than planned capital expenditure in the 2014/15 year.

Significant changes in financial position

There was no significant change in financial position for the year ending 30 June 2015.

Post balance date events

On the 8 April 2015, the Minister for Environment, Climate Change and Water, the Hon Lisa Neville MP, announced a review of all 135 Victorian water corporation board director positions. Expressions of interest were invited during April and May 2015 with new boards to be in place by 1 October 2015. Water corporations remain governed by a properly constituted board of directors and will do so following 1 October 2015 when any new appointments are due to commence.

Outlook 2015/16

Western Water's operating profit in 2015/16 will remain positive despite an expectation that a higher volume of water will be purchased from the Melbourne pool as compared to the 2014/15 year. The region is experiencing return to dry climate conditions. Over the past year, local water reservoirs experienced very low inflows and this will increase reliance on the Melbourne water sources.

The capital expenditure program will increase substantially over the 2015/16 year with larger projects - including an upgrade to the Sunbury Recycled Water Plant - commencing during the year.

Understanding the Financial Report

Statement of Comprehensive Income

The Statement of Comprehensive Income measures Western Water's performance over the year, and shows whether a profit or loss has been made in delivering products and services.

The statement includes all sources of income less all expenses incurred in earning that income. For the year ending 30 June 2015, Western Water made a profit after tax of \$8.2 million.

Balance Sheet

The Balance Sheet sets out Western Water's net accumulated financial worth at a point in time. It shows the assets Western Water holds as well as liabilities or claims against those assets.

Both assets and liabilities are expressed as current or non-current. Current means that assets or liabilities are expected to be converted to cash within the next 12 months. Non-current assets or liabilities are long-term. Equity is total capital and reserves plus profits that have been reinvested in the business over the years.

Statement of Changes in Equity

The Statement of Changes in Equity shows the changes in equity between two financial periods reflecting the increase or decrease in its net assets during the year.

The total overall change in equity during a financial year represents the total amount of income and expenses through the operating statement, and items charged directly to the equity account from revaluation of assets.

Cash Flow Statement

The Cash Flow Statement summarises Western Water's cash receipts and payments for the financial year and the net cash in hand position. It differs from the Statement of Comprehensive Income in that it:

- excludes non-cash expenses such as depreciation
- excludes the accruals taken into account by the income statement
- includes payments or receipts in relation to capital items, and
- includes any financing activities such as movements in loans held by Western Water.

For the year ending 30 June 2015, Western Water had a net cash inflow of \$19.7 million from operating activities.

Notes to the Accounts

The notes to the accounts provide further information in relation to the rules and assumptions used to prepare the Financial Report as well as additional information and detail about specific items within the statements.

The notes also advise the reader if there have been any changes to accounting standards, policy or legislation which may change the way the statements are prepared. Information in the notes is particularly useful when there has been a significant change from the previous year's comparative figure.

Statutory certificate and Auditor General's report

These attachments provide the reader with a written undertaking in relation to the correctness and trustworthiness of the financial statements. In particular, the report from the Auditor General provides an independent view and will advise the reader if there are any issues of concern.

Financial Report contents

Comprehensive Operating Statement	48
Balance Sheet	49
Statement of Changes in Equity	50
Cash Flow Statement	51
Notes to the Financial Report	52
Note 1: Summary of significant accounting policies	52
Note 2: Financial risk management objectives and policies	66
Note 3: Critical accounting estimates and judgements	68
Note 4: Revenue and expense disclosures	70
Note 5: Income tax expense	72
Note 6: Cash and cash equivalents	73
Note 7: Receivables	74
Note 8: Infrastructure, property, plant and equipment	76
Note 9: Intangible assets	85
Note 10: Deferred taxes	86
Note 11: Payables	87
Note 12: Interest bearing liabilities	88
Note 13: Provision and employee benefits	90
Note 14: Contributed capital	92
Note 15: Reserves	92
Note 16: Accumulated funds	92
Note 17: Financial instruments	93
Note 18: Commitments	95
Note 19: Contingent liabilities and contingent assets	96
Note 20: Superannuation	96
Note 21: Remuneration of executives and payments to other personnel	101
Note 22: Reconciliation of net result for the year after related income tax to net cash flows from operating activities	104
Note 23: Dividends	104
Note 24: Events occurring after the Balance Sheet date	104
Note 25: Ex-gratia expenses	105
Statutory Certification	105
Auditor-General's report on the Financial Report	106

Comprehensive Operating Statement

for the year ended 30 June 2015

	Notes	2014/15 \$'000	2013/14 \$'000
REVENUE			
Service charges	1(c), 4(a)	46,697	43,680
Water usage charges	1(c), 3, 4(a)	20,810	20,003
Government grants and contributions	1(c), 4(a)	182	2,044
Interest	1(c), 4(a)	101	115
Developers' contributions	1(c), 4(a)	11,909	9,416
		79,699	75,258
Net gain/(loss) on disposal of infrastructure, property, plant and equipment	4 (b)	(119)	(174)
Other income	1(c), 4(c)	2,155	2,006
		2,036	1,832
Total revenue		81,735	77,090
EXPENSES			
Borrowing costs	1(d), 4(d)	10,691	10,729
Depreciation	1(d), 4(d)	16,409	15,595
Amortisation	1(d), 4(d)	1,825	1,715
Employee benefits	1(d), 3, 4(d)	14,232	13,642
Repairs and maintenance expenses	1(d)	3,829	4,207
Environmental contributions	1(d)	2,410	2,410
Water purchases		4,919	9,149
Electricity		2,961	2,821
Other operating & administration		12,782	15,176
Total expenses		70,058	75,444
NET RESULT BEFORE TAX		11,677	1,646
Income tax expense/(revenue)	1(h), 5	3,511	541
NET RESULT FOR THE PERIOD	16	8,166	1,105
<i>Other comprehensive income</i>			
<i>Items that will not be classified to net result</i>			
Asset revaluation increment (net of tax)		-	-
COMPREHENSIVE RESULT		8,166	1,105

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

Balance Sheet

as at 30 June 2015

	Notes	2014/15 \$'000	2013/14 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	1(e), 6	20,321	9,878
Receivables	1(e), 3, 7	11,115	9,456
Prepayments	1(e)	663	586
Total current assets		32,099	19,920
Non-current assets			
Receivables	1(e), 7	122	174
Infrastructure assets, property, plant and equipment	1(e), 8	676,546	669,275
Intangible assets	1(e), 9	10,209	9,953
Deferred tax assets	1(h) 10(a)	3,126	6,803
Total non-current assets		690,003	686,205
Total assets		722,102	706,125
LIABILITIES			
Current liabilities			
Payables	1(f), 11	13,203	12,783
Income in advance	1(f)	2,158	1,843
Interest bearing liabilities	1(f), 12	15,000	31,500
Employee benefits	1(f), 3, 13	2,934	2,669
Total current liabilities		33,295	48,795
Non-current liabilities			
Interest bearing liabilities	1(f) 12	166,000	142,500
Employee benefits	1(f), 3, 13	477	501
Deferred tax liabilities	1(h) 10(b)	77,707	77,872
Total non-current liabilities		244,184	220,873
Total liabilities		277,479	269,668
NET ASSETS		444,623	436,457
Equity			
Contributed capital	1(g), 14	160,413	160,413
Reserves	15	100,299	100,299
Accumulated surplus/(deficit)	16	183,911	175,745
TOTAL EQUITY		444,623	436,457

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

Statement of Changes in Equity

for the reporting period ended 30 June 2015

	Notes	Contributed capital \$'000	Reserves \$'000	Accumulated surplus/ (deficit) \$'000	Total \$'000
Balance as at 1 July 2013		160,413	100,299	174,640	435,352
Comprehensive result				1,105	1,105
Balance as at 30 June 2014		160,413	100,299	175,745	436,457
Comprehensive result				8,166	8,166
Balance as at 30 June 2015		160,413	100,299	183,911	444,623

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

Cash Flow Statement

for the reporting period ended 30 June 2015

	Notes	2014/15 \$'000	2013/14 \$'000
Cash flows from operating activities			
Receipts			
Tariffs and charges		74,038	69,406
Goods and Services Tax received from the ATO		3,163	4,006
Developer contribution fees		5,770	2,758
Interest received		71	90
Grants received from government - other		48	1,744
		83,090	78,004
Payments			
Payments to employees		(13,821)	(13,401)
Payments to suppliers		(36,567)	(39,214)
Interest and other costs of finance paid		(10,518)	(10,694)
Environmental contributions		(2,410)	(2,410)
Goods and Services Tax paid to the ATO		(99)	(128)
		(63,415)	(65,847)
Net cash (outflow)/inflow from operating activities	22	19,675	12,157
Cash flows from investing activities			
(Payments) for infrastructure assets, property, plant & equipment		(15,197)	(17,973)
Proceeds from sale of non-current assets	4 (b)	445	426
(Payment) for intangible assets		(1,480)	(1,903)
Net cash (outflow)/inflow from investing activities		(16,232)	(19,450)
Cash flows from financing activities			
Proceeds from borrowings		38,500	31,250
Repayment of borrowings		(31,500)	(26,250)
Net cash (outflow) / inflow from financing activities		7,000	5,000
Net increase / (decrease) in cash and cash equivalents		10,443	(2,293)
Cash and cash equivalents at the beginning of the financial year		9,878	12,171
Cash and cash equivalents at end of the financial year	6 (a)	20,321	9,878

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

Notes to the Financial Report

for the year ended 30 June 2015

Note 1: Summary of significant accounting policies

(a) Basis of accounting

These annual financial statements represent the audited general purpose financial statements that consist of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes for Western Region Water Corporation (Western Water, or the Corporation) for the year ending 30 June 2015.

These annual general purpose financial statements have been prepared in accordance with Australian Accounting Standards (AAS), interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* (FMA) and applicable Ministerial Directions.

Western Water is a not-for-profit entity for the purpose of preparing these financial statements. Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

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

The annual financial statements were authorised for issue by the Board on 2 September 2015.

The principal address is:

Western Water
36 Macedon Street
SUNBURY VIC 3429

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.

Early adoption of standards

AASB 2015-7 Amendments to Australian Accounting Standards

The Australian Accounting Standards Board issued an amending accounting standard AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value disclosures of Not-for-Profit Public Sector Entities on 13 July 2015. In accordance with FRD 7A Early adoption of authoritative accounting pronouncements, the Minister for Finance has approved the option for Victorian not-for-profit public sector entities to early adopt the amending accounting standard to enable them to benefit from some limited exemption in relation to fair value disclosures for the 2014-15 reporting period. The limited exemption is available to those entities whose assets are held primarily for their current service potential rather than to generate net cash inflows.

Western Water meets the criteria specified in AASB 2015-7 to benefit from the reduced disclosure requirements, so it has chosen to early adopt the amendments to Fair Value disclosure of Not-for-profit-public sector entities. Please refer to Note 8(f) and 8(g).

Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which Western Water operates ("the functional currency"). The financial statements are presented in Australian dollars, which is Western Water'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 released or settled within the next twelve months, being Western Water's

operational cycle - see 1(f) – under Provisions for a variation in relation to employee benefits.

Rounding

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets, all classes of property, plant and equipment and investment property.

Accounting estimates

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

The most significant accounting estimates undertaken in the preparation of this financial report relate to:

- provisions (Note 1(f), 3, 11 and 13)
- accrued revenue (Note 1(c), 3, 4(a) and 7)
- residual values and useful lives (Note 1(d), 1(e), 3, 8 and 9)
- fair value of infrastructure, property, plant and equipment (Note 1(e), 3, 8 and 9)
- asset impairment (1(e), 3, 8 and 9)
- contingent assets and liabilities (Note 1(j), 3 and 19)
- defined benefit superannuation fund (Note 1(d), 3 and 20), and
- recognition of deferred tax assets and liabilities (Note 1(h), 3, 5 and 10).

Change in accounting estimates

Western Water discloses the nature of any change in

accounting estimate and the effect of the change on assets, liabilities, income and expense for the current period in the relevant notes.

For the 30 June 2015 year the estimated unbilled income is an amount of \$4,232,042. The application of Australian Tax Office Interpretive Decision 2012/15 for the 30 June 2015 year results in a reduction in the Deferred Tax Asset balance by \$1,269,613 and the Deferred Tax Liability balance by \$1,269,613 (Note 10).

(b) Changes in accounting policies

Subsequent to the 2013/14 reporting period, the following new and revised Standards have been adopted for the first time in the current period with their financial impacts as detailed below.

AASB 10 Consolidated Financial Statements

AASB 10 provides a new approach to determine whether an entity has control over another entity, and therefore must present consolidated financial statements. The new approach requires the satisfaction of all three criteria for control to exist over an entity for financial reporting purposes:

- (a) The investor has power over the investee
- (b) The investor has exposure, or rights to variable returns from its involvement with the investee, and
- (c) The investor has the ability to use its power over the investee to affect the amount of investor's returns.

Based on the new criteria prescribed in AASB 10, Western Water has reviewed the existing arrangements to determine if there are additional entities that need to be consolidated. Western Water has concluded that it has no entities that meet the control criteria.

AASB 11 Joint Arrangements

In accordance with AASB 11, there are two types of joint arrangements: joint operations and joint ventures.

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint

Note 1 (b) Changes in accounting policies cont.

ventures arise where the investors have rights to the net assets of the arrangement. Joint ventures are accounted for under the equity method. Proportionate consolidation of joint ventures is no longer permitted.

Western Water has reviewed its existing contractual arrangements with other entities to ensure they are aligned with the new classifications under AASB 11. The Corporation has concluded that it has no contractual arrangement within the AASB 11 definition of joint arrangements.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 Disclosure of Interests in Other Entities prescribes the disclosure requirements for an entity's interests in subsidiaries, associates, joint arrangements and extends to the entity's association with unconsolidated structured entities.

Western Water has reviewed its interests in other entities and concluded that it has no existing interests in other entities during the current financial year.

Western Water has also reviewed its current contractual arrangements to determine if there are any unconsolidated structured entities that the Corporation has involvement with. It has not identified any unconsolidated structured entities during the assessment.

(c) Revenue recognition**Service and usage charges**

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

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 utilising the bulk meter reading at the end of the reporting period is made at the end of each accounting period in respect of meters which have not been read at balance date.

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 monthly or quarterly basis.

Amounts received from customers in advance of accounts being issued are recognised as a liability.

Government grants and contributions

Government grants and contributions are recognised as operating revenue on receipt or when Western Water obtains control of the contributions and meets certain other criteria as outlined by AASB 1004 Contributions, whichever is the sooner, and disclosed in the Comprehensive Operating Statement as government grants and contributions.

However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Environment, Climate Change and Water have indicated are in the nature of owners' contributions, are accounted for as equity – contributions by owners in accordance with FRD 119A Transfers through Contributed Capital.

Interest

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

Developer contributions/fees paid by developers

Water infrastructure assets built by developers in new land subdivisions that on completion are provided to Western Water, or fees paid by developers to connect new developments to Western Water's existing water supply and sewerage systems, are recognised as revenue when the contributions are received.

Fair value of resources received free of charge

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when Western Water obtains control over them,

irrespective of whether restrictions or conditions are imposed over the use of the contributions.

Sale of assets

The profit or loss on sale of an asset is determined when control has passed to the buyer.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in net profit in the Statement of Comprehensive Income.

When revalued assets are sold, amounts included in the asset revaluation reserve relating to that asset are transferred to retained earnings.

Other income

Lease or rental income

Income from operating leases (i.e. rentals) is recognised as income on a straight line basis over the lease term.

(d) Expenses

Borrowing costs

Borrowing costs represent costs incurred in connection with borrowings.

It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Borrowing costs are recognised in the period in which they are incurred. Further details of borrowing costs are provided in Notes 4(d) and 12.

Depreciation and amortisation of non-current physical assets

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

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts,

net of their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date.

Intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight line), commencing from the time the asset is available for use. The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. However, all intangible assets are assessed or tested for impairment annually as outlined in Note 1(e) under Intangibles.

Depreciation rates within each asset class are consistent with the previous year and fall within the following ranges:

	Useful life
Buildings	20-75 years
Infrastructure	
Water and recycled water	
- Storage	25-350 years
- Distribution network	50-110 years
- Treatment plants	10-90 years
Sewerage	
- Storage	20-350 years
- Distribution network	50-120 years
- Treatment plants	10-90 years
Plant and equipment	
- Equipment	2-50 years
- Machinery	2-50 years
- Furniture and computers	3-20 years
- Motor vehicles	2-8 years
Intangibles	
- Software	5 years
- Water entitlement	Infinite

Employee benefits

These expenses include all costs related to employment including wages and salaries, superannuation, fringe benefits tax, leave

Note 1 (d) Expenses cont.

entitlements, redundancy payments and WorkCover premiums.

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by Western Water to the relevant superannuation plans in respect to the services of Western 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 Western Water is required to comply with.

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 threshold, the cost is capitalised and depreciated.

Environmental contributions

The Water Industry (Environmental Contributions) Act 2004 (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water supply authorities.

The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008, in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation.

The contribution period has been extended to cover the period 1 July 2012 until 30 June 2016.

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.

Western Water has a statutory authority 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.

(e) Assets

Cash and cash equivalents

Cash and cash equivalents recognised on the Balance Sheet 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 readily convertible to known amounts of cash with an insignificant risk of changes in value.

For Cash Flow Statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as interest bearing liabilities on the Balance Sheet.

Receivables

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services, accrued income and accrued investment income, and
- statutory receivables, such as Goods and Services Tax (GST) input tax credits recoverable.

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

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

Collectability of contractual receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

A provision for doubtful debts is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amounts credited to the provision are recognised as an expense in the Comprehensive Operating Statement.

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

Non-current debtors are private schemes, payable on terms of up to 20 years.

Payments received from customers in advance have been separated out from debtors and disclosed as a liability.

Western Water bills both existing customers and non-customers a Waterways & Drainage Charge for all properties that fall within a designated boundary. The charge is not recognised as revenue by Western Water as the funds are collected on behalf of Melbourne Water and therefore recognised as a corresponding liability. Western Water only remits funds to Melbourne Water upon receipt from the customer.

Fixed and variable service charges for water, sewer, recycled water (excluding Class B & C) and Melbourne Water Waterways and Drainage charge are levied under the *Water Act 1989* and therefore uncollected charges remain an outstanding charge on the property, providing Western Water with an opportunity to collect when the property is sold.

Prepayments

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

Infrastructure, property, plant and equipment

Recognition of non-current physical assets

Infrastructure, property, plant and equipment represent non-current physical assets comprising

land, buildings, water, sewerage and recycled water infrastructure, plant, equipment and motor vehicles, all used by Western Water in its operations. Items with a cost or value in excess of \$1,000 (2014:\$1,000) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Where assets are constructed by Western Water, the cost at which they are recorded includes an appropriate share of fixed and variable overheads.

Assets acquired at no cost or for nominal consideration by Western Water are recognised at fair value at the date of acquisition.

Measurement of non-current physical assets

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

A scheduled revaluation is undertaken every five years in accordance with FRD 103F. Annual assessments of fair value are undertaken to determine if the fair value is materially different to the carrying value. If the difference to carrying value is greater than 10 per cent, a managerial revaluation is undertaken while a movement greater than 40 per cent will normally result in a detailed fair value assessment by an approved valuer (usually the Valuer-General of Victoria). If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

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

Water infrastructure assets are measured at fair value less accumulated depreciation and impairment in

Note 1 (e) Assets cont.

accordance with FRD 103F. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and recycled water systems.

The initial fair value assessment for water infrastructure occurred as at 30 June 2011 and was undertaken with involvement from the Valuer-General of Victoria and under the instructions of Department of Treasury and Finance. The assessment was performed on a portfolio basis for various categories of water infrastructure. Further details of the valuation exercise are provided in Note 8.

Revaluation of non-current physical assets

Revaluation increments are credited directly to equity in the asset revaluation reserve surplus/(deficit), except 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 asset, 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.

Asset revaluation reserves are not transferred to accumulated surplus/ (deficit) on de-recognition of the relevant asset.

Fair value

Consistent with AASB 13 Fair Value Measurement, Western Water determines the policies and procedures

for both recurring fair value measurements such as infrastructure, property, plant and equipment, investment properties and financial instruments and for non-recurring fair value measurements such as assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

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

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

For the purpose of fair value disclosures, Western Water 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.

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

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

Western Water, in conjunction with the Valuer-General Victoria, monitors changes in the fair value of property, plant and equipment through relevant data sources to determine whether revaluation is required.

Impairment of assets

Intangible assets with indefinite useful lives are

tested annually for impairment and whenever there is an indication that the asset may be impaired. All other assets are assessed annually for indications of impairment, except for deferred tax assets.

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

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

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading asset revaluation reserve. However, to the extent that an impairment loss on the same class of asset was previously recognised in the Comprehensive Operating Statement, a reversal of that impairment loss is also recognised in the Comprehensive Operating Statement.

Leasehold improvements

Leasehold improvements are recognised at fair value and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received

from the lessor) are charged to the Comprehensive Operating Statement on a straight line basis over the period of the lease, in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Intangibles

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

Western Water recognises computer software assets purchased together with installation and enhancements for normal operations as an intangible asset along with any Water Entitlements paid for consideration.

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

	Computer software	Bulk entitlement
Useful lives	Finite	Infinite
Amortisation method used	10 years - straight line	Not amortised or revalued
Acquired/ internally generated	Acquired and internally generated	Acquired
Impairment test/ recoverable amount testing	Amortisation method reviewed at each financial year end: reviewed annually for indicators of impairment	Annually tested and where an indicator of impairment exists

Permanent water entitlements

Permanent water entitlements purchased after 1 July 2011 are treated as an intangible asset on the Balance Sheet (in accordance with AASB 138 Intangible Assets and FRD 109 Intangible Assets), and will not be subject to amortisation, as the permanent water entitlements have an indefinite life.

Note 1 (e) Assets cont.

Permanent water entitlements purchased after 1 July 2011 will be tested annually for impairment. Bulk permanent water entitlements purchased prior to 1 July 2011 are not recorded on the Balance Sheet as an intangible asset, as they cannot be reliably measured.

Financial assets

Recognition

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

Loans and receivables

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

Loans and receivables are included in trade and other receivables in the Balance Sheet. Loans and receivables are recorded at amortised cost less impairment.

Impairment of financial assets

At each reporting date Western Water assesses whether there is objective evidence that a financial asset has been impaired. If any such evidence exists for a financial asset, impairment losses are recognised in the Comprehensive Operating Statement.

(f) Liabilities

Payables

Payables consist of:

- contractual payables, such as accounts payable, and unearned income including deferred income. Accounts payable represent liabilities for goods and services provided to Western Water prior to

the end of the financial year that are unpaid, and arise when Western Water becomes obliged to make future payments in respect of the purchase of those goods and services. Accounts payable amounts are unsecured and are usually paid within 30 days of recognition; 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. Contractual payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured 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.

There is generally a requirement to withhold retention funds from payments during construction for Under Construction Contracts, and a requirement to hold a security deposit, being a percentage of the contract price, for up to 12 months after completion of construction. These funds are recognised as current liabilities (see Note 11).

On behalf of Melbourne Water, Western Water collects Waterways and Drainage Charges from customers. The Waterways and Drainage Charge collected from customers are paid to Melbourne Water at the end of each billing cycle as per the Service Level Agreement between Western Water and Melbourne Water. These collections are identified as a current liability.

Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value of the consideration received, net of transaction costs incurred. 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 Western Water has an unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

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

Provisions

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

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

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

Onerous contracts

An onerous contract is considered to exist when the unavoidable cost of meeting the contractual obligations exceeds the estimated economic benefits to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the estimated economic benefits to be received.

Employee benefits

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

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits annual leave and accumulating sick leave, are all recognised in the provision for employee benefits as current liabilities, because Western Water 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, annual leave and sick leave are measured at:

- nominal value - if Western Water expects to wholly settle within 12 months, or
- present value - if Western Water does not expect to wholly settle within 12 months.

(ii) Long service leave (LSL)

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

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where Western Water 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:

- nominal value - if Western Water expects to wholly settle within 12 months; and
- present value - if Western Water 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.

Note 1 (f) Liabilities cont.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised in the net result from transactions, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the net result as another economic flow.

(iii) Termination benefits

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

(iv) On-costs

Provisions for on-costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

(v) Performance payments

Performance payments for Western Water's Executive Officers are based on a percentage of the annual salary package provided under their contract(s) of employment. A liability is recognised and is measured as the aggregate of the amounts accrued under the term of the contracts to balance date.

(g) Equity

Contributions by Owners

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

Reserves

Asset revaluation reserve

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

General reserve

The general reserve contains amounts of accumulated surpluses that have been set aside by the directors for the purpose of funding specific projects.

(h) Taxation

Western Water 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 unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered or liabilities 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 profit 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.

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.

(i) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 18) at their nominal value and inclusive of the goods and services tax (GST) payable.

In addition, 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.

(j) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet but are disclosed by way of a note (refer to Note 19) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(k) Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between Western Water and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period.

Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date.

Note disclosure is made (Note 24) about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the

end of the reporting period that are considered to be of material interest.

(l) Dividend policy

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer. Western Water's preliminary estimate for the reporting period is \$nil (2014:\$nil).

(m) Goods and Services Tax

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

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from or payable to, the ATO is included with current receivables or payables in the Balance Sheet.

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

Note 1 (n) New accounting standards and interpretations issued that are not yet effective

Certain new Australian accounting standards and interpretations applicable to the Corporation have been published that are not mandatory for the 30 June 2015 reporting period. Western Water has not and does not intend to adopt these standards early. DTF assesses the impact of all these new standards and advises the Corporation of their applicability and early adoption where applicable.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 Financial Instruments	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 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9 as Western Water does not hold any AFS assets, it will continue to be monitored and assessed.
AASB 2014-1 Amendments to Australian Accounting Standards (AASs) [Part E Financial Instruments]	This results in amendments to various AASs to reflect the Australian Accounting Standards Board's (AASB's) decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements. While the preliminary assessment has not identified any material impact arising from AASB 9, Western Water will continue to assess the impact of this standard.
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2017 (Exposure Draft 263 – potential deferral to 1 Jan 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. The Standard will also require additional disclosures on service revenue and contract modifications. The assessment has indicated that Western Water has no immediate potential impact to recognise revenue upfront. Ongoing work is being done further to monitor and assess the impact of this standard.
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]	This amendment to AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to: <ul style="list-style-type: none"> • establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; • prohibit the use of revenue based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset. 	1 Jan 2016	The assessment has indicated that that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	The Amendments extend the scope of AASB 124 Related Party Disclosures to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on Western Water's Responsible Persons, and the related party transactions.
AASB 14 Regulatory Deferral Accounts#	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP.	1 Jan 2018	The assessment has indicated that there is no expected impact, as Western Water has already adopted Australian Accounting Standards.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2014-15 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.
- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014).
- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)].
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049].
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.

Note 2: Financial risk management objectives and policies

Western Water's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Western Water's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Western Water.

Western Water uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by the Business Services department under policies approved by the Board of Directors. The Audit and Risk Committee which is a sub-committee of the Board assists the Board to fulfil its governance and risk oversight responsibilities including the development of policies cover specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The main risks Western Water is exposed to through its financial instruments are as follows:

(a) Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of Western Water's financial instruments. Market risk comprises of interest rate risk, foreign exchange risk and other price risk. Western Water's exposure to market risk is primarily through interest rate risk. There is no 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

Western Water's exposure to market interest rates relates primarily to Western Water's long term interest bearing liabilities and funds invested on the money market.

Western Water minimises its exposure to interest rate changes on its long term borrowings by holding a high portion of 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.

Western Water has approval to enter into Forward Settling Loans (FSL) to hedge/protect the value of the Corporation's assets and liabilities against adverse movements in interest rates in accordance with its Treasury Management Policies. As at 30 June 2015, no FSL arrangements were in place (2014: Nil).

Western Water has limited exposure to interest rate risk through its holding of cash assets with TCV and other financial assets.

(ii) Foreign exchange risk

Western Water has no exposure to changes in the foreign exchange rate.

(iii) Other price risk

Western Water has no significant exposure to other price risk.

Market risk sensitivity analysis

The following table summarises the sensitivity of Western Water's financial assets and financial liabilities to interest rate risk. The Corporation believes that:

- a movement of 0.5% in interest rate is reasonable over the next 12 months (2014:1%).

30 June 2015		Interest rate risk			
		0.5%		-0.5%	
	Carrying amount	Result	Equity	Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents	20,321	51	51	(51)	(51)
Receivables	10,311	-	-	-	-
Financial liabilities					
Payables	13,055	-	-	-	-
Interest bearing liabilities	181,000	(82)	(82)	82	82
Total increase/(decrease)		(31)	(31)	31	31

30 June 2014		Interest rate risk			
		1%		-1%	
	Carrying amount	Result	Equity	Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents	9,878	26	26	(26)	(26)
Receivables	9,222	-	-	-	-
Financial liabilities					
Payables	12,645	-	-	-	-
Interest bearing liabilities	174,000	(94)	(94)	94	94
Total increase/(decrease)		(68)	(68)	68	68

The majority of interest bearing liabilities are fixed rate loans. Interest rate sensitivity has been applied only for the 11am loan balances and for the loans that are maturing within next 12 months.

Note 2 (b) Credit risk

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

Western Water has in place a policy and procedure for the collection of overdue receivables. An analysis of the ageing of Western Water's receivables at reporting date has been provided in Note 7(b).

(c) Liquidity risk

Liquidity risk is the risk that Western Water will not be able to meet its financial obligations as they fall due. Western Water'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.

Western Water manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. During the course of the financial year, Western Water relies on the Treasury Corporation of Victoria's ability to provide borrowings within the annual Treasurer's approval limits.

Treasurer's approvals are usually provided in June prior to the commencement of the subsequent financial year based on Western Water's Corporate Plan submission however, there is no guarantee approval will be received for the full amount sought. Western Water's financial liability maturities have been disclosed in Note 12 and 17.

(d) Fair value measurements

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

Refer to Note 1(e) – under Fair Value for accounting policy relating to disclosure of fair value measurement hierarchy. Refer to Note 17 for information on Western Water's financial assets and financial liabilities measured and recognised at fair value at 30 June 2015 and 2014.

Note 3: Critical accounting estimates and judgements

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

The entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Long service leave

Determination of Conditional and Unconditional Long Service Leave calculation depends on a number of factors using a number of assumptions. The assumptions used in determining the net present value of Conditional Long Service Leave include the use of a discount rate. Any changes in these assumptions will impact the carrying amount of the Long Service Leave (Note 1(f) and 13).

Accrued income

Determination of unearned income for water and sewer service charges and usage includes a number of assumptions. The assumptions used in determining the water and sewer service charge revenue include an

estimate of the average daily usage rate determined with reference to a prior billing cycle. An assumption on the percentage of water losses is also required in determining the Water usage. Any changes in these assumptions will impact the carrying amount of the unearned income (Note 1(c), 4(a) and 7).

Residual values and useful lives

The majority of infrastructure assets do not have residual values as it is assumed assets will be replaced when there is no remaining economic value at the end of its useful life.

Useful lives are determined by reference to engineering design lives and asset extension activities including asset maintenance and protection activity.

Should assets be replaced earlier than its useful life there is a possibility that there may be scrap value attributable to the asset, or alternatively the asset may require to be written off (Note 1(d), 1(e), 8 and 9).

Motor vehicles are replaced on a more frequent basis with assumed residual values based on expected usage over an estimated period of time the vehicle will be held for (Note 1(d), 1(e) and 8).

Asset impairment

Property, plant & equipment and intangible information technology assets are assumed to be of economic benefit and whilst impairment testing is undertaken, technological obsolescence may require impairment earlier than the assets useful life (Note 1(e), 8 and 9).

Contingent assets

The amount of contingent assets disclosed in Note 19 is based on information supplied by developers as to the amount and percentage complete at 30 June of assets currently under construction which will ultimately be gifted to Western Water at a future time when statement of compliance is issued (Note 1(j) and 19).

Defined benefit superannuation

The present value of the defined benefit obligations

depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact whether the vested benefits Index triggers the trustees to make a call on employers (Note 1(d) and 20).

Deferred tax assets and liabilities

Deferred tax balances depend on temporary differences. Deferred tax assets represent the amounts of income taxes recoverable in future periods in respect of deductible temporary differences and the carry forward of unused tax losses. Deferred tax liabilities represent the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax balances include estimations such as depreciation expense calculations which are based on the estimated useful lives of assets and long service leave balances (Note 1(h), 3, 5 and 10).

Note 4: Revenue and expense disclosures

(a) Revenue

	2014/15 \$000	2013/14 \$000
Service charges		
Water	15,107	14,252
Sewerage	30,052	28,160
Recycled water	1,538	1,268
	46,697	43,680
Water usage charges		
Water	22,175	20,003
Government water rebate *	(5,406)	-
Melbourne Water efficiency rebate **	4,041	-
	20,810	20,003
Total service charges	67,507	63,683
Government grants and contributions		
Operating	182	2,044
Interest		
Investments	101	115
Developers' contributions		
Fees paid by developers	5,771	2,758
Assets received from developers	6,138	6,658
	11,909	9,416
	79,699	75,258

*On 11 May 2014 the Minister for Water announced the Victorian Government's Water Rebate (formerly known as the Fairer Water Bills Initiative) to deliver more than \$1 billion of savings that will be made across Victoria's urban water sector over the four years from 1 July 2014. As part of this initiative, Western Water's residential water use customers are entitled to a bill reduction of \$100 in their first bill, for each of the four years starting from 1 July 2014. The amount of \$5,405,724 represents the Government Water Rebate for the financial year 2014/15.

** Consistent with the Victorian Government's Water Rebate initiative, Western Water is entitled to receive a portion of Melbourne Water efficiency savings. Western Water received \$4,041,413 for the financial year 2014/15.

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

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

Net gain/(loss) on disposal		
<i>Property, plant and equipment</i>		
Proceeds from sale of assets	445	426
Less written down value of asset sold	(564)	(600)
	(119)	(174)

Note 4 (c) Other revenue

	2014/15 \$000	2013/14 \$000
Information statements	351	327
Tapping and connection fees	1,051	950
Property rental	61	61
Other	692	668
	2,155	2,006
Total revenue	81,735	77,090

(d) Expenses

<i>Borrowing costs</i>		
Interest expense	8,816	8,843
Financial accommodation levy	1,875	1,886
Total borrowing costs	10,691	10,729
<i>Depreciation</i>		
- Buildings	255	252
- Infrastructure, P&E	15,836	15,057
- Motor vehicles	318	286
Total depreciation	16,409	15,595
<i>Amortisation</i>		
- Leasehold improvements	252	220
- Intangible assets	1,573	1,495
Total amortisation	1,825	1,715
	18,234	17,310
<i>Employee benefits</i>		
- Salary & wages	11,929	11,382
- Long service leave provision	432	255
- Employer's superannuation contributions	1,055	1,077
- Other	816	928
Total employee benefits	14,232	13,642
Bad & doubtful debts	333	306
Operating lease rental expense	615	652
<i>Auditors' remuneration</i>		
- Victorian Auditor-General's Office for audit of annual financial statements	48	47
- Internal audit - Moore Stephens	113	69
- Deloitte - taxation reviews/regulatory audit	73	48
Total auditors' remuneration	234	164

Note 5: Income tax expense

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

(a) Components of tax expense

	2014/15 \$000	2013/14 \$000
Deferred tax relating to temporary differences	1,105	1,387
Deferred tax asset	2,470	(893)
(Over)/Under provision on prior year tax return	-	40
Other	(64)	7
	3,511	541

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

Net result before income tax expense	11,677	1,646
Tax at the Australian tax rate of 30% (2014 30%)	3,503	494
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
- Adjustment in respect of income tax of previous year	-	40
- Other	8	7
Income tax as reported in the Comprehensive Operating Statement	3,511	541

Note 6: Cash and cash equivalent assets

	2014/15 \$000	2013/14 \$000
Cash on hand	2	2
Cash at bank	1,319	1,692
Deposit at call	19,000	7,500
Fixed deposit	-	684
	20,321	9,878

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement, as follows:

Cash assets as above	20,321	9,878
Balances as per Cash Flow Statement	20,321	9,878

(b) Cash at bank and on hand

These are non interest bearing	2	2
--------------------------------	---	---

(c) Deposits at call

The deposits are bearing floating interest rates between 1.95% and 2.45% (2014: 2.00% and 2.45%.)	19,000	7,500
---	--------	-------

Note 7: Receivables

	2014/15 \$000	2013/14 \$000
Current		
<i>Contractual</i>		
Trade receivables	10,354	9,133
Provision for impaired receivables	(165)	(85)
	10,189	9,048
<i>Statutory</i>		
GST receivable	926	408
	11,115	9,456
Non-current		
<i>Contractual</i>		
Other receivables	122	174
Total receivables	11,237	9,630

(a) Provision for impaired receivables

As at 30 June 2015, current receivables of the Corporation with a nominal value of \$165,444 (2014: \$85,424) were impaired. The amount of the provision was \$165,444 (2014: \$85,424). The individually impaired receivables relate to provision of recycled water service, cost recovery, 3rd party damage to Western Water assets and unlocatable vacated tenants.

The ageing of receivables is as follows:

Over 6 months	165	85
	165	85

Movements in the provision for impaired receivables are as follows:

At 1 July	(85)	(87)
Provision for impairment recognised during the year	(413)	(304)
Receivables written off during the year as uncollectable	333	306
Balance at the end of the year	(165)	(85)

The creation and release of the provision for impaired receivables has been included in 'Other expenses' in the Comprehensive Operating Statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired trade receivables

As of 30 June 2015, trade receivables of \$5,304,815 (2014: \$4,820,835) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2014/15 \$000	2013/14 \$000
1 to 3 months	2,844	2,803
4 months	8	3
Over 4 months	2,453	2,014
	5,305	4,820

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.

(c) Foreign exchange and interest rate risk for trade and other receivables

The carrying amounts of the Corporation's current and non-current receivables are denominated in the following currencies:

Australian dollars	11,237	9,630
	11,237	9,630
Current receivables	11,115	9,456
Non-current receivables	122	174
	11,237	9,630

A summarised analysis of the sensitivity of receivables to foreign exchange and interest rate risk can be found in Note 2.

(d) Fair value and credit risk

Due to the short-term nature of the current receivables, their carrying value is assumed to approximate their fair value. These are long term non-current receivables.

	2015		2014	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Private schemes	84	84	111	111
Bond paid	38	38	63	63
	122	122	174	174

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables mentioned above. The Corporation does not hold any collateral as security. Refer to Note 2 for more information of the risk management policy of the Corporation.

Note 8 Infrastructure, property, plant and equipment

(a) Classes of infrastructure, property, plant and equipment

	2014/15 \$000	2013/14 \$000
Land		
At fair value	20,909	20,909
	20,909	20,909
Buildings		
At fair value	12,380	12,345
Less: accumulated depreciation	(958)	(702)
	11,422	11,643
Infrastructure		
At fair value	666,466	652,007
Less: accumulated depreciation	(53,845)	(41,351)
	612,621	610,656
Equipment		
At fair value	20,626	12,974
Less: accumulated depreciation	(11,753)	(7,628)
	8,873	5,346
Motor vehicles		
At fair value	3,044	2,528
Less: accumulated depreciation	(781)	(746)
	2,263	1,782
Leasehold assets		
At fair value	1,886	1,886
Less: accumulated depreciation	(1,339)	(1,087)
	547	799
Sub-total before (under construction)	656,635	651,135
Capital works in progress		
At cost	19,911	18,140
Total of infrastructure, property, plant & equipment after (under construction)	676,546	669,275

Land was valued at 30 June 2011 by Valuer-General Victoria after analysing GST free land sales in comparable proximity and other relevant factors together with making an allowance for community service obligations for the risk associated with the removal of the public use restrictions of the various sites.

Infrastructure was valued at 30 June 2011 by Valuer-General Victoria at fair value using straight line depreciated replacement cost method after taking into consideration age, remaining useful life and the current replacement costs based on asset class and associated material types.

Equipment was valued at 30 June 2011 by Valuer-General Victoria at fair value by using depreciated replacement cost method. Due to the methodology of the infrastructure valuation, some previously disclosed plant and equipment has been reclassified as infrastructure.

Non-infrastructure buildings were valued at 30 June 2011 by Valuer-General Victoria at fair value by using depreciated replacement cost method. During the year the Corporation satisfied itself that the fair value of these assets had not moved by more than 10% with reference to relevant indices. No infrastructure or property, plant and equipment assets of Western Water have been pledged as security. For all assets measured at fair value, the current use is considered the highest and best use.

(b) Movements during the reporting period 2014/15

\$'000	Opening WDV 1 July 2014	Re- classification	Adjustment to revaluation	Under construction movement	Disposals	Additions/ capital expenditure	Depreciation	Closing WDV 30 June 2015
Land								
At fair value	20,909	-	-	-	-	-	-	20,909
Buildings								
At fair value	11,643	-	-	-	-	34	(255)	11,422
Infrastructure								
At fair value	610,656	(3,228)	-	-	(10)	19,542	(14,339)	612,621
Equipment								
At fair value	5,346	3,380	-	-	(35)	1,679	(1,497)	8,873
Motor vehicles								
At fair value	1,782	-	-	-	(552)	1,351	(318)	2,263
Leasehold assets								
At fair value	799	-	-	-	-	-	(252)	547
Sub-total before (under construction)	651,135	152	-	-	(597)	22,606	(16,661)	656,635
Capital work in progress								
At cost	18,140	-	-	-	-	1,771	-	19,911
Total infrastructure, property, plant and equipment	669,275	152	-	-	(597)	24,377	(16,661)	676,546

At 30 June 2014	
Cost or fair value	720,789
Accumulated depreciation and impairment	(51,514)
Net carrying amount	669,275

At 1 July 2015	
Cost or fair value	744,721
Accumulated depreciation and impairment	(68,175)
Net carrying amount	676,546

Note 8 (c) Movements during the reporting period 2013/14

\$'000	Opening WDV 1 July 2013	Re- classification	Adjustment to revaluation	Transfers	Disposals	Additions/ capital expenditure	Depreciation	Closing WDV 30 June 2014
Land								
At fair value	20,909	-	-	-	-	-	-	20,909
Buildings								
At fair value	10,595	-	-	-	-	1,300	(252)	11,643
Infrastructure								
At cost or fair value	603,721	(781)	-	-	(111)	21,782	(13,955)	610,656
Equipment								
At fair value	4,787	530	-	-	(30)	1,161	(1,102)	5,346
Motor vehicles								
At fair value	1,713	-	-	-	(434)	789	(286)	1,782
Leasehold assets								
At fair value	881	-	-	-	-	137	(219)	799
Sub-total before (under construction)	642,606	(251)	-	-	(575)	25,169	(15,814)	651,135
Capital work in progress								
At cost	19,228	(1,158)	-	70	-	-	-	18,140
Total infrastructure, property, plant and equipment	661,834	(1,409)	-	70	(575)	25,169	(15,814)	669,275

At 1 July 2014	
Cost or fair value	698,764
Accumulated depreciation and impairment	(36,930)
Net carrying amount	661,834

At 30 June 2015	
Cost or fair value	720,789
Accumulated depreciation and impairment	(51,514)
Net carrying amount	669,275

Note 8 (d) Fair value measurement hierarchy for assets as at 30 June 2015

Fair value measurement hierarchy for assets as at 30 June 2015	Carrying amount as at 30 June 2015	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
\$'000				
Land at fair value				
<i>Specialised land</i>				
- Water storage land	2,733	-	-	2,733
- Treatment plants land	12,550	-	-	12,550
- Telemetry land	200	-	-	200
- Tank wastewater land	2,710	-	-	2,710
- Pump station land	2,659	-	-	2,659
- Other land	57	-	-	57
Total of land at fair value	20,909	-	-	20,909
Buildings at fair value				
<i>Specialised buildings</i>				
- Pump station buildings	35	-	-	35
- Sheds	1,473	-	-	1,473
- Other buildings	9,914	-	-	9,914
Total of buildings at fair value	11,422	-	-	11,422
Infrastructure at fair value				
<i>Specialised infrastructure</i>				
- Reservoirs	23,888	-	-	23,888
- Water pipework	200,629	-	-	200,629
- Water/storage tanks	26,403	-	-	26,403
- Sewer/recycled water pipework and rising mains	227,049	-	-	227,049
- Sewerage manholes	21,206	-	-	21,206
- Lagoons	7,219	-	-	7,219
- Pumps	5,836	-	-	5,836
- Sewer treatment tanks	6,455	-	-	6,455
- Other infrastructure	93,936	-	-	93,936
Total of infrastructure at fair value	612,621	-	-	612,621
Equipment at fair value				
<i>Specialised equipment</i>				
- Computer, furniture and fittings	1,846	-	-	1,846
- Compressors	569	-	-	569
- Machinery	610	-	-	610
- Other equipment	5,848	-	-	5,848
Total of equipment at fair value	8,873	-	-	8,873
Motor vehicles at fair value				
<i>Non-specialised motor vehicles</i>				
- 4WD	896	-	-	896
- Passenger	511	-	-	511
- Trucks	630	-	-	630
- Utilities	226	-	-	226
Total of motor vehicles at fair value	2,263	-	-	2,263
Leasehold assets at fair value				
- Leasehold improvements	547	-	-	547
Total of leasehold assets at fair value	547	-	-	547
Total infrastructure, property, plant & equipment	656,635	-	-	656,635

Note 8 (e) Fair value measurement hierarchy for assets as at 30 June 2014

\$'000	Carrying amount as at 30 June 2014	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
Land at fair value				
<i>Specialised land</i>				
- Water storage land	2,733	-	-	2,733
- Treatment plants land	12,550	-	-	12,550
- Telemetry land	200	-	-	200
- Tank wastewater land	2,710	-	-	2,710
- Pump station land	2,659	-	-	2,659
- Other land	57	-	-	57
Total of land at fair value	20,909	-	-	20,909
Buildings at fair value				
<i>Specialised buildings</i>				
- Pump station buildings	36	-	-	36
- Sheds	1,506	-	-	1,506
- Other buildings	10,101	-	-	10,101
Total of buildings at fair value	11,643	-	-	11,643
Infrastructure at fair value				
<i>Specialised infrastructure</i>				
- Reservoirs	23,695	-	-	23,695
- Water pipework	201,692	-	-	201,692
- Water/storage tanks	21,250	-	-	21,250
- Sewer/recycled water pipework and rising mains	220,561	-	-	220,561
- Sewerage manholes	20,754	-	-	20,754
- Lagoons	7,259	-	-	7,259
- Pumps	5,906	-	-	5,906
- Sewer treatment tanks	6,619	-	-	6,619
- Other infrastructure	102,920	-	-	102,920
Total of infrastructure at fair value	610,656	-	-	610,656
Equipment at fair value				
<i>Specialised equipment</i>				
- Computer, furniture and fittings	1,413	-	-	1,413
- Compressors	631	-	-	631
- Machinery	682	-	-	682
- Other equipment	2,620	-	-	2,620
Total of equipment at fair value	5,346	-	-	5,346
Motor vehicles at fair value				
<i>Non-specialised motor vehicles</i>				
- 4WD	811	-	-	811
- Passenger	430	-	-	430
- Trucks	299	-	-	299
- Utilities	242	-	-	242
Total of motor vehicles at fair value	1,782	-	-	1,782
Leasehold assets at fair value				
- Leasehold improvements	799	-	-	799
Total of leasehold assets at fair value	799	-	-	799
Total infrastructure, property, plant & equipment	651,135	-	-	651,135

There have been no transfers between levels during the period. For all assets measured at fair value, the current use is considered the highest and best use.

Specialised land and buildings

For the majority of Western Water's specialised buildings, the depreciated replacement cost method is used, adjusted 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.

The market approach is also 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.

An independent valuation of Western Water's specialised buildings was performed by 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 2011.

An independent valuation of Western Water's specialised land was performed by the Valuer General Victoria. The valuation was performed based on the market approach and adjusted for the CSO. The effective date of the valuation is 30 June 2011.

The Corporation conducted an assessment at 30 June 2015 with no material movement identified since the 2011 valuation.

Specialised infrastructure

Specialised infrastructure is valued using the depreciated replacement cost method. This cost

represents the replacement cost of the infrastructure (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.

Where it has not been possible to examine hidden works such as water pipe works, 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 structure. The estimated cost of reconstruction including structure services and finishes as applicable.

An independent valuation of Western Water's specialised infrastructure was performed by 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 2011.

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 2015 with no material movement identified since the 2011 valuation.

Specialised equipment

Specialised equipment is held at fair value. When 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.

Motor vehicles

Vehicles are valued using the depreciated replacement cost method. Western 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 market is managed by experienced fleet managers in Western Water who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Note 8 (e) Fair value measurement hierarchy cont.

Leasehold assets

Leasehold assets represent the leasehold improvements. Leasehold assets are valued using the depreciated replacement cost method.

There were no changes in valuation techniques throughout the year to 30 June 2015. For all assets measured at fair value, the current use is considered the highest and best use.

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

Asset class	Valuation technique	Significant unobservable inputs	Range/average
Specialised land	Market approach	Community Service Obligation (CSO) adjustment	(20%)
Specialised buildings	Depreciated replacement cost		
Pump station buildings, sheds and other buildings		Useful life for the revaluation Remaining useful life Cost per unit	75 years 19-50 years, 2-5% \$988-\$761,349
Specialised infrastructure	Depreciated replacement cost	Cost per unit	
- Reservoirs		Useful life for the revaluation Remaining useful life \$ per m ³	133 years 89 years, 0-6.67% \$450-\$4,750
- Water pipework		Useful life for the revaluation Remaining useful life 50-1100 diameter 65-200mm	40 years 13-27 years, 4-8% \$50-\$1,337 (m) \$662-\$3,959 each
- Water/storage tanks		Useful life for the revaluation Remaining useful life Tanks total value per tank range from	60 years 19-34 years, 3-5% \$319,017-\$2,350,814
- Sewer/recycled water pipework and rising mains		Useful life for the revaluation Remaining useful life 50-2100 diameter	40 years 20-40 years, 5% \$50-\$4,620 (m)
- Sewerage manholes		Useful life for the revaluation Remaining useful life Cost = \$800 + \$800 x depth (m) per 2 meter depth	65 years 60-80 years, 1.25-1.67% \$400-\$1,500
- Lagoons		Useful life for the revaluation Remaining useful life Value ranges from	70-350 years 15-171 years, 1-7% \$7,206-\$2,519,821
- Pumps		Useful life for the revaluation Remaining useful life Pumps value ranges from	20 years 10-32 years, 3-10% \$27,545-\$1,605,843
- Sewer treatment tanks		Remaining useful life Tanks value ranges from	21.6-60 years, 5% \$300,000-\$2,234,880
- Other infrastructure		Useful life for the revaluation Remaining useful life Some major assets value range	25-120 years 17-70 years, 1-6% \$9,159-\$3,806,749

Asset class	Valuation technique	Significant unobservable inputs	Range/average
Specialised equipment	Depreciated replacement cost		
- Computer, furniture and fittings		Remaining useful life	3-20 years, 5-33.4%
- Compressors		Remaining useful life	3-20 years, 5-33.4%
- Machinery		Remaining useful life	3-20 years, 5-33.4%
- Other equipment		Remaining useful life	3-20 years, 5-33.4%
Non-specialised motor vehicles	Depreciated replacement cost		
- 4WD		Remaining useful life 40% future salvage value	3-6.7 years, 15-33.4%
- Passenger		Remaining useful life 40% future salvage value	3-6.7 years, 15-33.4%
- Trucks		Remaining useful life	3-6.7 years, 15-33.4%
- Utilities		Remaining useful life 40% future salvage value	3-6.7 years, 15-33.4%
Leasehold assets	Depreciated replacement cost		
- Leasehold improvements		Over the remaining life of the lease	

These significant unobservable inputs remain unchanged from 30 June 2014.

Note 8 (g) Reconciliation of Level 3 fair value as at 30 June 2015

2015	Specialised land	Specialised buildings	Specialised infrastructure	Specialised equipment	Non-specialised motor vehicles	Leasehold assets
Opening balance	20,909	11,643	610,656	5,346	1,782	799
Purchases	-	34	19,542	1,679	1,351	-
Sales	-	-	(10)	(35)	(552)	-
Transfers in (out) of Level 3	-	-	-	-	-	-
Reclassification within Level 3	-	-	(3,228)	3,380	-	-
Gains or losses recognised in net result						
Depreciation	-	(255)	(14,339)	(1,497)	(318)	(252)
Impairment loss	-	-	-	-	-	-
Sub-total	20,909	11,422	612,621	8,873	2,263	547
Gains or losses recognised - other comprehensive income						
Revaluation	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
Closing balance	20,909	11,422	612,621	8,873	2,263	547

(h) Reconciliation of Level 3 fair value as at 30 June 2014

2014	Specialised land	Specialised buildings	Specialised infrastructure	Specialised equipment	Non-specialised motor vehicles	Leasehold assets
Opening balance	20,909	10,595	603,721	4,787	1,713	881
Purchases	-	1,300	21,782	1,161	789	137
Sales	-	-	(111)	(30)	(434)	-
Transfers in (out) of Level 3	-	-	-	-	-	-
Reclassification within Level 3	-	-	(781)	530	-	-
Gains or losses recognised in net result						
Depreciation	-	(252)	(13,955)	(1,102)	(286)	(219)
Impairment loss	-	-	-	-	-	-
Sub-total	20,909	11,643	610,656	5,346	1,782	799
Gains or losses recognised - other comprehensive income						
Revaluation	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
Closing balance	20,909	11,643	610,656	5,346	1,782	799

Note 9 Intangible assets

	Computer software \$'000	Bulk entitlement \$'000	Total \$'000
Year ended 30 June 2015			
At 1 July 2014, net of accumulated amortisation	5,651	2,591	8,242
Transfer to PPE (Note 8(b))	(152)	-	(152)
Additions	1,069	-	1,069
Disposals	-	-	-
Amortisation	(1,573)	-	(1,573)
Sub-total (before under construction)	4,995	2,591	7,586
Under construction			
At 1 July 2014	1,711	-	1,711
Additions	912	-	912
Transfer from PPE (Note 8(b))	-	-	-
Reclassification	-	-	-
At 30 June 2015, net of accumulated amortisation	7,618	2,591	10,209
At cost	16,260	2,591	18,851
Less: accumulated depreciation	(8,642)	-	(8,642)
Net carrying amount	7,618	2,591	10,209

	Computer software \$'000	Bulk entitlement \$'000	Total \$'000
Year ended 30 June 2014			
At 1 July 2013, net of accumulated amortisation	5,936	2,591	8,527
Transfer from PPE (Note 8(b))	251	-	251
Additions	984	-	984
Disposals	(25)	-	(25)
Amortisation	(1,495)	-	(1,495)
Sub-total (before under construction)	5,651	2,591	8,242
Under construction			
Transfer from PPE (Note 8(b))	1,158	-	1,158
Reclassification	553	-	553
At 30 June 2014, net of accumulated amortisation	7,362	2,591	9,953
At cost	15,379	2,591	17,970
Less: accumulated depreciation	(8,017)	-	(8,017)
Net carrying amount	7,362	2,591	9,953

Note 10: Deferred taxes

(a) Deferred tax assets

The balance comprises temporary differences attributable to:

	2014/15 \$000	2013/14 \$000
<i>Amounts recognised in Comprehensive Operating Statement</i>		
Doubtful debts	50	26
Employee benefits	1,020	948
Tax losses	2,036	5,792
Other	20	37
Total deferred tax assets	3,126	6,803
<i>Movements</i>		
Opening balance at 1 July	6,803	4,481
Credited / (debited) to the Comprehensive Operating Statement	79	(8)
Adjustment to previously recorded balance *	-	1,429
Tax losses	(3,756)	901
Closing balance at 30 June	3,126	6,803
Deferred tax asset to be recovered after more than 12 months	3,126	6,803

(b) Deferred tax liabilities

The Balance Sheet comprises temporary differences attributable to:

	2014/15 \$000	2013/14 \$000
<i>Amounts recognised in Comprehensive Operating Statement</i>		
Depreciation	41,540	40,578
Labour costs in capital works	-	-
Accrued revenue	-	1,127
	41,540	41,705
<i>Amounts recognised directly in equity</i>		
Revaluation of property, plant & equipment	36,167	36,167
	36,167	36,167
Total deferred tax liabilities	77,707	77,872
<i>Movements</i>		
Opening balance at 1 July	77,872	75,008
Charged to the Comprehensive Operating Statement	1,105	1,387
Adjustment to previously recorded balance *	-	1,477
Adjustment to accrued revenue	(1,270)	-
Closing balance at 30 June	77,707	77,872
Deferred tax liabilities to be recovered after more than 12 months	77,707	77,872
Net deferred tax assets/(liabilities)	(74,581)	(71,069)

*The net impact is (\$48,000).

Note 11: Payables

	2014/15 \$000	2013/14 \$000
Current/unsecured		
<i>Contractual</i>		
Trade creditors	6,434	5,698
Contractor deposits & retentions	833	1,162
Accrued expenses - interest	2,431	2,265
Accrued expenses - other	3,357	3,520
	13,055	12,645
<i>Statutory</i>		
Payables - GST	19	9
Payables - FBT	16	28
Payables - Superannuation	113	101
	148	138
Total current payables	13,203	12,783

None of the Corporation's payables are exposed to foreign exchange risk. Refer to Note 2 for exposure to interest rate sensitivity.

Note 12: Interest bearing liabilities

	2014/15 \$000	2013/14 \$000
Current		
<i>Secured</i>		
Bank overdraft (a)	-	-
Loans (b)	15,000	31,500
Total current interest bearing liabilities	15,000	31,500
Non-current		
<i>Secured</i>		
Loans (b)	166,000	142,500
Total non-current interest bearing liabilities	166,000	142,500
Total interest bearing liabilities	181,000	174,000
Credit standby arrangements		
Total facilities		
Bank overdraft (a)	500	500
Unused at balance date	500	500
Bank overdraft balance	-	-
Loan facilities (b)		
Total facilities	181,000	174,000
Used at balance date	181,000	174,000
Unused at balance date	-	-

(a) Overdraft limit - \$0.5 million secured by a mortgage over the general revenue of Western Water.

(b) Security for loans is by way of Treasurer's guarantee in favour of the Treasury Corporation of Victoria dated 22 June 2000. Loan interest is payable every six months and loans have a maturity profile of up to 13 years. (2014: 11 years).

All loans are with Treasury Corporation of Victoria under the Treasurer's approval. Any unused facilities are not automatically carried over into the next financial year with a fresh approval required for each financial year. Treasurer's approval was dated on 15 June 2015 to re-finance \$15.0 million of maturing loans and new loans of \$20.0 million between 1 July 2015 and 30 June 2016. (2014: Maturing loans of \$31.5 million and new loans of \$19 million).

Non-traded financial liabilities		
Loans - carrying amount	181,000	174,000
Loans - fair value	199,949	180,327

The fair values of non-current interest bearing liabilities are based on cash flows discounted using borrowing rates varying from 0% to 7.25%, depending on the type of the borrowing (2014: 0% to 7.25%).

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:

	2014/15 \$000	2013/14 \$000
6 months or less	7,000	23,000
6-12 months	8,000	8,500
1-5 years	50,000	55,000
Over 5 years	116,000	87,500
	181,000	174,000
Current borrowings	15,000	31,500
Non current borrowings	166,000	142,500
	181,000	174,000

Treasurer's approval was received on 15 June 2015 to refinance all loans maturing in 2015/16. In line with the 2015/16 Corporate Plan, all maturities will be refinanced.

The carrying amounts of the Corporation's borrowings are denominated in the following currencies:

Australian dollar	181,000	174,000
-------------------	---------	---------

For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to Note 2.

Note 13: Provision and employee benefits

	2014/15 \$000	2013/14 \$000
Current provisions		
Employee benefits (Note 13a)		
Annual leave (Note 13a)		
- Unconditional and expected to settle within 12 months	767	742
Long service leave (Note 13a)		
- Unconditional and expected to settle within 12 months	237	151
- Unconditional and expected to settle after 12 months	1,514	1,401
Provisions for on-costs (Note 13a and Note 13b)		
- Unconditional and expected to settle within 12 months	175	156
- Unconditional and expected to settle after 12 months	241	219
Total current provisions	2,934	2,669
Non-current provisions		
Employee benefits (Note 13a)		
Long service leave (Note 13a)		
- Conditional and expected to settle after 12 months	412	433
Provisions for on-costs (Note 13a and Note 13b)		
- Conditional and expected to settle after 12 months	65	68
Total non-current provisions	477	501
Total provisions	3,411	3,170

(a) Employee benefits and on costs

Current employee benefits		
Annual leave	767	742
Long service leave	1,751	1,552
	2,518	2,294
Non-current employee benefits		
Long service leave	412	433
Total employee benefits	2,930	2,727
Current on-costs	416	375
Non-current on-costs	65	68
Total on-costs	481	443
Total employee benefits and on-costs	3,411	3,170

(b) Movement in provisions

	2014/15 \$000	2013/14 \$000
Movement in provisions		
<i>Annual leave (including on-costs)</i>		
Carrying amount at start of year	875	874
Leave paid out to departing employees	(67)	(53)
Additional provision recognised	96	54
	904	875
<i>Long service leave (including on-costs)</i>		
Carrying amount at start of year	2,295	2,317
Leave taken by employees	(250)	(311)
Additional provision recognised	462	289
	2,507	2,295

The following assumptions were adopted in measuring the present value of long service leave and retirement gratuity entitlements:

Weighted average increase in employee costs	3.50%	3.60%
Weighted average discount rates	3.03%	3.57%
Weighted average settlement period	7 years	10 years

The Corporation made no ex-gratia payments.

Note 14: Contributed capital

	2014/15 \$000	2013/14 \$000
Opening balance at 1 July	160,413	160,413
Capital transactions with the State in its capacity as owner arising from:		
- Capital contributions	-	-
Closing balance at 30 June	160,413	160,413

Note 15: Reserves

	2014/15 \$000	2013/14 \$000
Composition of reserves		
Asset revaluation-Land	18,587	18,587
Asset revaluation-Buildings	2,606	2,606
Asset revaluation-Infrastructure	79,106	79,106
Total reserves	100,299	100,299
Movements in reserves		
Asset revaluation surplus		
Balance 1 July	100,299	100,299
Balance 30 June	100,299	100,299

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

Note 16: Accumulated funds

	2014/15 \$000	2013/14 \$000
Opening balance at 1 July	175,745	174,640
Comprehensive result	8,166	1,105
Closing balance at 30 June	183,911	175,745

Note 17: Financial instruments

Interest rate risk exposure

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

Exposures arise predominantly from liabilities bearing variable interest rates as the Corporation tends to hold fixed rate liabilities to maturity.

				Contractual repricing or maturity periods						Total
	Non interest bearing	Fixed interest rate	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	
2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets										
Cash	2	-	20,319	-	-	-	-	-	-	20,321
Receivables	10,189	-	-	-	-	-	-	-	-	10,189
Other receivables	122	-	-	-	-	-	-	-	-	122
Total financial assets	10,313	-	20,319	-	-	-	-	-	-	30,632
Financial liabilities										
Payables	13,055	-	-	-	-	-	-	-	-	13,055
Interest bearing liabilities	-	181,000	-	15,000	10,000	16,500	13,500	10,000	116,000	181,000
Total financial liabilities	13,055	181,000	-	15,000	10,000	16,500	13,500	10,000	116,000	194,055
<i>Net financial liabilities</i>	<i>(2,742)</i>	<i>(181,000)</i>	<i>20,319</i>	<i>(15,000)</i>	<i>(10,000)</i>	<i>(16,500)</i>	<i>(13,500)</i>	<i>(10,000)</i>	<i>(116,000)</i>	<i>(163,423)</i>
Weighted average interest rate	-	-	2.37%	4.94%	4.86%	6.62%	5.19%	5.82%	4.89%	

				Contractual repricing or maturity periods						Total
	Non interest bearing	Fixed interest rate	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	
2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets										
Cash	2	684	9,192	-	-	-	-	-	-	9,878
Receivables	9,048	-	-	-	-	-	-	-	-	9,048
Other receivables	174	-	-	-	-	-	-	-	-	174
Total financial assets	9,224	684	9,192	-	-	-	-	-	-	19,100
Financial liabilities										
Payables	12,645	-	-	-	-	-	-	-	-	12,645
Interest bearing liabilities	-	174,000	-	31,500	15,000	10,000	16,500	13,500	87,500	174,000
Total financial liabilities	12,645	174,000	-	31,500	15,000	10,000	16,500	13,500	87,500	186,645
<i>Net financial liabilities</i>	<i>(3,421)</i>	<i>(173,316)</i>	<i>9,192</i>	<i>(31,500)</i>	<i>(15,000)</i>	<i>(10,000)</i>	<i>(16,500)</i>	<i>(13,500)</i>	<i>(87,500)</i>	<i>(167,545)</i>
Weighted average interest rate	-	-	2.37%	3.27%	4.94%	4.86%	6.62%	5.19%	5.46%	

Note 17: Financial instruments cont.

Fair value

The following tables present Western Water's financial assets and financial liabilities measured and recognised at fair value at 30 June 2015 and 2014. It also shows the comparison between the carrying amount of the asset or liability and its fair value.

Please refer to Note 1(e) for accounting policy relating to disclosure of fair value measurement hierarchy.

2015 \$'000	Carrying amount as at 30 June 2015	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
Financial assets				
Cash	20,321	20,321	-	-
Receivables	10,189	-	10,189	-
Total financial assets	30,510	20,321	10,189	-
Financial liabilities				
Payables	13,055	-	13,055	-
Other loans	181,000	-	199,949	-
Total financial liabilities	194,055	-	213,004	-

2014 \$'000	Carrying amount as at 30 June 2014	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
Financial assets				
Cash	9,878	9,878	-	-
Receivables	9,048	-	9,048	-
Total financial assets	18,926	9,878	9,048	-
Financial liabilities				
Payables	12,645	-	12,645	-
Other loans	174,000	-	180,327	-
Total financial liabilities	186,645	-	192,972	-

There have been no transfers between levels during the period.

None of the classes of interest bearing liabilities are readily traded on organised markets in standardised form. The fair value of borrowings is based upon market prices, where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles. Fair value is inclusive of costs which would be incurred on settlement of a liability.

The carrying amounts of receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Note 18: Commitments

The following commitments are inclusive of GST.

	2014/15 \$000	2013/14 \$000
Operating lease commitments		
<i>At 30 June 2015, Western Water had the following operating lease commitments :</i>		
- within one year	653	480
- one to five years	648	969
Total operating lease commitments payable	1,301	1,449
Capital commitments		
<i>At 30 June 2015, Western Water had the following capital commitments :</i>		
- within one year	2,266	4,867
- one to five years	3,208	705
Total capital commitments payable	5,474	5,572
Operating commitments		
<i>At 30 June 2015, Western Water had the following operating commitments :</i>		
- within one year	4,066	3,193
- one to five years	3,639	4,435
- greater than five years	-	-
Total operating commitments payable	7,705	7,628
Environment contribution		
<i>At 30 June 2015, Western Water had outstanding environmental contribution commitments, to be paid is follows :</i>		
- within one year	2,410	2,410
- one to five years	-	2,410
Total environment contribution payable	2,410	4,820
Total commitments inclusive of GST	16,890	19,469
Operating lease receivables		
<i>At 30 June 2015, Western Water had the following operating lease commitments, to be received is follows :</i>		
- within one year	178	175
- one to five years	708	888
Total operating lease receivables	886	1,063

Minimum future lease payments receivable includes the aggregate of all lease payments receivable and any guaranteed residual. Operating leases for land are mostly for ten years. Building leases are generally for a twelve month period with an option to cancel with 28 days' notice.

Total net commitments inclusive of GST	16,004	18,406
Less GST recoverable from the Australian Taxation Office	1,236	1,235
Total net commitments exclusive of GST	14,768	17,171

Note 19: Contingent liabilities and contingent assets

	2014/15 \$000	2013/14 \$000
Contingent liabilities		
Total estimated contingent liabilities	-	-
Contingent assets		
Western Water enters into agreements with land developers whereby assets are transferred to Western Water at no cost. These assets are brought to account as revenue and capitalised on completion of the project. At the reporting date, land developers had commenced construction of assets that would eventually be transferred to Western Water contingent upon the release of Statements of Compliance by Western Water. This amount has been calculated as the sum of the estimate of the project costs by their percentage complete at 30 June.		
Total estimated contingent assets	4,059	3,092

Note 20: Superannuation

Western Water makes its employer superannuation contributions in respect of its employees to a number of superannuation funds, with the majority of contributions made to the Local Authorities Superannuation Funds (the Fund). All defined benefit contributions are made to the Fund.

The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Western Water and Western Water's legal or constructive obligation is limited to these contributions.

The obligations for contributions to the Fund and other Superannuation Funds are recognised as an expense in the Comprehensive Operating Statement when they are made or due.

Accumulation

The Fund's accumulation category, MySuper/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 2015, this was 9.50% required under Superannuation Guarantee legislation (for 2013/14, this was 9.25%).

Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements. (There can be other agreements – i.e. contractual and or Enterprise Agreement that require additional contributions). 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.

The Superannuation Guarantee contribution rate is legislated to progressively increase to 12% by 2025. The Superannuation Guarantee rate will remain at 9.50% for 7 years, increasing to 10% from 1 July 2021, and eventually to 12% from 1 July 2025.

Defined Benefit Plan

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

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Western Water in the Fund cannot be measured as a percentage compared with other participating employer.

While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for the purposes. Therefore the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119 because of the pooled nature of the Fund's defined benefit category.

Funding arrangements

Western Water makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary.

The Fund's latest actuarial investigation was held as at 30 June 2014 and it was determined that the Vested Benefit Indexed (VBI) of the defined benefit category of which Western Water is a contributing employer was 103.4%.

The Australian Prudential Regulation Authority (APRA) has introduced a prudential standard (SPS 160 - Defined Benefit Matters) to determine the funding requirements of a defined benefit (DB) arrangement. Under this standard:

- the VBI is the measure to determine whether there is an unfunded liability; and

- any unfunded liability that arises must be paid within three years.

Under SPS 160, the VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the actuarial investigation determined the defined benefit category was in a satisfactory financial position under SPS 160. As a result, the Fund Actuary determined that no change was necessary to the defined benefit category's funding arrangements from prior years.

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

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

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

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

Employer contributions

Regular contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 30 June 2014, Western Water makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee, on the advice of the Fund's Actuary. For the year ended 30 June 2015, this rate was 9.5% of members' salaries. This rate increased from 9.25% for year ended 30 June 2014 and will increase in line with the required Superannuation Guarantee contribution rate.

Note 20 Superannuation cont.

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

Funding calls

The Fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund is required to target full funding of its vested benefits. There may be circumstances where:

- a fund is in an unsatisfactory financial position at an actuarial investigation (i.e. its vested benefit index (VBI) is less than 100% at the date of the actuarial investigation); or
- a fund's VBI is below its shortfall limit at any time other than at the date of the actuarial investigations.

If either of the above occur, the fund 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 of the shortfall occurring. There may be circumstances where the Australian Prudential Regulation Authority (APRA) may approve a period longer than three years.

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 Western Water) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's defined benefit

category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

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

- The service periods of all active members split between the active members pre-1 July 1993 and post-30 June 1993 service period; and
- The pensioner liabilities (including any potential pensioner liabilities arising from deferred members) which are allocated to the pre-1993 period.

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

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

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations.

The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund.

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

Differences between calculations

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently

for funding purposes (i.e. calculating required contributions), for the calculation of accrued benefits as required in AAS 25 and for the values needed for the AASB 119 disclosure in Western Water's financial statements.

AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

Retrenchment increments

During 2014-15, Western Water was not required to make payments to the Fund in respect of retrenchment increments (2013/14:\$82,463). Western Water's liability to the Fund as at 30 June 2015, for retrenchment increments, accrued interest and tax is \$nil (2013/14:\$82,463).

Latest actuarial investigation surplus amounts

The Fund's latest actuarial investigation as at 30 June 2014 identified the following in the defined benefit category of which Western Water is a contributing employer:

- A VBI surplus of \$77.1 million; and
- A total service liability surplus of \$236 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 2014.

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.

Western Water was notified of the results of the actuarial investigation during January 2015.

Prior actuarial investigation shortfall amounts

The Fund's prior actuarial investigation as at 31 December 2011 identified an unfunded liability of

\$406 million (excluding contributions tax) in the defined benefit category. A total of \$2.6 million (excluding contributions tax) was outstanding as at 30 June 2015 (2013/14: \$7.9 million).

Western Water was informed of its share of the shortfall on 2 August 2012 and Western Water's share of the shortfall amounted to \$2,147,821 (including contributions tax) which has been accounted for in the 2011/12 Comprehensive Operating Statement with Employee Benefits and in the Balance Sheet in Current Liabilities Provisions.

Western Water has \$nil amount owing as at 30 June 2015 (2013/14:\$nil).

Accrued benefits

The Fund's liability for accrued benefits was determined in the 30 June 2014 actuarial investigation pursuant to the requirements of Australian Accounting Standard Board AAS25 - Financial Reporting by Superannuation Funds follows:

	30 June 2014 \$million
Net market value of assets	2,354.9
Accrued benefits (per accounting standards)	2,061.9
Difference between assets and accrued benefits	293.0
Vested benefits	2,277.8

(Minimum sum which must be paid to members when they leave the fund).

The financial assumptions used to calculate the accrued benefits for the defined benefit category of the Fund were:

Net investment return	7.50% p.a.
Salary inflation	4.25% p.a.
Price inflation	2.75% p.a.

The next full actuarial investigation of the Fund's liability for accrued benefits will be based on the Fund's position as at 30 June 2017.

Superannuation contributions

Contributions by Western Water (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2015 are detailed below:

	Type of scheme	Contribution rate	2014/15 \$'000	2013/14 \$'000
Vision Super	Defined Benefit	9.25%	-	157
Vision Super	Defined Benefit	9.50%	140	-
Vision Super	Defined Benefit	Retrenchment Adj	-	82
Vision Super	Defined Contribution	9.25%	-	762
Vision Super	Defined Contribution	9.50%	757	-
Vision Super	Defined Contribution	10.00%	11	12
Vision Super Clearing House (Other Super Funds)	Defined Contribution	9.25%	-	188
Vision Super Clearing House (Other Super Funds)	Defined Contribution	9.50%	264	-
Total contributions to all funds			1,172	1,201

As at the reporting date, there was \$79,086 (2014: \$80,504) payable to Vision Super and \$33,871 (2014: \$20,868) payable to other super funds through Vision Clearing House for payments in the normal course of business and no amount payable to Vision Super in relation to an Executive Termination (2014: \$82,462).

As at the reporting date, there were no loans to or from Western Water to any of the above funds. The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2016 is \$130,000.

Note 21: Remuneration of executives and payments to other personnel

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.

(a) Responsible persons

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

Name	Title	Period of appointment
The Hon Peter Walsh MP	Minister for Water	1 July 2014 to 3 December 2014
The Hon Lisa Neville MP	Minister for Environment, Climate Change and Water	4 December 2014 to 30 June 2015
L Cade	Chairman of the Board of Directors	1 July 2014 to 30 June 2015
R Anderson	Deputy Chairman of the Board of Directors	1 July 2014 to 30 June 2015
R Johns	Board Member/Chairman of the Audit and Risk Committee	1 July 2014 to 30 June 2015
J Doolan	Board Member	1 July 2014 to 30 June 2015
A Osborne	Board Member	1 July 2014 to 30 June 2015
R Cooper	Board Member	1 July 2014 to 30 June 2015
M Douglas-Crane	Board Member	1 July 2014 to 30 June 2015
N Brennan	Managing Director	1 July 2014 to 30 June 2015

Remuneration of responsible persons

Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet. Other relevant interests are declared in the Register of Members' Interests which each member of the Parliament completes.

	2014/15 \$000	2013/14 \$000
Remuneration received, or due and receivable, from Western Water in connection with the management of Western Water (includes termination payments and bonuses paid at the end of contracts).	521	505

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

Income band (\$)	2014/15 No.	2013/14 No.
0 - 9,999	-	1
10,000 - 19,999	-	1
20,000 - 29,999	6	5
30,000 - 39,999	-	-
50,000 - 59,999	1	1
130,000 - 139,999	-	-
270,000 - 279,999	-	-
320,000 - 329,999	1	1
Total number of responsible persons	8	9

In 2013/14, one Director's appointment ceased on 30 September 2013 and a new Director was appointed on 1 October 2013.

Note 21 Remuneration of executives cont.

Retirement benefits of responsible persons

	2014/15 \$000	2013/14 \$000
The retirement benefits paid by the Corporation in connection with the retirement of responsible persons for the Corporation amounted to:	-	-

Related party transactions of responsible persons

	2014/15 \$000	2013/14 \$000
Amounts receivable from and (payable) to responsible persons or their responsible person related parties at 30 June:	-	-
Current payable	-	-

There were no other transactions between Western Water and responsible persons and their related parties during the financial year. Amounts relating to ministers are reported in the financial statements of the Department of Premier and Cabinet.

(b) Executive officers' remuneration

The number of executive officers, other than ministers and managing directors, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

Several factors affected total remuneration payable to executives over the 2013/14 year. A number of employment contracts were completed during the previous year and renegotiated and a number of executives received bonus payments during the previous year. These bonus payments depend on the terms of individual employment contracts.

A number of executive officers retired, resigned or were retrenched in the past year. This has had a significant impact on total remuneration figures due to the inclusion of annual leave, long service leave and retrenchment payments.

Executive officers' remuneration cont.

Income band (\$)	Total remuneration		Base remuneration	
	2015 No.	2014 No.	2015 No.	2014 No.
10,000 - 19,999	1	-	1	-
20,000 - 29,999	-	1	-	1
30,000 - 39,999	-	1	-	2
40,000 - 49,999	-	1	-	-
110,000 - 119,999	-	-	1	-
130,000 - 139,999	1	-	-	-
140,000 - 149,999	-	-	1	1
150,000 - 159,999	2	1	1	1
170,000 - 179,999	-	-	-	1
180,000 - 189,999	1	-	1	-
200,000 - 209,999	-	-	-	1
210,000 - 219,999	-	-	1	-
230,000 - 239,999	1	1	-	-
260,000 - 269,999	-	1	-	-
300,000 - 309,999	-	1	-	-
Total number of executives	6	7	6	7
Total annualised employee equivalents ⁽ⁱ⁾	4.3	4.4	4.3	4.4
Total amount \$'000	889	1,068	835	775

(i) Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.

(c) Retirement benefits of responsible persons

Western Water has not paid any amounts in connection with the retirement of responsible persons during the financial year ending 30 June 2015 (2013/14: \$nil).

(d) Other personnel (i.e. contractors with significant management responsibilities)

Western Water has not engaged any personnel as contractors during the reporting period that has significant management responsibilities (2014: Nil).

Note 22: Reconciliation of net result for the year after related income tax to net cash flows from operating activities

	2014/15 \$000	2013/14 \$000
Net results for the year after income tax	8,166	1,105
Add/(less) non cash flows in net result		
(Profit)/loss on disposal of non-current assets	119	174
Depreciation and amortisation	18,234	17,310
Gifted assets	(6,138)	(6,658)
Provision for impaired receivables	80	2
Changes in assets and liabilities		
Decrease/(increase) in receivables	(1,682)	(531)
Decrease/(increase) in prepayments	(77)	(72)
Decrease/(increase) in deferred tax asset	3,677	(2,322)
Increase/(decrease) in trade creditors	(3,095)	263
Increase/(decrease) in income in advance	315	43
Increase/(decrease) in deferred tax liabilities	(165)	2,864
Increase/(decrease) in provisions	241	(21)
Net cash (outflow)/inflow from operating activities	19,675	12,157

Note 23: Dividends

The process to determine the 2015 dividend has not yet been completed at the reporting date.

The Board's preliminary dividend estimate for this period is \$nil (2014:\$nil).

Note 24 Events occurring after the Balance Sheet date

On the 8 April 2015, the Minister for Environment, Climate Change and Water, the Hon Lisa Neville MP, announced a review of all 135 Victorian water corporation board director positions. Expressions of interest were invited during April and May 2015 with new boards to be in place by 1 October 2015.

Water corporations remain governed by a properly constituted board of directors and will do so following 1 October 2015 when any new appointments are due to commence.

Note 25: Ex-gratia expenses

	2014/15 \$000	2013/14 \$000
Forgiveness or waiver of debt	333	306
Total ex-gratia expenses	333	306

The ex-gratia expenses relate to unpaid water usage charges by vacated residential tenants, waivers due to leak allowances as per industry guidelines and grants given to customers as part of the customer support program.

These amounts are deemed to be unrecoverable and in accordance with policy are written off. These expenses have been recognised in the Comprehensive Operating Statement under other operating and administration expenses (Note 4 and Note 7(a)).

Statutory Certification

Accountable officer's and chief finance and accounting officer's declaration

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

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2015 and financial position of the Corporation at 30 June 2015.

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 2 September 2015.



Lucia Cade, Chair



Neil Brennan, Managing Director



Julie Williams, Chief Finance and Accounting Officer

2 September 2015

Auditor General's report on the Financial Report



INDEPENDENT AUDITOR'S REPORT

To the Board Members, Western Region Water Corporation

The Financial Report

The accompanying financial report for the year ended 30 June 2015 of the Western Region Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance and accounting officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditing in the Public Interest

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Western Region Water Corporation as at 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
2 September 2015



John Doyle
Auditor-General

Auditing in the Public Interest

Appendices

Appendix 1: Disclosure index

Financial Reporting Directions		
Financial policy and disclosures		Page
FRD 100	Financial Reporting Directions – Framework	58
FRD 102	Inventories	n/a
FRD 103E	Non-current physical assets	55
FRD 104	Foreign currency	52
FRD 105A	Borrowing costs	55
FRD 106	Impairment of assets	58
FRD 107A	Investment properties	n/a
FRD 109	Intangible assets	55
FRD 110	Cash Flow Statement	51
FRD 112D	Defined benefit superannuation obligations	69, 96
FRD 113A	Investments in subsidiaries, jointly controlled entities and associates	70
FRD 114A	Financial instruments	93
FRD 117	Contributions of existing non-financial assets to third parties	n/a
FRD 119A	Transfers through contributed capital	92
FRD 120I	Accounting and reporting pronouncements applicable to 2014/15 reporting period	52
Non-financial policy and disclosures		
FRD 03A	Accounting for dividends	104
FRD 07A	Early adoption of authoritative accounting pronouncements	52
FRD 11A	Disclosure of ex-gratia payments	91
FRD 17B	Long service leave wage inflation and discount rates	69
FRD 20A	Accounting for state motor vehicle lease arrangements prior to 1 February 2004	76
FRD 21B	Disclosures of responsible persons, executive officers and other personnel with significant responsibilities in the financial report	101
FRD 26A	Account for VicFleet motor vehicle lease arrangements on or after 1 February 2004	n/a
FRDs affecting the report of operations		
FRD 10	Disclosure index	108
FRD12A	Disclosure of major contracts	38
FRD 22F	Standard disclosures in the report of operations	-
	Manager of establishment and responsible Minister	1
	Objectives, functions, powers and duties	1
	Nature and range of services provided	2
	Organisational structure	9
	Comparative workforce data	13
	Occupational health and safety	14
	Application of the <i>Protected Disclosures Act</i>	40
	Financial summary, objectives and performance	42
	Significant changes in financial position	45
	Post balance date events	45
	Consultancies	108
	Government advertising	38
	Environmental performance	18, 27, 40
	Application of the <i>Freedom of Information Act</i>	39
Availability of other information	41	
Compliance with the <i>Building Act</i>	39	
Compliance with the National Competition Policy	39	

Financial Reporting Directions		Page
FRDs affecting the report of operations cont.		
FRD 25B	Victorian Industry Participation Policy disclosures in the report of operations	38
FRD 27C	Presentation and reporting of performance information	32
FRD 29A	Workforce data disclosures in the report of operations	13
FRD 30B	Standard requirements for the publication of annual reports	-

Standing Directions		Page
SD 4.2(b)	Income statement	48
	Balance Sheet	49
	Statement of recognised income and expense	42
	Cash Flow Statement	51
	Notes to the financial statements	52
SD 4.2(c)	Compliance with Australian Accounting Standards and other authoritative pronouncements	52
	Accountable Officer's declaration	5
SD 4.2(e,j)	Sign off requirements	5
SD 4.2(f,i)	Compliance with Model Financial Report	-
SD 4.2(g)	General information requirements	-
SD 4.2(h)	Compliance with FRDs	108
SD 4.5.5	Risk management compliance attestation	41

Ministerial Reporting Directions		Page
MRD 01	Performance reporting	32
MRD 02	Water consumption	16
	Drought response	19
	Corporate water consumption	18
MRD 03	Sustainable water use	21
	Sustainable and resilient water services system	22
	Environmental statutory obligations	24
	Greenhouse gas emissions	27
	Community service obligations	31
MRD 04	Bulk entitlement reporting	110
	Transfers, groundwater etc	19
MRD 05	Water efficiency	20
	Major non-residential water users	20

Legislation		Page
<i>Freedom of Information Act 1982</i>		39
<i>Building Act 1983</i>		39
<i>Protected Disclosure Act 2012</i>		40
Victorian Industry Participation Policy 2003		38
<i>Financial Management Act 1994</i>		105

Appendix 2: Bulk Entitlements Report

Under bulk entitlement (BE) compliance requirements, Western Water must report the following for 2014/15 on the 10 bulk entitlements currently held by Western Water. References to the relevant BE clause are stated in (brackets/lowercase).

Reporting for	Barringo	Lancefield	Macedon	Maribyrnong
Under BE clause	11.1	14.1	14.1	19.1
Water source and storage	Barringo Creek, Pierce Reservoir	Garden Hut Creek (G), Monument Creek (M), Garden Hut Reservoir	Railway Creek, Turitable Creek, Willimigongon Creek and Reservoir (W), Kitty English (K), Frank Mann (F), Andersons (A), McDonalds (MC) and Orde Hill (O) Reservoirs	Slatey Creek, Jacksons Creek, Salty Creek, Gisborne Creek, Rosslynne Reservoir
Annual catchment rainfall (mm)	586	390	777	534
Capacity of storage (ML)	64	46	475	25,368
Annual bulk entitlement (ML)	525 in any year, 1,600 over 5 years	315	873 in any year, 3,225 over 5 years	6,100
Western Water's entitlement in storage at the start of the financial year (ML), and % full for the storage	14.5 23%	20 44% (d)	335 70% (d)	16,118 75% (a, iii)
Inflows to storages from this BE water source (ML)	0	185	278	349
Extra inflows (e.g. diversions into the storages) or local catchment runoff	2.95	0	0	0
Volume taken from the storage (ML)	0 (e)	79 (e)	247 - Woodend supply (O,MC, A,W) 19 - Rosslynne supply (O,MC,A,W & 36 K,F) (e)	5,457 (a, i)
Maximum extraction rate from storage or water source (ML/day)	0 from Barringo Creek (c)	0.8 Garden Hut Reservoir (c)	2.0 - Macedon storages (c)	26 - Rosslynne Reservoir
Estimated evaporation (ML)	2.8	8.8	16.6	SRW See Note 2 (a, iv)
Other losses e.g. seepage, plant losses (ML)	3.5	Included in passing flows	15.7	775 See Note 2
Environmental releases (ML)	Nil	Nil	0	1,159
Volume of environmental and passing flows (ML)	All flows (b)	106 (G)& all Monument Creek flows (b)	240	SRW (a,v)
Passing/environmental requirements met	Yes	Yes	See Note 1	N/A
Amendments to the bulk entitlement	No (h)	No (i)	No (i)	No (d)
Failure to comply with the BE, or compliance difficulties experienced or anticipated in the future	No	No	See Note 1	No
Western Water's entitlement unused or remaining in storage at end of financial year (ML) and % full for the storage	11.2 17%	0.3 1%	314 66%	9,175 44.1%

Key to table abbreviations					
WW	Western Water	MW	Aspect managed by Melbourne Water	N/A	Not applicable
ML	Megalitres	SRW	Aspect managed by Southern Rural Water		

	Myrning	Riddells Creek	Romsey	Werribee	Woodend	Melbourne Headworks System
	12.1	11.1	12.1	13.1	14.1	16.1
	Pykes Creek, Pykes Creek Reservoir	Main Creek, Forster and Wright Reservoirs	Bolinda Creek, Kerrie Reservoir	Lerderderg River, Goodmans Creek, Coimadai Creek, Lake Merrimu (M) Djerriwarrh Creek, Djerriwarrh Reservoir (DJ)	Campaspe River, Falls and Smokers Creeks, Barbour and Kavanagh Springs, Straws Lane Bore, Campaspe (CR), Graham Brock (GB) Reservoir, Reservoir C (C)	Various catchments via Melbourne Water's supply system
	587	555	436	421	536	MW
	22,119	76	297	32,516 (M) 1,014 (D)	366	1,812,175
	58	300	460	8,500 (M) 1,486 (DJ)	470	18,250
	58 100%	48 63%	129 43%	11,197 - 62% (M) 619 - 61% (DJ) (a, ii)	194 53% (d)	13,613 74% of BE
	SRW	587	555	594 (M) (a,iii) 32 (DJ) (a,iv)	702 CR (e) 24 local catchment & springs 0 Falls Ck & Bore	10,331
	0	174	337	0 (M) 3.3 (DJ)	0 - Melbourne Headworks BE 247 - Macedon	0
	44.9 (b)	237 (e)	437 (e)	6,956 (M) (a, i) 79 (DJ)	287 (CR) (e) 0 (GB, C) (e)	254 (a)
	0.4 from Pykes Reservoir	1.1 - Main Creek	3.0 - Bolinda Creek (c)	27 from (M) 0.6 from (DJ)	1.6 (CR) 0 Falls & Smokers Creek (c)	14
	SRW See Note 2	8.2	49.4	SRW (M) See Note 2 92 (DJ)	63	MW
	SRW	-3	-29 See Note 4	388 (M) 33 (DJ)	Included in passing flows balance	608
	SRW	0	0	SRW (M) (a,v) 0 (DJ)	13	MW
	SRW	135 (b)	335 (b)	SRW (M) 0 (DJ)	378 (b)	MW
	SRW	See Note 3	Yes	SRW (M) Yes (DJ)	Yes	MW
	No (i)	No (h)	No (i)	No (d)	No (i)	No (f)
	No	See Note 3	No	No	No	No
	13.1 23%	44 58%	155 52%	4,040 29% (M) 543 54% (DJ)	128 35%	23,068 126% of BE

General information for bulk entitlements (BE)

Barringo	Pierce Reservoir is an emergency, off-stream storage supplied by Barringo Creek and was not used for supply during the year.
Lancefield	The Lancefield bores & Garden Hut Creek are used together as the sources of water for this town, after being treated at the Lancefield Water Filtration Plant. A new transfer allowing water to be transferred from the Romsey, Riddells and Maribyrnong BE was operated during the year.
Macedon (see table for sources)	Storages are closely monitored to ensure adequate levels are maintained for firefighting (i.e. > 60%). This was achieved at all times during the year. The Macedon system allows for storages to be grouped for efficient monitoring of the total volume taken from these groups of storages. These groups are Kitty English and Frank Mann reservoirs (Railway Creek), Andersons and McDonalds reservoirs (Turitable Creek), and Orde Hill and Willimigongon reservoirs (Willimigongon Creek).
Maribyrnong	Greater use of water from Rosslynne Reservoir occurred during the year due to completion of upgrade works at the Rosslynne Water Filtration Plant. Storage levels decreased as a result.
Myrning	Pykes Creek Reservoir remained steady in volume, no changes to security of supply were made during 2014/15.
Riddells Creek	174 ML of Maribyrnong BE was transferred to Riddells Creek and, combined with Riddells Creek BE, was transferred to Kerrie Reservoir to supplement supply security in Romsey and Lancefield.
Romsey	An amount of 313 ML for 2014/15 was able to be added to the drought reserve for this BE. Extra inflows were sent to this BE from Riddells Creek and Maribyrnong BEs. Bore water was used during 2014/15 to supplement surface water supplies for Romsey.
Werribee	Djerriwarrh Reservoir can supply an additional volume if needed for Melton and Bacchus Marsh, which are supplied via Merrimu Water Filtration Plant. A small raw water supply is also provided for local properties. Schedule 1 of the Bulk Entitlement, Clause 1b, 1d, 1f and 1g reportable items were 0 ML for 2014/15. For details on Schedule 1 Clause 1a, 1c and 1e, refer to the above table.
Woodend	0 ML of Melbourne Headworks BE and 247ML of Macedon BE were diverted to supplement the Woodend supply.
Melbourne Headworks	A new BE (Greater Yarra System – Thomson River Pool – Western Water) was granted in July 2014 as a result of the Melbourne System Bulk Water Reform. Western Water operated under this entitlement during the year. The total taken shown in the table can be split into 162 ML taken via the Hillside interface point to Melton and Bacchus Marsh, and 92 ML taken via the Loemans Rd interface point to Sunbury and the Macedon Ranges region.

There were no bulk entitlements transfers to any of Western Water's BEs during 2014/15.

Western Water has worked with DEPI (now DELWP – referred to as the Department), SRW and Melbourne Water in the operation of its bulk entitlements during the year, and has largely complied with the provisions and requirements they contain, except as noted below.

Transition from extreme drought to average rainfall and then to hot, dry conditions has presented different challenges in water resource management and planning. Any reference to SRW in the BE Report table indicates that this item is managed by SRW and the information can be sourced from the SRW Annual Report.

In the past, Western Water submitted a metering plan to the Department which was approved by the Minister. Implementation of this plan commenced in 2011/12 with improvements made in 2012 in conjunction with the Bureau of Meteorology funding program, to improve the accuracy and completeness of data captured. Western Water continued to improve the network with two new metering sites completed during 2014/15.

Western Water has previously submitted an Environmental Management Program associated with its bulk entitlements. However, the Department have indicated that guidelines will be provided giving further advice on this program.

Notes for bulk entitlements report

Note	Comment
1	Passing flow requirements on Willimigongon Creek require manual operation, and a shortfall totalling 19 ML failed to be released as instantaneous passing flows. This was compensated by ensuring average passing flows over the year exceeded the shortfall (i.e. 54 ML available to be harvested under this BE was passed downstream through the BE passing flow monitoring point). To improve the manual process, an extra meter was added to the monitoring network during 2014/15.
2	SRW provides net inflows which include adjustments for Merrimu, Rosslynne and Pykes Creek reservoirs. The estimated evaporation for Merrimu and Rosslynne reservoirs is included in 'Other losses' and is part of the SRW volume correction water balance.
3	Passing flow requirements on Main Creek require manual operation, and a shortfall totalling 8 ML failed to be released as instantaneous passing flows. This was compensated by ensuring average passing flows over the year exceeded the shortfall (i.e. 37 ML available to be harvested under this BE was passed downstream through the BE passing flow monitoring point).
4	The negative losses of -29 ML for the Romsey system indicate an inflow that has not been recorded. It is possible that the inflows to Kerrie Reservoir of 146 ML may be an underestimate due to periods of missing data from debris affecting the sensor that measures the diversions into Kerrie Reservoir from Bolinda Creek.

Annual Report index

	Page
Advertising	38
Audit and Risk Committee	12
Biodiversity	24
Biosolids	26
Board	10
Board committees	12
<i>Building Act</i>	39
Bulk entitlements	19
Bulk Entitlements Report	110
Business at a glance	6
Capital works	7
Community service obligations	31
Complaints	30
Corporate governance	9
Customer service	30
Disclosure index	108
Drought response	16
Energy consumption	27
Environmental impacts	40
Environmental obligations	24
Environmental sustainability	21
Financial hardship	31
Financial Report	42
Financial summary	4
Freedom of information	39
Grants	8
Greenhouse gas emissions	27
Highlights	3
Human resource management	13
Information available on request	41
Investment Review Committee	12
Major contracts	38
Manner of establishment	1
Mission	2
National Competition Policy	39
Occupation Health & Safety	14

	Page
Organisational structure	9
People and Culture Committee	12
Performance Report	32
Protected disclosures	40
Recycled water	21
Reservoir levels	16
Responsible Minister	1
Risk management	41
Service area	3
Service charges	31
Service delivery	29
Sustainable water use	21
Values	2
Victorian Industry Participation Policy	38
Vision	2
Water consumption	16
Water efficiency	20
Water losses	18
Water quality	17
Water services	29
Waterway management	24
Workforce	13
Year in review	4



Contact us at
Address **36 Macedon Street, Sunbury**
Hours **8.15am to 5pm**
Website **www.westernwater.com.au**
Email **mail@westernwater.com.au**
Telephone **1300 650 425**
Mobile telephones and interstate callers **03 9218 5400**
Facsimile **03 9218 5444**

Mailing address **Western Water, PO Box 2371, Sunbury DC, Victoria 3429**

© State Government of Victoria, Western Region Water Corporation (Western Water) 2015
This publication is copyright. No part may be reproduced by any process except in accordance with the provisions of the *Copyright Act 1968*.

ISSN 1835-5927 (print)

ISSN 1835-5935 (online)