GWMWater

2015/16 ANNUAL REPORT

Vision

Sustainable water for regional growth, a healthy environment and vibrant communities.

Mission

Providing innovative and affordable services through partnerships with stakeholders, customers and the community.

Organisational Values

Customer

We will promote a culture that respects the views of our customers and our people with a ‘can do’ approach.

Organisation

We will work as a team to deliver agreed organisational priorities whilst respecting the views of stakeholders.

Accountable

We will be accountable for the actions we take and responsible for those we influence.

Transparent

We will be able to promote the merit of our decision making.

Efficient

We will ensure that the performance of our people, assets and resources are optimised in the provision of services.

Disciplined

We will ensure that our policies and processes support a consistent attainment of quality and safety in all aspects of our operations.

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Report of **Operations**

The Wimmera Mallee has experienced its second consecutive year of extremely low rainfall and the fifth consecutive year of below average rainfall that has yielded fifty percent or less than average inflow to storages across the five year period. Over the course of the summer, virtually the entire footprint of the GWMWater service area was acknowledged as being in drought. The continuation of these low rainfall years has only reinforced the reality of climate change and the potential impact on our region. It highlights the value of the rural pipeline extension projects that have saved significant volumes of water that are sustaining the natural environment, enhancing regional productivity and maintaining the social fabric of the region.

Drought has had a significant impact on the principal agricultural activity of the region in broad acre cereal and pulse production. The water resources that have been secured through pipeline projects have been able to sustain livestock activities and maintain other agricultural, horticultural and viticulture activities where connected to the rural reticulated pipeline networks.

The value of rural pipelines created an unprecedented level of demand for rural areas outside the footprint of the rural pipelines to be connected to the reticulated pipeline network. During the year, pipeline extensions to the Landsborough Valley, Pella and Quambatook North were completed. This was in addition to many smaller extensions that were generally undertaken by landowners. Planning for other rural pipeline extensions for Wartook South and Coonooer Bridge are well advanced.

The most significant acknowledgement of the value of the rural pipelines was the $40 million commitment by the Victorian Government and the $20 million pledge by the Commonwealth to the $80 million South West Loddon Project. The South West Loddon Project was a response to the impact of climate change on a significant proportion of the Loddon Shire that has typically had a reliable catchment to support farmers' agricultural activities. This project will establish greater connectivity of the water systems by establishing a connection to the eastern catchments via the Waranga western channel as part of the overall solution.

Other parts of the region have been identified as vulnerable from a water supply perspective under climate change. These areas in the East Grampians and West Wimmera will be the subject of studies substantially funded by the Victorian Government to assess the viability of further rural pipeline extensions. These studies will also explore whether additional water savings can be obtained by reengineering the Rocklands-Taylors Lake channel, including an assessment as to whether the outlet structure at Lake Toolondo can be remodelled to make water at low levels more easily accessible.

With the prospect of a zero water allocation to the recreation water entitlement, the GWMWater Board underwrote supply to the recreation lakes from uncommitted growth water held by GWMWater. The decision by the GWMWater Board was an acknowledgement of the important role these lakes play in maintaining the social fabric of the communities in the Northern Wimmera and Southern Mallee. The importance of which in this season was heightened

in the context of the drought. The connecting infrastructure for the Ouyen recreation lake was completed during the year and the Ouyen community, supported by the Mildura Rural City Council is well advanced in the conversion of the old urban water storages to a recreation lake that will service the greater Ouyen community.

In 2015/16 GWMWater completed projects that wrap up the Wimmera Mallee Pipeline fulfilling the financial commitment it made to the project. All of the rural pipeline extension projects mentioned above were the beneficiary of some partial funding from the Wimmera Mallee Pipeline unspent funds. The flagship $7.5 million Rural Pipeline Intelligence Project that involved the construction of the Taggle low power communications network and the installation of tags on 14,218 rural water meters, 59 flow meters, 362 pressure meters and 28 water quality meters was completed during the year. This year we also finalised the installation of firefighting infrastructure across the network with the Wimmera Mallee Pipeline now compliant with the CFA model for firefighting infrastructure across the network.

The Victorian Government also funded a number of drought initiatives with the most significant being standpipes and tanks that provided improved rural landowner access to water in areas not covered by the rural pipeline network.

The drought gave rise to the highest water consumption year since the onset of water restrictions in the period of the millennium drought. Urban water consumption was 10,211 ML with the most significant increase being in Stawell where the Stawell Gold mine significantly increased its water consumption. Rural water consumption was also greater than in previous years with both the Wimmera Mallee and Northern Mallee experiencing increased water consumption of 12% and 7% respectively. Our Eastern Grampians system that also provides access to rural customers was particularly challenged in 2015/16 and gave rise to the onset of Stage 2 restrictions in the latter summer period.

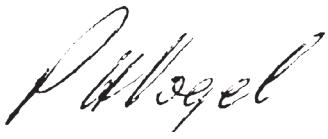
In the Northern Mallee, our water supply operations were challenged by the onset of a blue green algae event in the Murray River that commenced in the middle of summer and lingered well into autumn. The bloom primarily centred on the upper reaches of the Murray River above Barham/Koondrook to the Hume Weir but gradually drifted downstream to GWMWater extraction points at Swan Hill, Nyah, Piangil and Wemen. We were able to respond with a mixture of reverse pumping and water carting to maintain supply and providing disclosure where supply may have had elevated levels of blue green algae. During the event 69 Megalitres of water was carted to GWMWater storages (67 ML) and customers (2 ML) at a cost of $0.881 million. We also undertook measures to improve the redundancy of the network, including a connection from Quambatook into Supply System 5, a connection from Wimmera Mallee Supply System 3 to Berriwillock storage and a connection from the Eureka storage to the Piangil pipeline. The capital expenditure to improve the redundancy of the system cost $0.182 million.

The strength of revenue in 2015/16 provided us with the capacity to fund the additional cost created by the blue green algae event. The increased revenue combined with further improvements in productivity has continued to enhance the financial viability of GWMWater in 2015/16. Free cash flow from operations in 2015/16 was $25.2 million, $3.6 million better than the $21.6 million recorded in 2014/15. The improved viability is validated by the improved interest cover ratio which has increased from 3.4 times in 2014/15 to 3.9 times in 2015/16.

During the year, the new GWMWater Board reviewed the strategic directions four months after being formed on 1 October 2015. The review did not give rise to a significant change to the strategic directions from those established by the previous Board. There was a stronger acknowledgement of the environment that went beyond the context of climate change. By acknowledging the implications of climate change, the Board also acknowledged the strategic importance of rural pipeline extensions as a means of enhancing agricultural productivity of the region.

GWMWater welcomes the acceptance by the Victorian Government that climate change needs to be acknowledged. This has been reflected in the Statement of Obligations and is a central theme of the Water for Victoria policy agenda that is presently being finalised. The possible futures for the Wimmera Mallee region under climate change will continue to present challenges for water supply. We will continue to work with government and key stakeholders in the region to ensure that these implications are well understood and that we develop adaptive strategies to secure supply for the competing demands for water as well as reducing our carbon footprint.

We present the GWMWater 2015/16 Report of Operations in accordance with Standing Directions 4.2 of the *Financial Management Act 1994.*



Peter Vogel
Chairman

Mark Williams
Managing Director

About **GWMWater**

Grampians Wimmera Mallee Water Corporation (trading as GWMWater) is a government-owned Statutory Corporation established on 1 July 2004 under the *Water Act 1989*. The Hon Lisa Neville MP, Minister for Environment, Climate Change and Water was the responsible Minister for the period 1 July 2015 to 22 May 2016. The Hon Lisa Neville MP, Minister for Water was the responsible Minister for the period 23 May 2016 to 30 June 2016.

GWMWater has one of the largest geographic footprints of all Victorian water businesses, covering some 62,000 square kilometres or 25 percent of Victoria. The service area is similar in size to Tasmania and includes thirteen municipalities with seven where we have full coverage and a further six in part. We provide services to approximately 72,000 people living either on farms or in one of 71 urban centres across Western Victoria.

What We Do

GWMWater is a vertically integrated water business directly involved in all aspects of the water cycle.

We operate water and wastewater treatment plants in many of our 71 towns, utilise desalination technology, recycle 100 percent of wastewater, operating pipelines, major storages, dams, weirs and pump stations to service our customers. We have responsibility under the Wimmera Glenelg Bulk Entitlement Order to perform the functions of Resource Manager and Storage Manager. GWMWater is also resource manager for groundwater and surface water licencing.

Our large service area presents major challenges in the provision of water and wastewater services. We harvest water in the Grampians, extract water from groundwater bores or pump water from the Murray River. From these points we store, treat, transfer and distribute water. In sewered urban areas, we collect wastewater which is transferred, treated and completely reused. To deliver these services we manage a significant number of assets including bulk water supply reservoirs, hundreds of smaller storages, tanks, water towers and approximately 14,000 km of pipes.

Our water services are provided for use in and around homes, in businesses, on farms, for environmental purposes and for recreational and sporting uses for community benefit.

Our wastewater services operate mainly in our larger towns and involve extensive recycling for watering sporting fields, parks and gardens, vineyards and agricultural uses.

Understanding **Our Business**

GWMWater Strategic Directions

We operate within a dynamic region in an environment that is very much weather dependant. Our strategic directions document for 2013-18 identifies six key themes which are linked together by the organisation's vision of: *'Sustainable water for regional growth, a healthy environment and vibrant communities'.*

Strategic Themes

These themes are integrated through our corporate and business planning so that all actions contribute to achievement of our vision.

Government Framework

Our operational framework is strongly influenced by the economic, social and environmental policies of Government.

From a water supply perspective, these policies need to be consistent with the framework of the Murray Darling Basin Plan (MDBP), the Western Region Sustainable Water Supply Strategy (Western Region SWSS) and Our Water Our Future.

The Western Region SWSS outlines the various supply sources in Western Victoria and the extent that these are committed to consumptive water use. For GWMWater, the Western Region SWSS recognises the benefit of the Wimmera Mallee Pipeline on future water supplies in the Wimmera Glenelg system. The Western Region SWSS also embraced the West Wimmera Groundwater Management Strategy developed by GWMWater and provided the framework for GWMWater's 50 year Water Supply Demand Strategy.

Our Water Our Future is the policy document of 2004 that substantially set the policy agenda of the past decade. Our Water Our Future saw the introduction of independent price regulation, established the framework for better defining water rights and further evolved the development of water markets as a way of enabling water to transfer to higher value use.

A new water policy document 'Water for Victoria' has been the subject of a consultative process during 2015/16. Water for Victoria is in its advanced stage of development and its release is imminent. A core theme of Water for Victoria will be an acknowledgement of climate change and an expectation that the water sector will be involved in planning for and mitigating against the implications of climate change.

Our Sustainability Framework

For GWMWater, sustainability means being able to continuously provide water and wastewater services which support customers, various stakeholders and the region as a whole in balancing social, environmental and economic outcomes.

We continue to drive sustainable resource management from our strategic planning through to our operational practice.

Sustainability is also synonymous with the liveability of our region which is a key focus of our current strategic directions.

We welcome the initiatives of the Minister for Water to have climate change formally recognised and will continue to develop initiatives that better adapt to climate variability from a water resource use and carbon efficiency perspective.

Our **Board**

GWMWater was constituted by Ministerial Order with effect from 1 July 2004, under Sections 98 and 100 of the *Water Act 1989* (the Act). Section 124 of the Act provides GWMWater with the powers necessary to perform its functions, however those powers can only be exercised to perform a function given to GWMWater by an Act of Parliament.

Key responsibilities of the Board include:

a. Setting the broad strategy, objectives and performance targets for the Corporation.

b. Risk management oversight for all key business and operational risks including public health and safety, occupational health and safety and being informed and aware of residual risk levels.

c. Reviewing the Corporation's progress towards achieving its specific goals.

d. Reviewing the internal financial and operational controls for the Corporation to ensure that they are effective and current (including non-compliance, anti-fraud, anti-corruption and critical incident reporting systems).

e. Overseeing the development and approval of strategic plans, corporate plans, annual reports, key policies and procedures.

Peter Vogel OAM – Chairman

Peter Vogel OAM was initially appointed Chairman of the GWMWater Board in September 2011 and was reappointed on 1 October 2015. As Chairman, Peter also Chairs the GWMWater Remuneration Committee and is an ex-officio member on all Board Committees.

Peter is a long established primary producer in the Watchem area and has a wealth of knowledge and experience in the water industry and primary production. Peter was appointed a Board member of GWMWater (formerly Grampians Water) in February 1995 and up until September 2011 served as Deputy Chair in successive Boards. In this time, Peter played a pivotal role in the delivery of the Wimmera Mallee Pipeline, Chairing the Wimmera Mallee Pipeline Project Steering Committee and representing GWMWater Board on the Wimmera Mallee Pipeline Project Council.

Peter became an elected member of the Victorian Water Industry Association (VicWater) Board in September 2014 and was elected Chair of VicWater in October 2015, a positon he still holds.

Mary Bignell - Deputy Chair

Mary has 20 years experience working in the Wimmera with a background in strategic planning, evaluation, auditing and emergency management in the private and public sector. She has a Bachelor of Agriculture Science and is a member of the Australian Institute of Company Directors.

Mary is Deputy Chair of the GWMWater Board, Chair of the Environment and Works Committee and a member of the Remuneration Committee.

Bronwen Clark

Bronwen is the Managing Director for Thriving Regions Consultants and is the Deputy Chair at Volunteering Western Victoria. Bronwen previously held a position as Community Representative on the Wimmera Development Association and stepped down in November 2015. She has a Bachelor of Arts, Graduate Diploma of Public Relations and has completed the Australian Institute of Company Directors course.

Caroline Welsh

Caroline holds a Master of Business (Agribusiness), a Graduate Diploma of Rural Resource Management and a Bachelor of Agricultural Science. Caroline is a partner in the family cropping farm, Chair of the Birchip Cropping Group and on the Loddon Mallee Regional Development Australia Committee. She has previously held positions with the state government in Swan Hill working with irrigators.

David Jochinke

David is currently the business owner and manager of A.V Jochinke and Co. He is also a board member of the National Farmers Federation and Vice President of the Victorian Farmers Federation. David has a Diploma of Applied Science and has been an Australian Nuffield Scholar and Australian Rural Leadership Program recipient.

Des Powell

Des is a part time Commissioner for the Victorian Commission for Gambling and Liquor Regulation. In addition he is a Director of Victorian Regional Channels Authority and Federation Training. Des is also Chair of Mackillop Family Services. He has a Bachelor in Economics and Politics and is a Graduate of the Australian Institute of Company Directors.

Paul Battista

Paul previously served as Deputy Chairman for the Glenelg Region Water Authority from October

2001 to September 2005 and worked through a successful amalgamation to form the Wannon Water Corporation and served as a Director from 2005 to 2010. He was also elected to the Southern Grampians Shire in 2008 and re-elected in 2012 to current. Paul is a member of the Audit, Governance and Risk Committee. Paul is committed to the shared balances of water resources for the GWMWater region and to the water grid for the State of Victoria.

Peta Maddy

Peta has a background in water engineering and management including her current role as an associate at the consulting firm Aither and as past President of the Victorian branch of the Australian Water Association. She is currently chairing the interdepartmental reference group for the Victorian Rural Drainage Strategy and is a member of the Victorian Catchment Management Council. Peta has a Bachelor of Chemical Engineering, a Bachelor of Science (Pharmacology and Toxicology) and is a Graduate of the Australian Institute of Company Directors.

Mark Williams – Managing Director

Mark has been with GWMWater and the former Grampians Water since 1996. Mark was appointed Managing Director in 2012 and prior to this held the position of Chief Finance Officer. Mark has been responsible for overseeing the commercial implementation of water reforms in the region that include the delivery of water quality upgrades, investments that have improved water security and the introduction of independent service and price regulation by the Essential Services Commission.

Mark is a Certified Practicing Accountant and holds a Masters of Business Administration. Mark brings a wealth of experience to the role beyond his water industry experience which includes roles in the power industry, health and public service where he started his career in 1985.

Mark has also served on the Wimmera Health Care Group Board since 2001 and held the position of President from 2010 to 2016. Mark resigned his position from the Wimmera Health Care Group Board on 30 June 2016.

Board and Committee Attendance July 2015 – June 2016

Director	Number of Board meetings attended	Number of Audit Governance and Risk Committees attended	Number of Environment and Works Committees attended	Number of Remuneration Committees attended
Peter Vogel	12*	6*	4	3
Mary Bignell	12*	4*	3	3
Bronwen Clark (Commenced 1 October 2015)	8*	3	0	0
Caroline Welsh (Commenced 1 October 2015)	8*	0	3	2
David Jochinke (Commenced 1 October 2015)	9*	3	0	0
Des Powell (Commenced 1 October 2015)	8*	3	0	2
Paul Battista (Commenced 1 October 2015)	9*	3	0	1
Peta Maddy (Commenced 1 October 2015)	9*	0	3	0
Chris Hewitt (Ceased 30 September 2015)	3	1*	1	0
Samantha Matthews (ceased 30 September 2015)	3	3*	0	0
Leo Delahunty (Ceased 30 September 2015)	3	3*	0	0
Reid Mather (Ceased 30 September 2015)	2	1*	1	0
Kate Vinot (Ceased 30 September 2015)	3	1*	1	1
Mark Williams (Managing Director)	12*	6*	4	3
Total number of meetings	12*	6*	4	3

** Includes Special Board and Committee Meetings*

Standing **Committees of the Board**

Environment and Works Committee

1 July 2015 - 30 September 2015

- Chris Hewitt (Chairman)
- Kate Vinot
- Reid Mather
- Peter Vogel (Ex-Officio)

1 October 2015 - 30 June 2016

- Mary Bignell (Chairperson)
- Caroline Welsh
- Peta Maddy
- Peter Vogel (Ex-Officio)

The Committee has responsibility for the following:

a. Assessing the quality of GWMWater's environmental reporting and management policies and procedures.

b. Monitoring compliance with relevant laws and regulations significantly impacting on GWMWater.

c. Monitoring actual performance against corporate and operational plans.

d. Assessing the adequacy and effectiveness of internal controls.

e. Evaluating the independence, efficiency and effectiveness of relevant audits.

f. Where appropriate, evaluating internal annual audit plans for risk assessment, scope, approach and reviewing the coordination of internal audit programs.

g. Reviewing relevant internal audit reports, incorporating management responses.

h. Reviewing operations, maintenance and capital works expenditure against adopted business plan budgets.

i. Monitoring and providing relevant input into the process of negotiating Environmental Entitlement and Bulk Entitlement Orders applicable to GWMWater.

Remuneration Committee

1 July 2015 - 30 September 2015

- Peter Vogel (Chairman)
- Mary Bignell
- Kate Vinot

1 October 2015 - 30 June 2016

- Peter Vogel (Chairman)
- Mary Bignell
- Caroline Welsh
- Des Powell

The Committee has responsibility for the following:

a. Determine GWMWater policy and practice for executive remuneration.

b. Determine the individual remuneration packages for its executive staff.

c. Ensure the state government remuneration principles are observed in relation to remuneration for executives.

d. Observe the requirements of the Government Sector Executive Remuneration Panel (GSERP) as varied from time to time.

Audit Governance and Risk Committee

1 July 2015 - 30 September 2015

- Leo Delahunty (Chairman)
- Mary Bignell
- Samantha Matthews
- Peter Vogel (Ex-Officio)

1 October 2015 - 30 June 2016

- Des Powell (Chairman)
- David Jochinke
- Bronwen Clark
- Paul Battista
- Peter Vogel (Ex-Officio)

All members of the Committee are independent in character and judgement. There are no relationships or circumstances which could affect, or appear to affect, the member's judgement.

The Committee monitors and has oversight for the following:

a. Financial performance and the financial reporting process, including the annual financial statements.

b. The scope of work, performance and independence of internal audit.

c. The engagement and dismissal by management of any chief internal audit executive.

d. The scope of work, independence and performance of the financial external auditor.

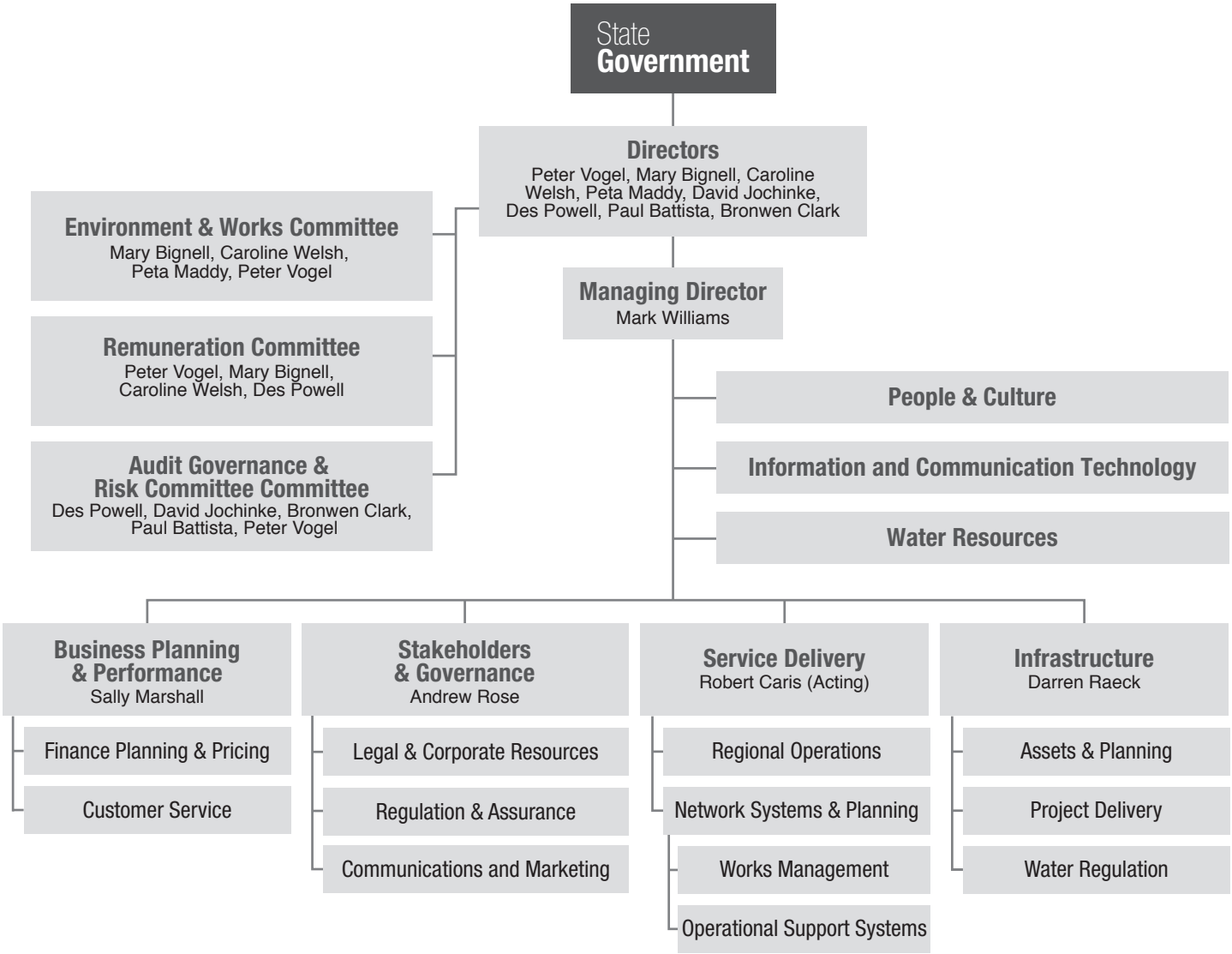
e. The operation and implementation of the risk management framework.

f. Matters of accountability and internal control affecting the operations of GWMWater.

g. GWMWater's process for monitoring compliance with laws and regulations and its own code of conduct and code of financial practice.

h. The Committee shall be committed to continuous improvement in Occupational Health and Safety.

Organisational **Structure**



How We **Operate**

Freedom of Information

The *Freedom of Information Act 1982* allows the public right of access to documents held by GWMWater.

There was one Freedom of Information application received during 2015/16. Full access to requested information was granted.

Applications under the Act should be made in writing to the Freedom of Information Officer, GWMWater, PO Box 481, Horsham 3402 enclosing details of the information requested and payment of the application fee ($27.90 from 1 July 2016). Further charges may be payable depending on the complexity and nature of the request.

Building Act 1993

GWMWater conducted an inspection of its buildings and processes in relation to compliance with the Essential Safety Measures provisions of the *Building Act 1993*. An inspection and reporting process has been developed and incorporated within the GWMWater workplace inspection procedure.

National Competition Policy

GWMWater has continued to comply with the legislative requirements and principles agreed under the National Competition Policy.

Information Available on Request

Information relevant to the headings listed in Financial Reporting Direction 22G of the *Financial Management Act 1994* is held at the office of GWMWater and is available on request, subject to the requirements of the *Freedom of Information Act 1982.*

Compliance with the *Protected Disclosure Act 2012* (formerly the *Whistleblowers Protection Act 2001*)

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

The 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.

GWMWater has established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about GWMWater or its employees. These procedures can be accessed on GWMWater's website www.gwmwater.org.au.

Reporting procedures

You can make a protected disclosure about GWMWater or its Board members, officers or employees by contacting the Department of Environment Land, Water and Planning (DELWP) or the Independent Broad-Based Anti-Corruption Commission on the contact details provided below.

Please note that GWMWater is not able to receive protected disclosures.

Contacts

Department of Environment Land, Water and Planning

PO Box 500,
East Melbourne Vic 3002
Ph: 03 9637 8697
Website: www.delwp.vic.gov.au

Independent Broad-Based Anti-Corruption Commission Victoria

GPO Box 24234,
Melbourne Victoria 3001
Website: www.ibac.vic.gov.au
Phone: 1300 735 135
Email: see the website above for the secure email disclosure process, which also provides for anonymous disclosures.

	2015/16 number	2014/15 number
The number of disclosures made by an individual to GWMWater and notified to the Independent Broad-Based Anti-Corruption Commission		
Assessable disclosures	0	0

Our **Employees**

Staff Numbers 2015/16

On Going Employees (Excludes Casuals and Fixed Term)					Fixed term and casual employees
	Employee (headcount)	Full Time (headcount)	Part Time (headcount)	FTE	FTE
June 2016	166	151	15	159.25	14
June 2015	167	153	14	161	13

	JUNE 2016		Fixed term and casual employees	JUNE 2015		Fixed term and casual employees
	Employee (headcount) Excludes Casuals and Fixed Term	FTE Excludes Casuals and Fixed Term	FTE	Employee (headcount) Excludes Casuals and Fixed Term	FTE Excludes Casuals and Fixed Term	FTE
Gender						
Male	120	119.74	8.89	121	120.74	6.39
Female	46	41.52	5.35	46	41.62	4.21
Age						
Under 25	10	10.00	3.00	9	9.00	4.00
25-34	39	36.78	2.00	34	32.13	0.00
35-44	35	33.44	4.85	39	37.33	2.21
45-54	47	45.96	2.00	47	45.96	2.00
55-64	32	31.94	2.00	36	35.94	2.39
Over 64	3	2.63	0.00	2	2.00	0.00
Group						
Executive	0	0	4	0	0	5
Business Planning & Performance	29	27.49	3.22	22	21.89	1.21
Service Delivery	82	81.15	1.00	87	85.05	1.00
Stakeholder & Governance	13	11.59	0.39	18	16.76	2.40
Infrastructure	22	22.69	3.00	24	23.03	3.00
People & Culture	6	6.00	0.00	6	6.00	0.00
Water Resources	6	5.32	1.50			
Executive Assistants	1	1.00	0.63	2	1.63	0.00
Information and Communication Technology	6	6.00	0.50	7	7.00	0.00

Application of Merit and Equity Principles

GWMWater is committed to ensuring all staff selection decisions are merit based and that equal employment opportunity principles are applied to all staff.

Occupational **Health and Safety**

GWMWater has an ongoing commitment to provide a safe workplace and has stated policies and goals for achieving zero harm. This is supported by maintaining a certified Occupational Health and Safety Management System to meet the requirements of the relevant Australian Standard-AS/NZS 4801:2001.

A highlight for 2015/16 was the continued reduction in workplace injury claims costs.

Workplace inspection numbers continued to achieve OH&S strategy targets, due to a continual focus on contractors safe work arrangements, completing workplace noise assessments, completing fall prevention risk assessments and confined space worksite risk assessments.

The number of hazard reports completed has remained the same, due to the implementation of an improved reporting system two years ago and this continues to contribute to the overall reduction of harm in the workplace.

The overall lowering of injury and harm in the workplace has resulted in the lowest number of standard workers compensation claims costs during the past four years. This result was achieved due to a continued high standard of care, support and communication provided by GWMWater staff and management.

Occupational Health and Safety Performance Indicators

Measure	KPI	2012/13	2013/14	2014/15	2015/16
Incidents	Number of incidents	55	53	44	43
	Rate per 100 FTE	0.275	0.26	0.22	0.22
Claims	Number of lost time claims	3	5	0	5
	Rate per 100 FTE	0.015	0.025	0.00	0.025
Claim Costs	Average cost per standard claim	$14,922	$25,375	$1,836	$1,331
Medical Treatment Injuries	Number of medical treatment injuries	7	6	2	2
Loss Time Injuries	Number of lost time injuries	5	5	2	5
Inspections	Number of workplace inspections conducted	127	239	232	201
Hazards	Number of hazard reports completed	57	67	164	162

OH&S training completed in the past 12 months included:

Agvet Chemical User's Course
Fire extinguisher selection and use
First Aid Level 2 and CPR
Class B Asbestos Removal
Chlorine Handling
Confined Space entry
Fall Prevention (safe working at heights)
Implement traffic management and traffic control
Construction induction
Operate 4 Wheel Drive Vehicles
Contractor safety surveillance skills
Bullying and Harassment
Manual Handling
Noise Awareness
OH&S representative refresher
Ergonomic Training
Trenching & Shoring

Water **Consumption**

Report 1 July 2015 to 30 June 2016

	Industrial and Concessional		Non-Residential and Municipal		Residential				Average Annual Consumption* ML
	ML	No	ML	No	ML	No	Total ML	Total No	
Antwerp	0.0	1	0.0	2	3.0	9	3.0	12	3.2
Apsley	0.7	8	6.6	19	22.4	97	29.7	124	28.9
Ararat	155.5	42	261.4	418	727.6	3,719	1,144.6	4,179	1078.3
Berriwillock	3.4	9	4.6	12	20.5	69	28.5	90	24.4
Beulah	2.1	12	5.3	31	41.4	138	48.8	181	44.5
Birchip	2.8	14	21.8	83	110.5	369	135.1	466	114.6
Brim	4.2	7	0.2	5	9.6	47	14.1	59	13.2
Buangor	1.2	3	1.4	3	13.3	33	15.9	39	12.9
Charlton	17.7	17	54.4	127	154.3	561	226.3	705	210.2
Chillingollah	-	-	0.0	1	1.0	5	1.0	6	1.2
Chinkapook	0.3	1	0.0	2	3.4	13	3.8	16	3.7
Cowangie	0.7	2	2.1	2	0.7	8	3.6	12	3.8
Culgoa	1.1	3	2.9	15	17.0	60	21.0	78	18.5
Dimboola	5.2	23	62.1	95	174.2	773	241.5	891	224.1
Donald	5.2	13	39.9	165	179.3	715	224.4	893	214.8
Dooen	-	-	0.7	3	3.0	15	3.7	18	3.7
Edenhope	4.8	17	25.9	83	87.0	451	117.7	551	108.2
Elmhurst	0.2	6	2.0	14	16.7	100	19.0	120	17.5
Glenorchy	0.1	2	0.0	3	9.0	57	9.1	62	7.3
Goroke	2.1	13	3.8	31	34.4	139	40.3	183	41.1
Great Western	19.4	7	18.4	17	25.3	117	63.0	141	54.6
Halls Gap	11.4	6	102.0	91	57.7	526	171.2	623	139.7
Harrow	2.1	8	1.3	17	23.5	71	26.9	96	26.5
Hopetoun	10.4	19	20.6	62	87.8	303	118.8	384	109.0
Horsham	21.0	62	348.9	1,001	1,983.1	7,739	2,353.1	8,802	2148.8
Jeparit	1.2	13	16.1	42	43.1	250	60.3	305	53.5
Jung	0.0	1	0.3	2	12.8	38	13.1	41	10.5
Kaniva	7.4	16	65.2	106	149.1	406	221.7	528	204.6
Kiata	-	-	0.3	3	2.6	18	2.9	21	2.6
Lake Bolac	13.8	13	13.4	33	40.4	127	67.6	173	61.1
Lalbert	1.2	4	5.9	13	13.3	42	20.4	59	18.8
Lascelles	-	-	1.2	6	6.3	25	7.6	31	6.9
Lillimur	-	-	0.0	1	7.1	18	7.1	19	6.7
Manangatang	1.2	9	17.2	28	46.1	132	64.6	169	60.4
Marnoo	0.6	5	1.5	15	14.8	50	16.9	70	15.1
Minyip	7.0	14	7.3	34	46.6	235	60.9	283	52.8

	Industrial and Concessional		Non-Residential and Municipal		Residential				Average Annual Consumption* ML
	ML	No	ML	No	ML	No	Total ML	Total No	
Miram	-	-	0.0	2	0.6	9	0.6	11	1.4
Moyston	0.3	3	0.5	6	26.0	86	26.8	95	23.9
Murrayville	4.2	9	37.2	34	70.8	156	112.2	199	110.8
Murtoa	1.3	16	16.4	60	88.2	414	105.9	490	97.4
Nandaly	0.9	7	0.8	6	3.7	20	5.4	33	4.7
Natimuk	11.7	16	11.4	29	54.4	228	77.5	273	62.0
Nhill	24.7	25	126.5	156	291.6	974	442.9	1,155	405.6
Nullawil	1.4	3	4.0	14	10.1	30	15.5	47	14.2
Ouyen	30.7	10	97.6	115	220.4	568	348.6	693	335.8
Patchewollock	0.4	5	1.6	14	7.2	37	9.2	56	8.8
Pimpinio	0.3	2	0.9	3	7.2	33	8.5	38	8.5
Pomonal	0.6	2	2.0	9	30.9	123	33.5	134	26.7
Quambatook	11.9	13	14.4	25	34.9	131	61.1	169	56.7
Rainbow	15.2	21	16.3	52	69.9	305	101.4	378	95.0
Rupanyup	4.1	11	9.8	42	37.7	198	51.7	251	47.0
Sea Lake	23.0	9	34.1	70	115.5	348	172.6	427	149.7
Serviceton	0.7	2	0.0	3	4.3	26	5.0	31	5.7
Speed	0.1	3	1.3	7	6.8	29	8.2	39	7.5
St Arnaud	3.5	27	189.6	212	256.7	1,202	449.8	1,441	408.7
Stawell	868.0	30	149.6	376	657.1	2,960	1,674.7	3,366	1429.0
Streatham	0.1	4	0.4	7	6.2	39	6.7	50	6.2
Tarranyurk	-	-	1.1	4	1.4	4	2.5	8	1.9
Tempy	0.5	6	1.9	5	7.4	19	9.8	30	8.7
Ultima	0.9	5	3.3	11	31.2	83	35.4	99	34.6
Underbool	3.0	8	18.6	18	49.4	107	71.1	133	65.7
Waitchie	0.0	1	0.0	2	0.0	3	0.0	6	0.2
Walpeup	0.7	4	10.1	14	23.6	58	34.4	76	29.1
Warracknabeal	10.9	24	56.6	184	320.7	1,236	388.2	1,444	357.6
Watchem	0.1	5	3.7	11	11.0	71	14.7	87	13.4
Westmere	-	-	7.3	7	1.0	10	8.3	17	6.2
Wickliffe	0.1	2	6.9	8	18.7	35	25.8	45	21.4
Willaura	3.6	13	52.1	56	56.5	199	112.2	268	94.8
Woomelang	7.9	12	9.0	25	32.2	110	49.1	147	45.7
Wycheproof	6.6	17	26.3	68	92.6	346	125.4	431	120.3
Yaapeet	0.6	1	0.8	6	8.3	28	9.7	35	8.7
	1,342.1	**686**	**2,027.0**	**4,246**	**6,842.2**	**27,700**	**10,211.3**	**32,632**	**9,258.9**

* Average calculated between years 1 July 2011 and 30 June 2016

Weekly household drinking water consumption 2015/16

GWMWater bills residential customers four times a year, once every three months.

The calculated average weekly consumption per residential customer for July to September 2015 is 2,802 litres per week, for October to December 2015 is 4,118 per week, for January to March 2016 is 7,483 and for April to June 2016 is 4,640.

Month	Week 1	Week 2	Week 3	Week 4	Week 5
July	2,802	2,802	2,802	2,802	2,802
August	2,802	2,802	2,802	2,802	
September	2,802	2,802	2,802	2,802	
October	4,118	4,118	4,118	4,118	4,118
November	4,118	4,118	4,118	4,118	
December	4,118	4,118	4,118	4,118	
January	7,483	7,483	7,483	7,483	7,483
February	7,483	7,483	7,483	7,483	
March	7,483	7,483	7,483	7,483	
April	4,640	4,640	4,640	4,640	4,640
May	4,640	4,640	4,640	4,640	
June	4,640	4,640	4,640	4,640	

GWMWater's estimated total unaccounted for water in 2015/16 was 1,579 ML (12%) for the urban system. Unaccounted for water comprises leakages from pipes, mains flushing, fire fighting, unmetered connections, metering errors and illegal connections.

Supply and Distribution

Inflows into the Grampians reservoir system were approximately 37,000 ML for the 2015/16 water year, equivalent to 17% of the historic average, and one of the driest years on record. Low inflows and a long, hot summer resulted in continued drawdown of storages to meet consumptive and environmental demands.

Grampians system storage volumes steadily decreased over the year as water was released to meet entitlement holder demands. The reservoir system peaked at 179,350 ML (32.3%) in September 2015, and reached a low of 118,860 ML (21.4 %) in May 2016, the lowest volume since August 2010.

Customers serviced by the Buangor and Elmhurst supply systems received uninterrupted water supplies.

Despite inflows into the Murray system being below the long term average, seasonal determinations reached 100 percent for the 2015/16 water year. This provided ongoing security for GWMWater's supply to its towns and pipeline users serviced from the River Murray.

GWMWater's urban customers were required to observe the Permanent Water Saving Rules during 2015/16 water year, with the exception of Stawell, Willaura, Wickliffe, Moyston and users supplied from the Mount William headworks system. Temporary water restrictions were implemented in these areas in response to unprecedented demand, which saw the pipelines and pumps supplying these towns unable to keep up, and town balancing storages were heavily drawn upon. GWMWater is undertaking a number of actions to reduce the likelihood of water restrictions for these towns in future.

- Hydraulic assessment of the Mount William Headworks System and associated pipelines to identify system constraints.
- Installing new monitoring in the Mount William Headworks System to provide more comprehensive and real-time information on system performance.
- Commenced planning to upgrade a section of pipeline between Lake Fyans and Stawell.
- Replacement of a pump system which is now delivering greater volumes of water to Stawell.

Short duration water restrictions were implemented to conserve supplies in some of GWMWater's towns supplied from the River Murray, in response to a blue green algae event stretching hundreds of kilometres along the length of the Murray River. GWMWater has improved the redundancy of the Northern Mallee systems by installing cross-connections and reverse pumping capability to reduce the impact of any future water quality issues in the River Murray on supply to towns and rural customers serviced by the pipeline.

Bulk and **Environmental Entitlements**

Bulk Entitlements and Environmental Entitlements grant the entitlement holder the right to use and supply water. GWMWater holds bulk entitlements in the Wimmera–Glenelg, Murray, Goulburn, East Grampians and Pyrenees which are used to supply towns, and rural and commercial customers.

GWMWater is also the Storage Manager and Resource Manager for the Wimmera–Glenelg and East Grampians.

As the Storage Manager, GWMWater is responsible for the management of the water resource on behalf of entitlement holders, making seasonal allocations where applicable and delivering water to entitlement holders.

Reporting for the Bulk Entitlement (Wimmera and Glenelg Rivers – GWMWater) Order 2010

The matters below relate to GWMWater's reporting requirements in accordance with section 18.1 of this Bulk Entitlement:

BE Clause	Item		Report	Notes
18.1 (b)	**Offtake Points**	**Supply to**		
	Dad and Dave Weir	Mt Zero Channel	3,219 ML	
	Brimpaen Storages	Wimmera Mallee Pipeline, System 6	496 ML	
	Taylors Lake Outlet	Wimmera-Mallee Pipeline, Systems 1,2,3,4,6 & 7. Supply By Agreement customers	63 ML	Note 1
	Licenced Diversion Offtakes	Domestic and stock diverters from Rocklands - Toolondo Channel.	0 ML	Note 2
	Rocklands Offtake	Supply By Agreement customers direct from headworks	0 ML	
	Rocklands Offtake	Glenelg River Compensation Flow	80 ML	
	Lake Fyans Outlet	Urban systems and Supply By Agreement customers	2,504 ML	
	Lake Bellfield	Urban systems and Wimmera-Mallee Pipeline, Systems 1,2,3,4,6 & 7.	10,765 ML	
	Stawell Diversion Weir	Stawell urban system	909 ML	
	Mt Cole Reservoir	Ararat urban system and Supply By Agreement Customers	389 ML	
	Langi Ghiran Reservoir	Urban systems and Supply By Agreement customers	0 ML	Note 3
	Panrock Reservoir	Urban systems and Supply By Agreement customers	0 ML	Note 3
	Total Offtake		18,425 ML	

18.1 (c)	Water supplied to primary entitlements (Schedule 2, Table 1)			
	GWMWater	Pipeline and balancing storage losses	1,060 ML	
		Commonwealth Environmental Water Holder	0 ML	
		Glenelg Compensation Flow	80 ML	
		Recreation	2,504 ML	Note 4
		Wimmera Mallee Pipeline Product	14,780 ML	
	Coliban Water	Wimmera Mallee Pipeline Product	226 ML	
	Wannon Water	Wimmera Mallee Pipeline Product	73 ML	
	Victorian Environmental Water Holder	Wetlands	142 ML	
		Wimmera Mallee Pipeline Product	7,970 ML	
	Total Supplied to Primary Entitlements		26,836 ML	
18.1 (d)	Final water allocation to GWMWater			
	Pipeline and balancing storage losses		33.4% (989 ML)	
	Commonwealth Environmental Water Holder		0% (0 ML)	
	Glenelg Compensation Flow		0.5% (17 ML)	
	Recreation		0% (0 ML)	
	Wimmera Mallee Pipeline Product		16% (7,155 ML)	
18.1 (e)	Metering Program		Pending	Note 5
18.1 (f)	Transfers of an entitlement or part of this BE		None	
18.1 (g)	Bulk Entitlement, licence or water right, entitlement or assignment transferred to GWMWater supply systems		None	
18.1 (h)	Amendments to this Order		None	
18.1 (i)	New BE granted to GWMWater under this Order		None	
18.1 (j)	BE compliance failures		Yes	Note 6
18.1 (k)	BE compliance difficulties and actions		None	

Notes to this Table:

1. Volume supplied by agreement from Horsham Weir Pool.
2. No regulated diversion licences are held.
3. Storage was not used for water supply purposes during 2014/15.
4. Delivery under the recreation entitlement was supported by an allocation trade.
5. A metering program for this Bulk Entitlement was submitted to the Minister for Water in October 2011. Amendments to the program are required prior to approval.
6. GWMWater has not yet implemented an approved metering plan.

Reporting for the Bulk Entitlement (Willaura, Elmhurst and Buangor Systems - GWMWater) Order 2012
The matters below relate to GWMWater's reporting requirements in accordance with section 11.1 of this Bulk Entitlement:

BE Clause	Item	Report	Notes
11.1 (b)	Annual amount of water taken	195 ML	
11.1 (c)	Metering program approved under sub-clause 10.4	Pending	Note 1
11.1 (d)	Any temporary or permanent transfer of this Bulk Entitlement	None	
11.1 (e)	Any Bulk Entitlement, licence or water right in respect of the waterway transferred to GWMWater	None	
11.1 (f)	Any amendment to this Bulk Entitlement	None	
11.1 (g)	New bulk entitlement granted to GWMWater with respect to the waterway	None	
11.1 (h)	Bulk Entitlement compliance failures	Yes	Note 2
11.1 (i)	Bulk Entitlement compliance difficulties and actions	None	

Notes to this Table:

1. A metering program for this Bulk Entitlement was submitted to the Minister for Water in September 2013. Amendments to the program are required prior to approval.
2. GWMWater has not yet implemented a metering plan approved by the Minister.

Reporting for the Bulk Entitlement (River Murray – Grampians Wimmera Mallee Water) Order 1999

The matters below relate to GWMWater's reporting requirements in accordance with section 21.1 of this Bulk Entitlement.

BE Clause	Item		Report	Notes
21.1 (b)	**Offtake Points**	**Supply to**		
	Nyah pump station	Northern Mallee Pipeline (Nyah & Eureka system)	356 ML	
	Piangil pump station	Northern Mallee Pipeline (Piangil & Manangatang system)	390 ML	
	Swan Hill pump station	Wimmera-Mallee Pipeline (Supply System 5 - Swan Hill and Sea Lake)	1,179 ML	
	Liparoo pump station	Northern Mallee Pipeline (Ouyen system)	1,688 ML	
	Annuello pump station	Private pipeline scheme	91 ML	
	Hayesdale pump station	Private pipeline scheme	63 ML	
	Koolonong pump station	Private pipeline scheme	21 ML	
	Total Offtake		**3,788 ML**	
21.1 (c)	Any new offtake points		None	
21.1 (d)	Amount of water returned under sub-clause 16.2		None	
21.1 (e)	**Annual amount supplied to primary entitlement holders**			
	GWMWater	Urban supply systems	1,065 ML	
		Rural properties	2,028 ML	
		Community requirements	92 ML	
		Pipeline operating requirements (excludes private pipeline schemes)	429 ML	
		Private pipeline schemes	175 ML	
	Total Supplied to Primary Entitlements		**3,788 ML**	
21.1 (f)	Metering program approved under sub-clause 20.2		Pending	Note 1
21.1 (g)	Any temporary or permanent transfer of this Bulk Entitlement		None	
21.1 (h)	Transfer of Bulk Entitlement or assignment of water allocation under the Act		None	
21.1 (i)	Amendments to this Bulk Entitlement		None	
21.1 (j)	New Bulk Entitlement granted to GWMWater with respect to the River Murray		None	
21.1 (k)	Bulk Entitlement compliance failures		Yes	Note 2
21.1 (l)	Bulk Entitlement compliance difficulties and actions		None	

Notes to this Table:

1. A metering program for this Bulk Entitlement was submitted to the Minister for Water in November 2011. Amendments to the program are required prior to approval.
2. GWMWater has not yet implemented an approved metering plan.

Reporting for the Bulk Entitlement (Quambatook – Grampians Wimmera Mallee Water) Order 2006

The matters below relate to GWMWater's reporting requirements in accordance with section 12.1 of this Bulk Entitlement.

BE Clause	Item	Report	Notes
12.1 (b)	Annual amount of water taken	133 ML	
12.1 (c)	Metering program approved under sub-clause 11.2	Pending	Note 1
12.1 (d)	Any temporary or permanent transfer of this Bulk Entitlement	None	
12.1 (e)	Any period of restriction imposed on this entitlement	None	
12.1 (f)	Any amendment to this Bulk Entitlement	None	
12.1 (g)	New Bulk Entitlement granted to GWMWater with respect to this entitlement	None	
12.1 (h)	Bulk Entitlement compliance failures	Yes	Note 2
12.1 (i)	Bulk Entitlement compliance difficulties and actions	None	

Notes to this Table:

1. A metering program for this Bulk Entitlement was submitted to the Minister for Water in November 2011. Amendments to the program are required prior to approval.
2. GWMWater has not yet implemented an approved metering plan.

Recreation **Water**

The recreation water pricing policy was first introduced in 2013/14 following strong community support as part of the 2013 Water Price Review. The pricing policy provides for volumetric rate discounts to recreational and sporting organisations funded through a recreation contribution charge of $16.00 per customer; $8.00 for concession card holders. The contribution is collected from customer accounts through the service availability charge for urban customers and primary meter charge for rural customers.

A specific objective of the Wimmera Mallee Pipeline (WMP) project was to provide greater certainty for the provision of recreation water and improve the liveability of the region. The dry seasonal conditions in 2015/16 once again highlighted significance of these objectives to the region. In comparison to 2014/15 the volume of water supplied to recreational and sporting entities increased by 109.5 ML to 694.4 ML with 319 recreational and sporting entities accessing volumetric rate discounts.

With the introduction of the recreation contribution charge and recreation water discounts, GWMWater committed to reporting annually on the value of contributions collected and discounts provided with the Annual Report.

The following table provides a summary of the value of contributions collected and discounts provided in 2015/16.

	Note	Number / Volume Delivered	2015/16 $
Revenue			
Rural Recreation Contributions		4,214	65,984
Urban Recreation Contributions		27,258	373,260
Recreation Lake Water Revenue	1		51,423
Total Revenue			**490,667**
Expenditure			
Recreation Lake Water Discounts	2	2,634 ML	73,746
Recreational and Sporting Club			
Rural Volumetric Discounts (78 entities)		302.4 ML	109,189
Urban Volumetric Discounts (241 entities)		392.1 ML	235,973
Distribution Costs			262,792
Public Recreation Facilities			59,287
Recreation Water Planning and Administration			31,694
Total Expenditure			**772,681**
Net Result for the Year			**(282,014)**

Notes:

1. Includes revenue from supply to Nhill Lake from groundwater bore.
2. Discount value based on reduction from $48 per ML to $20 per ML applicable to the Recreation entitlement. The value of discount has not been adjusted to reflect the allocation trade from GWMWater's consumptive entitlement. The volume reflects the deemed top up volumes for lakes supplied from the River Murray and Grampians headworks system, groundwater supply to Nhill Lake, and, supplement to the reclaimed water supply to Edenhope Golf Club.

Statement of Obligations

On 10 December 2015, the then Minister for Environment, Climate Change and Water revised the Statement of Obligations (SoO). The main objective of the review is to reintegrate planning for climate change adaptation as an integral part of the water business planning framework. The GWMWater Board has considered and supports the amendments to the SoO with climate variability presenting some significant challenges to water resource management in the region.

Dam Safety

GWMWater progressively conducts risk assessments on all high risk headworks reservoirs on a priority basis as part of an ongoing dam safety management program.

Specific actions carried out during the year to meet the SoO requirements were:

- Submission of a Dam Safety Report for relevant reservoirs managed by GWMWater
- Management, operation and surveillance of all headworks reservoirs in accordance with ANCOLD Dam Safety Management Guidelines (2003) as part of an ongoing program
- A formal Risk Assessment in accordance with ANCOLD Guidelines completed on Oliver's Gully Reservoir and the Mt Cole Reservoir outlet.
- A Consequence assessment in accordance with the 2012 ANCOLD Guidelines were completed for the St Arnaud No. 2 Reservoir.

Economic Sustainability

Financial Summary 2011/12 to 2015/16 ($ Million)

	2011/12	2012/13	2013/14	2014/15	2015/16
Operating revenue	46.59	52.98	56.10	61.00	62.93
Contribution revenue	18.94	2.52	4.54	3.69	2.72
Other revenue	0.98	1.00	1.20	0.98	1.39
Total Revenue	**66.51**	**56.50**	**61.84**	**65.67**	**67.03**
Operating expenditure	31.26	29.14	30.41	30.63	31.66
Environmental Levy	1.32	1.32	1.68	1.68	1.68
Depreciation	32.92	47.19	32.60	32.85	32.29
Channel Decommissioning Provision Expense	-	4.75	-	-	-
Loss on disposal of assets	0.47	0.15	3.13	0.75	0.16
Net fair loss/(gain) on revaluation of investment properties	-	(0.52)	-	0.08	(0.02)
Borrowing costs	8.81	8.74	9.12	9.19	8.67
Total Expenditure	**74.78**	**90.77**	**76.94**	**75.18**	**74.44**
Net result before tax	**(8.27)**	**(34.27)**	**(15.10)**	**(9.51)**	**(7.41)**
Current assets	24.98	25.70	17.18	21.64	18.64
Non current assets	1,908.84	1,882.54	1,872.33	1,857.68	1,922.30
Total Assets	**1,933.82**	**1,908.24**	**1,889.51**	**1,879.32**	**1,940.93**
Current liabilities	25.63	30.04	30.50	23.23	19.69
Non current liabilities	301.83	295.89	287.15	290.01	294.24
Total Liabilities	**327.46**	**325.93**	**317.65**	**313.24**	**313.93**
Net Cash From Operations	17.50	10.24	16.35	21.62	25.21
Payments for property, plant and equipment (including infrastructure)	21.92	19.92	25.63	17.02	20.98

Financial Performance

Performance indicator	2011/12	2012/13	2013/14	2014/15	2015/16
Immediate Liquidity and Debt Servicing (Interest Cash Cover)					
Cash flow from operations before net interest and tax payments ÷ net interest payments	3.1	2.2	2.8	3.4	3.9
Long Term Financial Viability (Gearing Ratio)					
Total debt (including finance leases) ÷ total assets	6.6%	7.2%	7.3%	7.3%	6.6%
Internal Financing Ratio					
Net operating cash flow / Capital expenditure	79.9%	53.9%	66.8%	127.0%	120.2%
Current Ratio					
Current assets/current liabilities (excluding long-term employee provisions and revenue in advance).	1.1	1.0	0.6	1.1	1.2
Long Term Profitability (Return on Assets)					
Earnings before net interest and tax ÷ Average total assets	0.0%	(1.3%)	(0.3%)	(0.0%)	0.1%
Owner's Investment (Return on Equity)					
Net profit after tax ÷ average total equity	(0.5%)	(1.5%)	(0.7%)	(0.4%)	0.4%
EBITDA Margin					
Earnings before interest, tax, depreciation and amortisation/total revenue *	50.0%	38.1%	42.9%	49.5%	50.0%

GWMWater has continued to improve its financial viability and economic sustainability beyond the completion of the Wimmera Mallee Pipeline in 2010/11.

When planning for the construction of the pipeline, it was known that in the immediate period post pipeline construction that the financial indicators would indicate a level of stress and that the improvement in financial performance would be contingent upon the realisation of benefits that were inherent in the business case. Over the past five years there has been a progressive improvement in performance arising from the sale of growth water and the trailing revenue streams. This improvement in performance has been has been further enhanced by the improvement in the operating efficiency as a result of the pipeline as well as investments in SCADA and systems to support works management and back office functions.

The improved reliability of water supply arising from the pipeline has ensured that GWMWater has been able to meet an increased level of demand. Over the five year period where there has been below average rainfall that has given rise to system inflow that has been consistently below 50 percent of average inflow. GWMWater has been able to meet demands for water and has only been constrained by the capability of the infrastructure. In the eastern parts of our supply area we have experienced an unprecedented level of demand and the installation of emergency supply points on our eastern boundary gave rise to a tenfold increase in standpipe sales of $0.45 million in 2015/16.

Over the past five years the overall operating result has improved in all aspects. Operating revenue has increased from $46.6 million in 2011/12 to $62.93 million in 2015/16. For the commensurate period operating expenditure has been contained from $31.26 million in 2011/12 to $31.66 million in 2015/16. The 2015/16 result would have been better if not for the impact of the blue green algae event on the Murray River that gave rise to increased costs of $1.2 million. During this period effective treasury management has allowed borrowing costs to be contained to the point where borrowing costs have decreased from $8.8 million in 2011/12 to $8.7 million in 2015/16 despite an increase in the overall borrowings as GWMWater fulfilled its financial commitment to the Wimmera Mallee Pipeline.

The best indicator of financial viability is reflected in the performance of the interest cover ratio. The 2011/12 result was boosted by the initial growth water sales process that produced a 'one off' contribution revenue of $17 million that helped give rise to a 3.1 interest cover. In 2012/13 the interest cover ratio was 2.2 times and in this 2015/16 financial year the interest cover was 3.9 times.

The overall net cash flow from operations over the period has increased from $17.5 million in 2011/12 to $25.2 in 2015/16. On the basis of anticipated future expenditure on renewal of infrastructure renewal in the short to medium term this exceeds the requirements to meet the internal financing ratio. In 2015/16 the capital expenditure gave rise to an internal financing ratio was 120%.

During the year GWMWater, with financial support of the Victorian and Commonwealth Government committed to a major rural pipeline extension in the Loddon Shire in the South West Loddon Water Supply Project. This builds on smaller rural pipeline schemes completed during the year in Pella and Quambatook and other schemes at Wartook and Coonooer Bridge that are well advanced.

These rural pipeline schemes are playing a pivotal role in sustaining the productivity of the domestic and stock agricultural sector of the region that is being challenged by implications of climate change.

Victorian Industry Participation Policy

The Victorian Industry Participation Policy (VIPP) applied to four projects during 2015/16. Two contracts totalling $6.1 million were completed whilst the other two projects are ongoing. The four contracts were part of regional projects where the contractors committed under the VIPP to include:

An overall level of local content of greater than 90% of the total value of the contracts

The benefits to the Victorian economy in terms of skills and technology including retaining local employment and a boost to the regional economy

The projects demonstrated a significant increase in the management and technical skills of suppliers within the region. The local content also demonstrates and reinforces that the region has the capability to manage, commission and service large technical engineering projects.

Consultancies

In 2015/16, there were 29 consultancies where the total fees payable to the consultants we $10,000 or greater. The total expenditure incurred during 2015/16 in relation to these consultancies is $853, 917 (excl. GST). Details of individual consultancies can be viewed at GWMWater's website www.gwmwater.org.au.

In 2015/16, GWMWater engaged 38 consultancies where the total fees payable to the consultants were less than $10,000 with a total expenditure of $121,563 (excl. GST).

ICT Expenditure

Business as Usual (BAU) ICT Expenditure	Non-Business As Usual (Non BAU) ICT Expenditure (Total - Operational and Capital Expenditure)	Non-Business As Usual Operational Expenditure	Non-Business As Usual Capital Expenditure
$1,840,937	$3,226,942	$0	$3,226,942

NOTE: Only includes capital expenditure from 2015/16 Financial Year.

Social **Sustainability**

Urban Water Restriction Levels/ Permanent Water Saving Rules

Under GWMWater's Water Restrictions By-Law No.105 there were no water restrictions in place at 30 June 2016 in any of the towns we service. Permanent Water Saving Rules apply in all 71 towns.

Rural Pipeline Water Restriction Levels

There were no rural pipeline customers subject to water restrictions under the Water Restrictions By-Law No.105 as at 30 June 2016. Rural pipeline customers are encouraged to comply with the Permanent Water Saving Rules.

Exemptions

Our Water Reference and Assessment Panel considered 22 applications for exemption for the purposes which were not permitted under Water Restrictions By-Laws or Permanent Water Saving Rules. All 22 applications were approved in part or full.

Enforcing Water Restrictions and Investigations of Breaches of the *Water Act 1989* and Claims for Compensation

GWMWater staff made 82 property visits, with 401 follow up telephone calls, to investigate reports submitted by the public and staff in relation to possible breaches of the *Water Act 1989* or our by-laws or in response to claims for compensation.

There were no breach notices issued under the Water Restrictions By-Law No. 105 or Permanent Water Saving Plan. Three customers were successfully prosecuted in the Magistrates' Court for transgressions under the *Water Act 1989.*

Major Non-Residential Water Users

Under section 122ZJ of the *Water Act 1989* GWMWater must include information on any non-residential customer who consumes greater than 200 ML from an urban water supply system.

Customer by Volume Range

Volumetric range – ML per year	Number of customers
Equal to or greater 200 ML less than 300 ML	0
Equal to or greater 300 ML less than 400 ML	0
Equal to or greater 400 ML less than 500 ML	0
Equal to or greater 500 ML less than 750 ML	1
Equal to or greater 750 ML less than 1000 ML	0
Total Number of Customers	**1**

Naming of customers and participation in water conservation programs

Name of Customer	Information as to customers participation in the water conservation program
Stawell Gold Mines Pty Ltd	A water conservation plan has been prepared

Community Service Obligations

Value of Community Service Obligation Provided	2014/15	2015/16
Provision of concessions to pensioners	$2.419M	$2.551M
Rebates paid to not-for-profit organisations under the Water and Sewerage Rebate Scheme	$380,203	$390,000
Utility Relief Grant Scheme payments	$33,941	$30,000
Water concessions on life support machines – Haemodialysis	$447	$408.34

Environmental **Sustainability**

Sustainable Water Strategy

The Western Region Sustainable Water Strategy was released by the Victorian Government in November 2011 to provide a framework for protecting the needs of water users, rivers and aquifers. GWMWater is implementing key policy directions from the strategy. A review of the operation of the Wimmera-Glenelg Bulk and Environmental Entitlements was completed in 2014 which re-confirmed many of the current operating arrangements while resulting in increased opportunities to access water for recreation needs. Groundwater is actively managed in the western areas of the region with the aim of achieving sustainable utilisation of this resource.

Water Supply Demand Strategy

GWMWater's Water Supply Demand Strategy assessed long term water demands under a range of supply and climate scenarios. We are continuing to focus on building our understanding of demand patterns and the future impact of climate variability. GWMWater will prepare an Urban Water Strategy during 2016/17 which will provide updated information about its supply and demand arrangements.

System inflows in 2015/16 were some of the lowest ever recorded in the region, and system storage levels continued to decline. Water consumption was at its highest level for several years across many of GWMWater's supply systems. However, the fully pipelined system meant supplies remained secure for the majority of customers. Water restrictions were temporarily in place for Stawell and also Willaura, Moyston, Wickliffe and Lake Bolac.

Water Recycling

GWMWater achieved its target to reuse 100 percent of reclaimed wastewater generated from its wastewater treatment plants. A total of 2,091.4 ML was delivered to reuse customers during 2015/16.

Biodiversity

Biodiversity is a key consideration in the planning for environmental management plans for major infrastructure projects. Works are located to avoid known sites of ecological significance such as ecological vegetation classes. All projects require appropriate planning approvals to be obtained and any vegetation clearance is offset through appropriate plantings.

Water Conservation

Victorian Government Regional Showerhead Exchange Program

Customers were able to swap their old showerhead for a new, more efficient showerhead that saves nine litres of water per minute. Two types of water saving showerheads were available for exchange (wall mounted and hand held) with 35 customers exchanging their showerheads in 2015/16.

Living Victoria Home Rebate Scheme

This scheme rewarded urban customers for their efforts to be water efficient in the home, garden and small business by providing rebates on a range of water efficient products and appliances.

The scheme finished on 30 June 2015, customers had until 30 September 2015 to submit their claim. A total of 63 applications were processed in 2015/16 with rebates for the purchase of tanks and other water saving products amounting to $54,200.

Community Rebate Program

The Community Rebate Program was a joint initiative of GWMWater and the Victorian Government. The program aimed at reducing water bills through a free water audit and the repair or replacement of inefficient water fittings for eligible hardship customers.

The total number of eligible customer was 148. The program was taken up by 30 customers with $16,400 being claimed for water audits and subsequent repairs and replacement of inefficient water fittings.

Water Tariff Reduction

A 15 percent tariff reduction is provided to not-for-profit organisations that conserve water by watering at night via dedicated timed sprinkler systems. There are currently 29 organisations benefiting from this initiative.

Sustainable and Resilient Water Services Systems

Regulated Water Supplies

GWMWater continued to work closely with Local Government Environmental Health Officers to assist their Councils manage the potential health risks in these towns and meet their obligations in relation to the *Food Act 2004*.

Strategies for managing the potential health risks associated with these water supplies include issuing an annual untreated water supply notice to all customers, untreated water supply advice on customer accounts and signage on all publicly accessible taps in association with local government.

Year 9 and 10 Student Water Conference

The tenth annual student water conference for Year 9 and 10 students was held in June 2016. The conference promotes water education for students living within GWMWater's operating area who are potentially the next generation of customers.

More than 800 students and their teachers have attended the conference over the past 10 years, researching a range of water related themes. This year students at the conference crossed live via Skype to New Zealand, Nauru, Alice Springs, Kalgoorlie and Lake Argyle to learn how water is valued in other parts of Australia and around the world.

Community Events and Sponsorship

GWMWater participates in the Wimmera Machinery Field Days and Mallee Field Days each year. Our displays featured Electronic Swipe Card Standpipes and the Rural Pipeline Intelligence Project, which generated considerable interest from our rural customers.

GWMWater continues to strengthen local relationships and contribute to vibrant communities in our region by supporting a range of events and fundraisers. Throughout the year, we have provided sponsorship to drought relief events, agricultural shows, local festivals, fun runs, sporting clubs and schools by providing water trailers, water fountains and refillable drink bottles for use. We have also been proud to support the development of community gardens in several towns within our region.

Stakeholder Engagement

As part of our ongoing engagement with customers and key stakeholders GWMWater holds workshops twice a year, providing an opportunity for participants to discuss significant operational issues.

Stakeholder workshops were held in November 2015 and April 2016. The November 2015 workshop discussed the potential impact of an expansion of the State Water Grid in the region and the associated opportunities and risks. Participants at the April 2016 workshop examined the concept of value provided by GWMWater and debated the importance of quality versus supply during times of water quality events.

The outcomes of both workshops have been reviewed by the Board and will contribute to future policy decisions and strategy development.

There are four standing customer committees of the GWMWater Board:

- Regional Recreation Water Users Group
- West Wimmera Groundwater Management Area Implementation Committee
- Murrayville Water Supply Protection Area Implementation Committee
- Irrigation Diverters Committee

These committees met regularly during the year to address key issues including:

- Water allocations for recreational lakes in the region
- Development of a Local Management Plan for Groundwater (Murrayville)
- Contribution to a technical review of the West Wimmera Groundwater Management Strategy
- Review of Irrigation Diversion Rules for the Wimmera River

Rocklands Recreation Management Plan Working Group

The Working Group continued to develop the draft Recreation Management Plan for Rocklands Reservoir during the year. The committee also investigated options for improving the fishery at Rocklands in conjunction with Fisheries Victoria.

Toolondo Recreation Management Plan Working Group

A Working Group to develop a plan for the future management of Toolondo recreational facilities commenced during the year.

Management **Strategies**

Corporate Management System

GWMWater is certified to ISO 9001 for quality, ISO 14001 for environment and AS/NZS 4801 for occupational health and safety. Operational sites continue to be periodically audited and opportunities for improvement raised as needed.

Regional Catchment Management Strategy

GWMWater is a partner with other agencies in the delivery of regional catchment strategies. Waterway management strategies have also been developed recently across the region by Catchment Management Authorities.

Environmental Watering

GWMWater engages with the Commonwealth Environmental Water Office, Catchment Management Authorities and the Victorian Environmental Water Holder to deliver environmental water in accordance with Bulk and Environmental Entitlements.

During the 2015/16 water year, a total of 5,000 ML was released to the Wimmera system, including the MacKenzie River, Wimmera River, Upper Mt William Creek and Burnt Creek. Some 3,417 ML (including passing flows) was released to the Glenelg River to provide benefits below Rocklands Reservoir. A volume of 158 ML was distributed to multiple wetlands connected to the Wimmera Mallee Pipeline.

	VEWH Authorised Volume (ML)	Volume Delivered (ML)
Summary - Regulated Releases		
Lake Lonsdale		-
Taylors Lake		3,890
MacKenzie River		-
Burnt and Bungalally Creek		1,010
Upper Mt William Creek		100
Total Wimmera Catchment	6,000	5,000
Total Glenelg Catchment	4,000	2,970
Summary - Passing Flow Releases		
Wimmera Catchment - Lake Lonsdale		0
Wimmera Catchment - Huddlestons Weir		0
Glenelg Catchment - Rocklands Reservoir		447
Glenelg River Compensation Flow		80
Wimmera Mallee Pipeline Supplied Wetlands	249	158

Greenhouse Gas Emissions and Net Energy Consumption

GWMWater aims to minimise greenhouse emissions for the whole of business by implementing our Energy and Greenhouse Plan. To achieve this we follow the Environment Protection Authority carbon management principles of avoid, reduce, recycle, switch to cleaner fuels, sequester and offset. We also attain zero net emissions for our offices, depots and vehicle fleet by retiring voluntary emission reduction certificates through the Australian Government Greenhouse Friendly Program.

Office Based Environmental Data

GWMWater's Sustainability Strategy details actions and outcomes for sustainable practice across the business. All staff contribute to these outcomes and are encouraged to continually improve on prior performance. The environmental footprint of workplaces is measured in terms of greenhouse gas emissions and energy, water, waste and paper use. The results of these programs are communicated to staff quarterly and strategies are developed to further reduce GWMWater's environmental impact.

Whole of Business Emissions

Source of Emissions	Result 2011/12 Tonnes CO2-e	Result 2012/13 Tonnes CO2-e	Result 2013/14 Tonnes CO2-e	Result 2014/15 Tonnes CO2-e	Result 2015/16 Tonnes CO2-e
Water treatment and pumping	10,157.2	11,898.5	12,172.8	13,141.0	13,192.7
Sewage treatment (includes fugitive emissions)[1]	5,564.6	5,842.6	8,102.1	5,905.5	5,205.4
Non-fleet (plant and equipment)[2]	71.3	79.7	37.0	63.6	61.0
Vehicle fleet	1,161.9	1,181.0	1001.0	1,029.0	837.0
Other	851.1	644.1	630.0	560.2	567.8
Offsets purchased (offset fleet emissions)	(1,000)	0	0	0	0
Offsets retired (offset emissions applied to offices and depots)[3]	(1,500)	(2,000)	(1,638)	(1,612)	(1,446)
Other activities e.g. renewable energy generated	(3.4)	(3.5)	(8.7)	0	0
Total net emissions	15,302.7	17,642.4	20,296.2	19,087.3	18,417.9

1. Fugitive emissions are calculated according to the requirements of the National Greenhouse Accounts Factors Workbook. The formulae and methodology for calculations is based on the National Greenhouse and Energy Reporting System (NGERS) Measurement Technical Guideline 2011.
2. Air travel as a scope three emission was not included for 2011/12. Air travel is included in the 2012/13 to 2015/16 figures.
3. 1,446 voluntary offsets were retired to offset office and fleet emissions in 2015/16.

Zero net emissions were achieved for offices, depots and fleet through the surrender of Greenhouse Friendly Certificates. GWMWater also generates solar energy at the corporate office. Solar energy is no longer included as a greenhouse emissions offset. Emissions from electricity consumption have remained steady during 2015/16. Reductions in fugitive emissions and emissions from liquid fuel consumption have led to an overall reduction in emissions.

Energy

Indicator	Result 2011/12	Result 2012/13	Result 2013/14	Result 2014/15	Result 2015/16	Target
Total energy use (electricity) (MJ)	2,405,643	1,947,609	1,938,365	1,711,206.6	1,793,285.2	No target set
Greenhouse emissions associated with energy use (tonnes CO2-e)[1]	808.6	644.3	630.0	560.2	564.7	Zero net emissions for offices and depots
Greenhouse emissions associated with energy use – offset (tonnes CO2-e)	(1,503.4)	(1,003.5)	(638.7)	(560)	(565)	Zero net emissions for offices and depots
Energy use per FTE (MJ per FTE)[2]	12,226	10,752.2	10,922.7	10,492.2	11,323.6	No target set
Energy per square metre of office space (MJ per m^2)[3]	933	643.3	563.5	545.5	594.6	No target set

1. The greenhouse gas emissions conversion factors have varied from year to year. The appropriate factor for each year has been applied.
2. Data is for corporate office only.

Energy

Source	Result 2011/12	Result 2012/13	Result 2013/14	Result 2014/15	Result 2015/16
Water MJ/ML[1]	3,575.5	3,857.2	4,029.2	2,139.0	2,303.0
Sewage MJ/ML	1,826.9	2,017.9	2,202.8	1,945.0	2,316.0
Water kWh/ML[1]	994.0	1,072.3	1,120.1	594.2	639.7
Sewage kWh/ML	507.9	561.0	612.4	540.3	643.3

1. Water includes urban, rural and bulk water supply. Higher figures up to 2013/14 reflect limited bulk water figures.

Waste

Activity	2011/12 Result	2012/13 Result	2013/14 Result	2014/15 Result	2015/16 Result	Target
Units of waste generated (kg)	9,340	4,390	7,238	8,154	7,518	No target set
Units of waste per FTE (kg)	89.2	45.3	68.9	77.6	78.1	69
Recycling rate (%)	63.3	71.8	79.5	77.8	78.6	85

To improve performance, staff are regularly educated about waste management. Waste audits are conducted quarterly and the results communicated to staff. Strategies to improve results are continually being sought.

Paper

Activity	2011/12 Result	2012/13 Result	2013/14 Result	2014/15 Result	2015/16 Result	Target
Total units A4 equivalent copy paper used (reams)	1,464	1,123	1,145	931	792	No target set
Units of A4 equivalent copy paper used per FTE (reams)	7.4	6.2	6.5	5.1	4.3	6
Percentage of recycled content of all copy paper purchased (% white copy paper)	94.2	96.1	93.9	100	100	100

Paper use has decreased per FTE in 2015/16. GWMWater is regularly promoting paper saving measures including technology and behavioural change. Much of the operational work allocation process is now paperless.

Water

Activity	2011/12 Result	2012/13 Result	2013/14 Result	2014/15 Result	2015/16 Result	Target
Total water consumption (kL)	1,426	1,424	1,326	1,496	1,212	No target set
Total water consumption (kL per FTE)	7.2	7.6	7.2	8.6	7.1	9
Water consumed per unit of office space (corporate office only) (kL per m2)	0.19	0.17	0.18	0.19	0.20	No target set

The decrease in water use overall and per FTE reflects positive changes in consumption at all sites.

Transportation

Activity	2011/12 Result	2012/13 Result	2013/14 Result	2014/15 Result	2015/16 Result
Energy consumed by fleet vehicles (MJ)					
Diesel	9,035,221	9,224,277	7,822,100	8,396,862	7,964,253
LPG	949,403	793,446	422,218	359,181	160,122
Unleaded	6,790,750	5,806,520	4,845,466	4,896,648	4,152,613
Total	16,775,374	15,824,243	13,089,784	13,652,691	12,276,988
Distance travelled (km)					
Diesel	1,913,099	1,900,049	1,849,956	1,732,731	1,788,292
LPG	187,424	152,944	115,574	47,893	29045
Unleaded	1,793,982	1,517,745	1,271,221	1,312,520	1,238,797
Total distance	3,894,505	3,570,738	3,236,751	3,093,144	3,056,134
Distance travelled by air	50,610	18,904	13,041	18,992	9,102
Greenhouse gas emissions (tonnes CO2-e)[1]					
Diesel	631	694	588	631	590
LPG	58	52	28	24	10
Unleaded	473	436	363	367	298
Total[2]	1,162	1,182	979	1,022	898
Total per 1,000 km	0.3	0.33	0.30	0.33	0.29
Commuting to work					
Percentage of employees regularly using public transport, cycling, walking or carpooling to and from work or working from home[2]	18%	18%	18%	18%	18%

1. GWMWater surrenders voluntary carbon emission certificates to achieve zero net emissions for fleet.
2. Limited public transport available.

Greenhouse Gas Emissions – tonnes CO2-e

Activity	2011/12 Result	2012/13 Result	2013/14 Result	2014/15 Result	2015/16 Result
Total associated with electricity use	13,116.6	14,969.2	15,645.1	16,530.2	16,437.0
Total from vehicle fleet	1,161.9	1,181.0	979.0	1,029.0	837.3
Total from air travel	17.1	2.8	3.9	5.6	3.1
Total offsets retired[1]	(1,500)	(2,000)	(1,638)	(1,612)	(1,446)
Total offsets purchased	(1,000)				
Total offset from generation of renewable energy from solar panels	(3.4)	(3.5)	(8.7)	0[3]	0[3]
Other sources					
Fugitive emissions	3,456.4	3,415.9	5,365.5	3,076.5	2,525.5
Registered/unregistered plant and equipment	71.3	77.0	59.0	58.0	61.0
Total net emissions[2]	15,319.9	17,642.4	20,405.8	19,087.3	18,417.9

1. In October 2010, 19,585 Emission Reduction Units (ERU) were purchased and banked with the Department of Energy Efficiency and Climate Change. 1,446 ERUs were retired to offset all office, depot and fleet emissions, based on actual totals.
2. Total net emissions are for scopes one and two only.
3. GWMWater is no longer counting renewable energy generation as an additional carbon offset.

Procurement

GWMWater procurement activities are underpinned by the following principles:

- Value for money
- Probity, transparency and fair competition
- Compliance, accountability and risk management
- Safety and environmental sustainability

Proper consideration of the impact of proposed purchases is undertaken where it is deemed appropriate and practicable to satisfy the underlying principles.

Suppliers that demonstrate responsibility through accredited quality, safety and environmental systems and policies are highly regarded. Consideration is also given to products which minimise environmental impacts through efficient use of raw materials, energy and water, and minimisation of waste and greenhouse gas emissions.

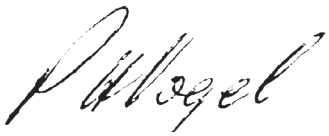
Performance **Reporting**

Certification of Performance Report for 2015/16

We certify that the accompanying Performance Report of Grampians Wimmera Mallee Water Corporation (trading as GWMWater) in respect of the 2015/16 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

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



Peter Vogel
Chairman

Mark Williams
Managing Director

Sally Marshall
Executive Manager Business Performance and Planning
(Chief Finance and Accounting Officer)

Dated this 12th day of August 2016

Financial Performance Indicators

KPI Number	Key Performance Indicator	2014/15 Result	2015/16 Result	2015/16 Target	Variance to Prior Year %	Notes	Variance to Target %	Notes
F1	Interest Cover (Cash)							
	Net operating cash flows before net interest and tax payments ÷ net interest payments (times)	3.4	3.9	3.3	14.7%	1a	18.2%	1b
F2	Gearing Ratio							
	Total debt (including finance leases) ÷ total assets * 100	7.3%	6.6%	7.1%	(9.6%)		(7.0%)	
F3	Internal Financing Ratio							
	Net operating cash flow / net capital expenditure * 100	127.0%	120.2%	77.0%	(5.4%)		56.1%	2a
F4	Current Ratio							
	Current assets/current liabilities (excluding long-term employee provisions and revenue in advance) (times)	1.1	1.2	0.6	9.1%		100.0%	3a
F5	Return on Assets							
	Earnings before net interest and tax ÷ average total assets * 100	0.0%	0.1%	(0.1%)	100.0%	4a	(200.0%)	4b
F6	Return on Equity							
	Net profit after tax ÷ average total equity * 100	(0.4%)	0.4%	(0.8%)	(200.0%)	5a	(150.0%)	5b
F7	EBITDA Margin							
	Earnings before interest, tax, depreciation and amortisation/ total revenue * 100	49.5%	50.0%	50.3%	1.0%		(0.6%)	

Notes:

1a. The improvement in the Interest Cover (Cash) ratio in 2015/16 is due to a combination of an increase in operating receipts from customers of $3.6 million arising from customer growth, price increases and higher consumption; lower payments to suppliers, employees and financing costs of $1.6 million.

1b. The favourable Interest Cover (Cash) ratio result compared to the budget is mainly due to lower interest payments of $1.2 million. The decrease in interest payments is due to higher operating receipts from customers from customer growth, price increases and higher consumption, and, lower payments on the capital program resulting in lower borrowings.

2a. The Internal Financing Ratio result is significantly better than the budget due to lower interest payments, lower expenditure on the capital program. There was also an increase in, State Government capital contributions arising from drought initiatives projects and an increase in receipts from customers relative to budget.

3a. The Current Ratio result is favourable compared to budget due to higher cash reserves and lower current borrowings impacted by lower expenditure on the capital program.

4a. The Return on Assets ratio results are impacted by operating deficits before net interest and tax. The improvement in 2015/16 reflects stronger operating revenue from increased water consumption and reduced non-operating expenditure compared with 2014/15.

4b. The Return on Assets ratio result improved to budget mainly due to a reduced non-operating expenditure.

5a. The 2015/16 results recorded a positive Return on Equity of 0.4%, an improvement on last year largely due to income tax revenue. Income tax revenue relates to changes in the deferred tax position and increased from $3.1 million in 2014/15 to $14.1 million in 2015/16.

5b. The improvement in the Return on Equity ratio compared to the budget reflects an overall improvement in the operating deficit before tax of $4.4 million and income tax revenue of $14.1 million from changes to the deferred tax position.

Water and Sewerage Service Performance Indicators

KPI Number	Key Performance Indicator	2014/15 Result	2015/16 Result	2015/16 Target	Variance to Prior Year %	Notes	Variance to Target %	Notes
WS1	Unplanned water supply interruptions							
	No. of customers receiving more than (5) unplanned interruptions in the year/total number of water (domestic and non-domestic) customers * 1000 (number)	2.10	4.40	0	109.5%	6a	100.0%	6b
WS2	Interruption time							
	Average duration of unplanned water supply interruptions (minutes)	75.77	86.76	100	14.5%	7a	(13.2%)	7b
WS3	Restoration of unplanned water supply							
	Unplanned water supply interruptions restored within (5) hours/total unplanned water supply interruptions*100 (no.)	99.36	97.72	97	(1.7%)		0.7%	
SS1	Containment of sewer spills							
	Sewer spills from reticulation and branch sewers contained within five hours/total sewer spills from reticulation and branch sewers *100 (no.)	99.33	99.25	98	(0.1%)		1.3%	
SS2	Sewer spills interruptions							
	No. of residential sewerage customers affected by sewerage interruptions restored within five hours % (no.)	97.96	99.24	100	1.3%		(0.8%)	
WSR1	Rural water supply deliveries							
	No. of orders delivered/total number of orders*100 (no.)	N/A	N/A	N/A	N/A		N/A	
WSR2	Unavailability of Domestic and Stock supply							
	Duration that domestic and stock service is unavailable in excess of on-property storage (%)	0.00	1.64	2.50	100.0%	8a	(34.4%)	8b
WSR3	Groundwater Supply							
	No. of transfers processed within target period/total number of transfers processed*100. (no.)	100.00	100.00	100	0.0%		0.0%	

6a. There were recurring shutdowns due to mains burst in Dimboola, Nhill and St Arnaud and a combination of breaks and whole town outages in Culgoa & Berriwillock. These resulted in a greater number of customers experiencing more than 5 interruptions.

6b. A greater than expected number of unplanned shutdowns in sections of some towns resulted in the target being exceeded.

7a. Whilst unplanned interruption incident numbers increased in 2015/16, 11 incidents were of durations greater than five hours and up to nine hours. One incident's duration was for 19.75 hours in Nhill. These incidents have severely impacted the results for this target.

7b. Performance is within the target of 100 minutes.

8a. A Blue Green Algae outbreak in water sourced from the Murray River resulted in a partial system shutdown of the Northern Mallee Pipeline.

8b. Whilst the target was not exceeded, the Blue Green Algae in the source water impacted the overall result.

Customer Responsiveness Performance Indicators

KPI Number	Key Performance Indicator	2014/15 Result	2015/16 Result	2015/16 Target	Variance to Prior Year %	Notes	Variance to Target %	Notes
CR1	Water quality complaints							
	No of complaints per 1000 customers (no.)	4.24	2.99	4.00	(29.5%)	9a	(25.3%)	9b
CR2	Sewerage service quality complaints							
	No of complaints per 1000 customers (no.)	0.35	0.12	1.20	(65.7%)	10a	(90.0%)	10b
CR3	Sewerage odour complaints							
	No of complaints per 1000 customers (no.)	0.67	0.35	0.16	(47.8%)	11a	118.8%	11b
CR4	Billing Complaints							
	No of complaints per 1000 customers (no.)	1.08	0.60	3.00	(44.4%)	12a	(80.0%)	12b

9a. In 2015/16 a better result was achieved due to improved maintenance practices and flushing in resumption of supply following repairs from breaks. The Quambatook water treatment plant was in operation for the full year and poor water quality in Quambatook was a significant source of complaints in the preceding year.

9b. The overall variance to target result is a combination of the impact of Quambatook and a general reduction in water quality complaints.

10a. Improved notification and response to sewer service interruptions has resulted in a reduction in complaints compared to last year.

10b. The positive variance relative to target reflects the improved notification and response by GWMWater in responding to sewer service interruptions.

11a. There has been an increase in the incidence of odour complaints at manholes and sewer pump stations. One pump station has been fitted with carbon filters which eliminate odour, carbon filters may be fitted to further sewer pump stations as required.

11b. There has been an increased incidence of odours at manholes and sewer pump stations. Works are underway to rectify these issues.

12a. The decrease in billing complaints is attributed to the continual review of accuracy of accounts as they are generated. In the case of rural accounts this improvement has been greatly assisted by the Rural Pipeline Intelligence Project.

12b. Complaints in the category continue to decline as processes and systems are being improved.

Environmental Performance Indicators

KPI Number	Key Performance Indicator	2014/15 Result	2015/16 Result	2015/16 Target	Variance to Prior Year %	Notes	Variance to Target %	Notes
E1	Effluent re-use volume (end use)							
	Percentage recycled for each category (%)	100.30	101.50	100	1.2%		1.5%	
E2	Total net CO2 emissions							
	Net tonnes CO2 equivalent (tonnes)	19,088.10	18,417.90	19,700	(3.5%)		(6.5%)	13b

13b. A reduction in fugitive emissions has contributed to the lower amount of emissions in 2015/16. Other contributions to the reduction include energy efficiency measures and increasing the use of solar power.

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INDEPENDENT AUDITOR'S REPORT

To the Board Members, Grampians Wimmera Mallee Water Corporation

The Performance Report

I have audited the accompanying performance report for the year ended 30 June 2016 of the Grampians Wimmera Mallee 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 Grampians Wimmera Mallee Water Corporation are responsible for the preparation and fair presentation of the performance report and for such internal control as the board members determine is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

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

Opinion

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

MELBOURNE
19 August 2016

for Dr Peter Frost
Acting Auditor-General

Risk Management Compliance Attestation

I, Peter Vogel certify that GWMWater has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. GWMWater's Audit, Governance and Risk Committee has verified this.

Peter Vogel
Chairman

Dated this 12th day of August 2016

Financial **Statements**

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Grampians Wimmera Mallee Water Corporation
Comprehensive Operating Statement
For the Financial Year ended 30 June 2016

	Notes	2015/16 $'000	2014/15 $'000
Revenue from Operating Activities			
General Rates and Charges	3	62,926	61,000
Contributions Revenue	4	2,716	3,690
Revenue from Non-Operating Activities			
Interest	5	55	63
Other revenue	6	1,330	921
Total Revenue		**67,027**	**65,674**
Expenses from Operating Activities			
Employee Benefits	7	15,023	14,206
Depreciation and Amortisation Expense	8	32,288	32,854
Operation, Maintenance and Administration Expenses	9	16,633	16,414
Environmental Contributions		1,684	1,684
Expenses from Non-Operating Activities			
Net loss/(gain) on disposal of non-financial assets	21	160	754
Net fair loss/(gain) on revaluation of investment properties	20	(18)	76
Borrowing and Interest costs	10	8,673	9,193
Total Expenses		**74,443**	**75,181**
Net result before tax		**(7,416)**	**(9,507)**
Income tax expense/(revenue)	11	(14,146)	(3,095)
Net result after tax		**6,730**	**(6,412)**
Other comprehensive income			
Items that will not be reclassified to net result			
Gain/(loss) on revaluation of property, plant, equipment and infrastructure	28	75,242	695
Tax effect of revaluation increment revenue/(expense)	28	(22,461)	(208)
Total comprehensive result		**59,511**	**(5,925)**

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

Grampians Wimmera Mallee Water Corporation
Balance Sheet
As at 30 June 2016

	Notes	2015/16 $'000	2014/15 $'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	12	1,235	3,697
Receivables	13	15,548	16,198
Prepayments	15	254	229
Inventories	16	1,600	1,514
Total Current Assets		**18,637**	**21,638**
Non-Current Assets			
Receivables	13	150	98
Property, Plant, Equipment and Infrastructure	17	1,912,861	1,847,661
Intangible Assets	19	8,608	9,266
Investment Properties	20	676	654
Total Non-Current Assets		**1,922,295**	**1,857,679**
TOTAL ASSETS		**1,940,932**	**1,879,317**
LIABILITIES			
Current Liabilities			
Payables	22	7,282	7,264
Employee Benefits	23	5,808	5,363
Borrowings	25	6,669	10,602
Total Current Liabilities		**19,759**	**23,229**
Non-Current Liabilities			
Employee Benefits	24	334	310
Borrowings	25	121,946	126,115
Deferred Tax Liabilities	26	171,894	163,581
Total Non-Current Liabilities		**294,174**	**290,006**
TOTAL LIABILITIES		**313,933**	**313,235**
NET ASSETS		**1,626,999**	**1,566,082**
Equity			
Contributed Capital	27	1,173,853	1,172,447
Asset Revaluation Reserves	28	575,619	522,837
Accumulated Deficit	29	(122,472)	(129,202)
TOTAL EQUITY		**1,626,999**	**1,566,082**

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

Grampians Wimmera Mallee Water Corporation
Statement of Changes in Equity
For the Financial Year ended 30 June 2016

	Notes	Contributions by Owners	Asset Revaluation Reserves	Accumulated Funds Surplus/(Deficit)	Total
		$'000	$'000	$'000	**$'000**
Balance at 1 July 2014		1,172,297	522,350	(122,790)	1,571,857
Net result for the year		-		(6,412)	(6,412)
Other comprehensive income			487	-	487
Transactions with the State in its capacity as owner		150	-	-	150
Balance at 30 June 2015		**1,172,447**	**522,837**	**(129,202)**	**1,566,082**
Net result for the year		-	-	6,730	6,730
Other comprehensive income		-	52,781	-	52,781
Transactions with State in its capacity as owner		1,406	-	-	1,406
Balance at 30 June 2016	**27, 28, 29**	**1,173,853**	**575,618**	**(122,472)**	**1,626,999**

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

Grampians Wimmera Mallee Water Corporation
Cash Flow Statement
For the Financial Year ended 30 June 2016

	Notes	2015/16 $'000	2014/15 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from customers		65,448	63,935
Receipts from government		996	1,092
Interest received		48	59
GST received from the Australian Tax Office		1,696	1,111
		68,188	**66,197**
Payments			
Suppliers and employees		(34,091)	(35,361)
Interest and other costs of finance paid		(8,886)	(9,215)
		(42,977)	**(44,576)**
Net Cash (Outflow)/Inflow Operating Activities	31	**25,211**	**21,621**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant, equipment and infrastructure		(22,881)	(17,961)
Payments for investment properties		-	(30)
Payments for intangible assets		(217)	(54)
Proceeds from disposal of property, plant, equipment and infrastructure		2,120	1,025
Net Cash (Outflow)/Inflow Investing Activities		**(20,978)**	**(17,020)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	264
Repayment of borrowings and advances from Government		(7,632)	(133)
Proceeds from contributed capital by State Government		1,406	150
Repayment of finance leases		(470)	(408)
Net Cash (Outflow)/Inflow Financing Activities		**(6,696)**	**(127)**
Net Increase/(Decrease) in Cash Held		**(2,463)**	**4,474**
Cash and cash equivalents at beginning of the financial year		3,697	(777)
Cash and Cash Equivalents at the End of the Financial Year	12	**1,235**	**3,697**
Financing arrangements	25		

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

Grampians Wimmera Mallee Water Corporation
Notes to the financial statements
For the Financial Year ended 30 June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Accounting

1.1.1 General
The financial report includes separate financial statements for Grampians Wimmera Mallee Water Corporation (GWMWater) as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements.

The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS's), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, the requirements of the Financial Management Act 1994 and applicable Ministerial Directions. Where applicable, those paragraphs of the AAS's applicable to not-for-profit entities have been applied. The Corporation is a not-for–profit entity for the purpose of preparing the financial statements.

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

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 the cash is received or paid.

The annual financial statements were authorised for issue by the Board on 12 August 2016.

The Principal Address is:
GWMWater
11 McLachlan St
Horsham Victoria 3402

1.1.2 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.

1.1.3 Functional and presentation currency
Items included in this financial report are measured using the currency of the primary economic environment in which GWMWater operates ('the functional currency'). The financial statements are presented in Australian Dollars, which is GWMWater's functional and presentation currency.

1.1.4 Classification between Current and Non-Current
In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within twelve months being the Corporation's operational cycle – see Note 1.3.1 for a variation in relation to employee benefits.

1.1.5 Rounding
All amounts shown in the financial statements are rounded to the nearest thousand dollars, unless otherwise stated. Figures in the financial report may not equate due to rounding.

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

1.1.7 Accounting estimates

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. It is expected that the estimates and assumptions adopted are not likely to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1.2 Revenue recognition

1.2.1 General rates and charges

Revenue is brought to account when services have been provided or when a tariff/charge is levied or determined.

Volumetric charges are recognised as income when the services are provided. Meter readings are undertaken progressively through the year and when unread at balance date, an estimate of outstanding revenue is determined by multiplying the number of days since the last meter reading and multiplying by the customers average consumption adjusted for any seasonal factors.

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.

1.2.2 Government grants and contributions

Government grants and contributions are recognised as operating revenue on receipt or when the entity obtains control of the contribution and meets certain other criteria as outlined by AASB 1004 – *Contributions* whichever is the sooner, and disclosed in the Comprehensive Operating Statement as contributions revenue. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated, are in the nature of owners' contributions, are accounted for as Equity – Contributions by Owners.

1.2.3 Interest

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

1.2.4 Assets acquired for no cost

Where assets are constructed by private developers, (water and wastewater mains) and these assets are controlled by the Corporation upon completion, the fair values of those assets are recognised as contributions revenue in the Comprehensive Operating Statement in the accounting period in which the works are completed and a certificate of compliance issued.

1.2.5 Developer contributions/fees paid by developers

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

1.2.6 Sale of fixed assets

In accounting for the sale of property, plant, equipment and infrastructure, the 'net amount' of gross proceeds from sales less the written down value of the assets disposed is reflected as a profit/(loss) on disposal and recognised in the Comprehensive Operating Statement.

1.2.7 Lease or rental income

Income from operating leases (eg. rentals) is recognised in income on a straight-line basis over the lease term.

1.3 Expense recognition

1.3.1 Employee benefits

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

Superannuation

GWMWater has employees that are members of different public sector industry schemes. The Corporation has obligations in relation to defined benefits schemes that vary according to the industry scheme the employee is affiliated with.

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents the contributions made by the Corporation to superannuation schemes in respect to the services of employees of the Corporation (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each scheme and any relevant compulsory superannuation requirements that GWMWater is required to comply with.

1.3.2 Depreciation and amortisation of non-current assets

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

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

Intangible assets with finite useful lives are amortised as an expense on a 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 for impairment annually and useful life is consistent with prior year.

Depreciation rates and useful lives have been reviewed as part of the revaluation process conducted in the 2015-16 financial year. Lives and depreciation rates have been reviewed and adjusted as at 30 June 2016; to reflect asset condition, expected usage and utility to GWMWater.

Asset Class	Useful Life 30 June 2015	Useful Life 30 June 2016
Land	Nil	Nil
Buildings	10 - 60	10 - 50
Urban Water Infrastructure	10 - 150	10 - 350
Wastewater Infrastructure	50 - 100	10 - 350
Rural Distribution Infrastructure	30 - 100	10 - 350
Headworks Infrastructure	100 - 200	15 - 350
Plant, Equipment and Vehicles	1 - 20	3 - 50
Fixtures and Fittings	3 - 20	5 - 40
Intangible	2 - 25	2 - 25
Investment Properties	N/A	N/A

1.3.3 Operating, maintenance and administration expenses

Routine maintenance, repair and minor renewal costs are expensed as incurred. Where the expense incurred relates to the replacement of a component of an asset, the cost exceeds the capitalisation threshold and it meets the definition of an asset, the cost is capitalised and depreciated.

1.3.4 Environmental contribution levy

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

The Act establishes an obligation for Water Corporations 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 was extended beyond 2016.

The purpose for 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.

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

1.3.5 Borrowing and interest costs

Borrowing and interest costs are recognised as expenses in the period in which they are incurred.

Borrowing and interest costs include interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and finance lease charges.

1.3.6 Financial accommodation levy

When GWMWater carries borrowings in excess of $5 Million it is obligated to pay to the Victorian Government a Financial Accommodation Levy (FAL).

The amount of the levy is based on the credit risk of GWMWater relative to the State of Victoria as assessed by an independent ratings agency. FAL rates had been capped at 110 basis points for the period 1 July 2008 to 30 June 2013. From 1 July 2013 FAL margins reverted to market based rates which are applied to all financial accommodation accessed from Treasury Corporation Victoria (TCV).

After a Department of Treasury and Finance (DTF) desk top review for 2015/16, FAL incurred by GWMWater was 139 basis points and is accounted for as a borrowing cost for the purpose of presentation in general purpose financial statements.

1.3.7 Grants and other transfers

Grants and other transfers to third parties (other than contributions to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as; grants, subsidies, personal benefit payments made in cash to individuals; other transfer payments made to State-owned agencies, local government, non-government schools, and community groups.

1.4 Assets

1.4.1 Cash and cash equivalents

GWMWater considers cash and cash equivalents on the Balance Sheet to include 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 are 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 borrowings on the Balance Sheet.

1.4.2 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An estimate allowance for impaired receivables is established, based on objective evidence that GWMWater will not be able to collect all amounts due according to the original terms of receivables.

Receivables consist of contractual receivables and statutory receivables.
Contractual receivables, such as debtors in relation to goods and services, and accrued income; are classified as financial instruments and categorised as loans and receivables.
Statutory receivables, such as amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable; 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.

1.4.3 Prepayments

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

1.4.4 Inventories

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

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

1.4.5 Fixed assets

Property, plant, equipment and infrastructure represent non-current assets comprising land, buildings, fixtures and fittings, urban water infrastructure, wastewater infrastructure, rural distribution infrastructure, headworks infrastructure, plant, equipment and vehicles used by the Corporation in its operations. Intangible assets and investment properties are disclosed separately as fixed assets. Items with a useful life of more than one year cost or value in excess of the values identified in the table below are recognised as an asset. All other assets acquired are expensed.

Fixed Assets are grouped into the following classes of assets; land, buildings, investment properties, urban water infrastructure, wastewater infrastructure, rural distribution infrastructure, headworks infrastructure, plant, equipment and vehicles, intangibles and fixtures and fittings.
The level at which expenditure is recognised as capital in each of these categories is consistent with the previous year and fall within the following ranges:

Land	$1
Buildings	$1,000
Urban Water Infrastructure	$1,000
Wastewater Infrastructure	$1,000
Rural Distribution Infrastructure	$1,000
Headworks Infrastructure	$1,000
Plant, Equipment and Vehicles	$100
Fixtures and Fittings	$100
Intangibles	$300
Investment Properties	$1,000

Where the Corporation constructs assets, 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 the Corporation are recognised at fair value at the date of acquisition.

1.4.6 Measurement of Non-Current physical assets

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

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

Plant, equipment, and vehicles are measured at fair value.

Infrastructure assets, are measured at fair value less accumulated depreciation and impairment in accordance with FRD 103F. These assets comprise of substructures or underlying systems that are held to facilitate storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewerage systems.

1.4.7 Revaluation of Non-Current physical assets

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

Revaluation decrements are recognised immediately as an expense in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same 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, equipment and infrastructure 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 derecognition of the relevant asset.

Land and Buildings were independently valued at 30 June 2016 by VGV (using Egan Valuers). For Land, the valuation methodology used has been market value adjusted for community service obligations where applicable. Due to their specialised nature Buildings have been valued using depreciated replacement costs.

Infrastructure assets were independently valued at 30 June 2016 by the VGV (using KPMG) under the instructions of DTF. The valuation methodology used was depreciated replacement costs using a Greenfields approach for assessing costs and only included assets that were constructed before 1 July 2015. Cost models were built based on actual construction information complimented by a variety of information sources including capacity, height, material type, length and depth that could be applied broadly across the range of assets in each category.

The valuation was based on independent assessments. The effective date of valuation is 30 June 2016.

1.4.8 Impairment of assets

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

- inventories;
- deferred tax assets;
- financial instrument assets; and
- investment properties that are measured at fair value.

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. The 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 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.

1.4.9 Intangible assets

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

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

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

1.4.10 Investment properties

Investment properties represent properties held to earn rentals or for capital appreciation or both, but exclude properties held to meet service delivery objectives of the Corporation.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset, will flow to the Corporation. Where an investment property is acquired at no cost or for nominal consideration, its cost shall be deemed to be its fair value as at the date of acquisition.

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as revenue or expenses in the period that they arise. The properties are not depreciated nor tested for impairment.

An independent valuation of the Corporation's investment properties was performed by VGV (using Egan Valuers), to determine the fair value. This conforms to Australian Valuation Standards, and was based on independent assessments with an effective date 30 June 2016.

Rental revenue from the leasing of investment properties is recognised in the Comprehensive Operating Statement in the periods in which it is receivable, as this represents the pattern of service rendered through the provision of the properties.

1.4.11 Accounting treatment of BOOT contracts – Water Treatment Services Agreement

In 1999 GWMWater entered into a Water Treatment Services Agreement (WTSA), with Aquatower to provide water treatment services to Ararat, Stawell, Halls Gap, Great Western and Pomonal.

The WTSA relates to the construction of four water treatment plants on a Build Own Operate/Transfer (BOOT) basis. The contract term for the WTSA is 25 years. Under the contract, the Corporation will pay a volumetric charge for water treated as metered at the point of delivery to GWMWater's reticulation system. At the end of the 25 year period, ownership of the water treatment plants reverts to the Corporation for one dollar.

Under the WTSA all substantial risks of ownership and operation of the water treatment facilities are vested with Aquatower. Toll payments under the agreement are based solely on the volume of water treated and toll reductions apply for excursions from agreed water quality parameters. The risks assumed by the contractor under the agreement include raw water supply risk, demand risk, raw water quality risk and risk of technical obsolescence.

The WTSA has been assessed in the context of AASB Interpretation 4 to determine whether the WTSA contains a lease. Based on the assessment made the following conclusions have been made:

1. The WTSA conveys to GWMWater the right to use the water treatment facilities and, therefore, the arrangement contains a lease.

2. The lease element of the WTSA should be classified as a finance lease. As there are no minimum payments under the lease a method needed to be determined to establish a minimum lease obligation. On transition to AIFRS, the contract was reassessed to determine its appropriate value in the context of water volumes delivered under the contract. This reassessment was based on volumes that would reflect the minimum volumes to be supplied at the consumptive levels of the relevant town(s) at the most extreme level of restriction under the restriction by law.

These minimum volumes were considered the most appropriate basis for establishing the minimum lease obligations and the respective value of the asset and liability were impaired from the previously assumed minimum volume of 2,700 ML.

In 2014 AMP Capital Community Infrastructure Trading Trust and AMP Capital Core Infrastructure Trust acquired ownership of Aquatower Pty Ltd.

1.4.12 Leased assets

Finance leases

Leases of property, plant, equipment and infrastructure where the Corporation has substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the Comprehensive Operating Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant, equipment and infrastructure acquired under a finance lease are depreciated over the shorter of the asset's useful life and the lease term.

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.

1.5 Fair value

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the following assumptions:

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

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

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

In accordance with paragraph AASB 13.29, entities can assume the current use of a non-financial physical asset is its HBU unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

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

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

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

GWMWater, in conjunction with VGV and other external valuers, where applicable, monitors changes in the fair value of each asset through relevant data sources to determine whether revaluation is required.

1.6 Financial assets

1.6.1 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:

1.6.2 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.

1.6.3 Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale equity investment, a significant or prolonged decline in value of the instrument below its cost is considered as an indicator that the investment is impaired.

If any such evidence exists for available for sale financial assets, the cumulative loss measured is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the Comprehensive Operating Statement.

Impairment losses are recognised in the Comprehensive Operating Statement. Impairment losses recognised in the Comprehensive Operating Statement on equity instruments classified as available for sale are not reversed through the Comprehensive Operating Statement.

1.7 Liabilities

1.7.1 Trade and other payables

Payables consist predominantly of trade and sundry creditors. These amounts represent liabilities for goods and services provided to GWMWater prior to the end of the financial year, which are unpaid at financial year end. The amounts are unsecured and are usually paid within 28 days of recognition.

Payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured at amortised cost.

Payables consist of contractual and statutory payables.

Contractual payables, such as accounts payable, and unearned income including deferred income from concession notes. Accounts payable represent liabilities for goods and services provided to GWMWater prior to the end of the financial year that are unpaid, and arise when GWMWater becomes obliged to make future payments in respect of the purchase of those goods and services. Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost.

Statutory payables, such as goods and services tax and fringe benefits tax 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.

1.7.2 Employee benefits

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

Salaries and wages and annual leave

Liabilities for salaries and wages and annual leave, expected to be settled within 12 months of the reporting date are recognised in employee benefit liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, at their undiscounted values.

Employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the entity, in respect of services rendered by employees up to the reporting date. Regardless of the expected timing of settlements, liabilities in respect of employee benefits are classified as a Current Liability, unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

Long service leave (LSL)

Current Liability – unconditional LSL (representing 7 or more years of continuous service) is disclosed as a current liability even where the Corporation does not expect to settle the liability within 12 months because it does 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:

- Present value – component that the Corporation does not expect to settle within 12 months; and
- Undiscounted value – component that the Corporation expects to settle within 12 months.

Non-Current Liability – conditional LSL (representing less than 7 years of continuous service) 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. Conditional LSL is required to be measured at present value.

In calculating present value, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Employee benefit on-costs

Employee benefit on-costs, including payroll tax and workers compensation, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

Performance payments

Performance payments for the Corporation'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.

1.7.3 Borrowings

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

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

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

1.7.4 Provisions

Provisions are recognised when the corporation, as a result of a past event, has a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

1.7.5 Taxation

The Corporation is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office (ATO). 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% (2014/15 30%), adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted at balance date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. The Corporation's deferred tax liabilities exceed the level of deferred tax assets and therefore a net deferred tax liability has been disclosed in the Balance Sheet.

Current and deferred tax is recognised in the Comprehensive Operating Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

1.8 Equity

1.8.1 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.

1.8.2 Asset revaluation reserve

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

1.8.3 Dividends

An obligation to pay a dividend only arises after consultation between the Board, the Minister for Environment, Climate Change and Water and the Treasurer. Following this consultation, the Treasurer makes a formal determination. Although this process has not yet been completed at the reporting date, the Board's preliminary assessment of the dividend in respect of 2015/16 is zero.

1.9 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 ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

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

arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.

1.10 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 33) 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.

1.11 Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet, but are disclosed by way of Note 34 and Note 35 and if quantifiable are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

1.12 New Accounting Standards and Interpretations issued that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period, below are the standards applicable to GWMWater. As at 30 June 2016, the following relevant standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2016. GWMWater has not and does not intend to adopt these standards early.

Standard/Interpretation	Summary	Effective Date / GWMWater Effective Date	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 GWMWater Effective Date 1 July 2018	While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed by GWMWater.
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 2018 GWMWater Effective Date 1 July 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. While the preliminary assessment has not identified any material impact arising from AASB 15, it will continue to be monitored and assessed by GWMWater.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019 GWMWater Effective Date 1 July 2019	Preliminary assessment has identified that the operating leases will be recognised on the balance sheet once adopting the change to AASB 16.
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: • the change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and	1 Jan 2018 GWMWater Effective Date 1 July 2018	While the preliminary assessment has identified any material impact arising from AASB 2010-7, it will continue to be monitored and assessed by GWMWater.

	• other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.		
AASB 2014-1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]*	Amends various AASs to reflect the 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 GWMWater Effective Date 1 July 2018	While the preliminary assessment has not identified any material impact arising from AASB 2014-1, it will continue to be monitored and assessed by GWMWater.
AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* [AASB 116 & AASB 138]	Amends AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to: 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 GWMWater Effective Date 1 July 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: • the entity's right to receive payment of the dividend is established; • it is probable that the economic benefits associated with the dividend will flow to the entity; and • the amount can be measured reliably.	1 January 2017 GWMWater Effective Date 1 July 2017	While the preliminary assessment has not identified any material impact arising from AASB 2014-5, it will continue to be monitored and assessed by GWMWater.
AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 January 2018 GWMWater Effective Date 1 July 2018	This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: • A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	1 January 2018 GWMWater Effective Date 1 July 2018	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified in AASB 15.
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 GWMWater Effective Date 1 July 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.

AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	The standard amends AASB 136 Impairment of Assets to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 January 2017 GWMWater Effective Date 1 July 2017	The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 Fair Value Measurement is the same as the depreciated replacement cost concept under AASB 136.

In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2015/16 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting. The AASB Interpretation in the list below is also not effective for the 2015/16 reporting period and is considered to have insignificant impacts on public sector reporting.

- AASB 14 *Regulatory Deferral Accounts*
- AASB 1056 *Superannuation Entities*
- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2014-1 *Amendments to Australian Accounting Standards [Part D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only]*
- AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]*
- AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]*
- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128]*
- AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application* Paragraphs [*AASB 8, AASB 133 & AASB 1057]*
- AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB101 [AASB 7, AASB 101, AASB 134 & AASB 1049]*
- AASB2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation.
GWMWater's Treasury activities are regulated by a Treasury Policy consistent with the Victorian Government Treasury management guidelines. The Treasury Policy outlines the underlying risks associated with GWMWater's risk profile. The Treasury Policy regulates the financial instruments that can be used to avoid or mitigate against these risks.

GWMWater's Treasury Policy specifically restricts the use of derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. GWMWater 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 and other price risks, ageing analysis for credit risk and TCV advice in respect of investment portfolios to determine market risk. To provide greater flexibility in managing interest rate risk GWMWater has approval to enter into forward settling loans. The Treasury Policy approved by the Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Risk management is coordinated by the GWMWater Regulation and Assurance Division. The risk management framework for Treasury activities is monitored by the Audit Governance and Risk Committee.
The main risks that GWMWater is exposed to through its financial instruments are as follows:

2.1 Market risk

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

2.1.1 Interest rate risk

The GWMWater minimises its exposure to interest rate changes on its long term borrowings by holding a mix of fixed and floating rate debt. Debt is sourced from Treasury Corporation Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly. GWMWater has been granted approval from the Treasurer to enter into Forward Settling Loans.

GWMWater has minimal exposure to interest rate risk through its holding of cash assets and other financial assets. GWMWater manages its interest rate risk by minimising the long term cost of debt within the risk framework identified by the GWMWater policy. GWMWater has been granted approval from the Treasurer to enter into Forward Settling Loans.

2.1.2 Foreign exchange risk

GWMWater has no exposure to changes in the foreign exchange rate. GWMWater carries no Foreign Exchange Risk in relation to its debt portfolio or normal business activities. GWMWater generally transacts with counterparties and suppliers that are domiciled in Australia and therefore does not carry risks in the areas of Commodity and Foreign Risk.

2.1.3 Commodity price risks

Commodity price risk refers to the uncertainty of fluctuations in the cost of raw materials purchased and/or the proceeds received for commodities sold. GWMWater will enter into contractual arrangements to reduce the risk of any undue movements in price.

2.1.4 Market risk sensitivity analysis

The following table summarises the sensitivity of the Corporation's financial assets and financial liabilities to interest rate risk and other price risk

		Interest Rate Risk			
		-1%		+1%	
2015/16	Carrying amount $'000	Result $'000	Equity $'000	Result $'000	Equity $'000
Financial Assets					
Cash and Cash Equivalents	1,235	(12)	(12)	12	12
Rates and Charges Debtors *	12,388	-	-	-	-
Pensioner Rebate Debtors	364	-	-	-	-
Other Debtors	702	-	-	-	-
Private Schemes	150	-	-	-	-
Accrued Income	1,713	-	-	-	-
Financial Liability					
General Creditors	840	-	-	-	-
Bank Overdraft	-	-	-	-	-
Borrowings – TCV	118,400	1,184	1,184	(1,184)	(1,184)
Borrowings – Finance Lease (BOOT)	9,568	-	-	-	-
Advances from government - DELWP	647	-	-	-	-
Accrued Expenses	5,651	-	-	-	-
Other Payables	791	-	-	-	-
Total Increase/(Decrease)		**1,172**	**1,172**	**(1,172)**	**(1,172)**

* Rates and Charges Debtors are net of provisions

		Interest Rate Risk			
		-1%		+1%	
2014/15	Carrying amount $'000	Result $'000	Equity $'000	Result $'000	Equity $'000
Financial Assets					
Cash and Cash Equivalents	3,697	(37)	(37)	37	37
Rates and Charges Debtors *	12,156	-	-	-	-
Pensioner Rebate Debtors	396	-	-	-	-
Other Debtors	356	-	-	-	-
Private Schemes	98	-	-	-	-
Accrued Income	2,567	-	-	-	-
Financial Liability					
General Creditors	805	-	-	-	-
Bank Overdraft	-	-	-	-	-
Borrowings – TCV	125,900	1,259	1,259	(1,259)	(1,259)
Borrowings – Finance Lease (BOOT)	10,038	-	-	-	-
Advances from government - DELWP	779	-	-	-	-
Accrued Expenses	5,799	-	-	-	-
Other Payables	660	-	-	-	-
Total Increase/(Decrease)		**1,222**	**1,222**	**(1,222)**	**(1,222)**

* Rates and Charges Debtors are net of provisions

2.2 Credit risk

Credit risk is the potential for loss of capital or income when counterparty fails to honour a financial obligation during the term of the transaction. Credit risk arises principally from the Corporation's receivables.

The goal of credit risk management is to reduce the possibility of default by the counterparty. GWMWater mitigates against credit risk, by establishing authorised counter parties setting appropriate transaction limits with each counterparty, monitoring limit usage, and updating and reviewing counterparties and limits. These principles are annexures to the GWMWater Treasury Policy.

Where GWMWater enters into a contract for the provision of construction services, the risk of performance and/or default is managed by provision of appropriate securities. These securities are in the form of guarantees and/or retentions that are held for the term of the contract. The amount of security is based on the level of risk and potential consequential loss as a consequence of inadequate or non-performance. The risk of the contractor is assessed by credit references and checks and the extent of these checks will depend on the materiality of the contract.

In relation to the provision of water and wastewater services, GWMWater has preferential ranking over other creditors. Under the Water Act, GWMWater can take possession of property after three years and sell the property to settle unpaid monies owed. In addition to this GWMWater can restrict supply to enforce payment of unpaid accounts.

2.3 Liquidity risk

Liquidity risk is the risk that an unforeseen event or miscalculation in the required level of available cash results in insufficient funds being available to meet ongoing cash requirements.

The aim of Liquidity Risk management is to ensure that GWMWater has sufficient funds available to meet obligations as they fall due on a day to day basis, and in the longer term, maintains refinancing risk within acceptable parameters.

GWMWater 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.

GWMWater operates under the Governments fair payments policy of settling financial obligations within 30 days and in the event of dispute, make payments within 30 days of resolution. GWMWater has sufficient cash flow from operations and accommodation to meet its operating requirements and contractual commitments for capital works.

2.4 Fair value measurement

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

Refer to Note 1.5 for accounting policy relating to disclosure of fair value measurement hierarchy.

GWMWater considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

	2015/16 $'000	2014/15 $'000
3. GENERAL RATES AND CHARGES		
Service Charges	37,932	37,132
Volumetric Charges	24,762	23,578
Trade Waste	232	290
Total General Rates and Charges	**62,926**	**61,000**
4. CONTRIBUTIONS REVENUE		
Government Contributions	996	1,092
Non-Government Contributions	622	278
Developer Contributions – assets received from developers	961	993
Rural Growth Water Sales	137	1,327
Total Contributions Revenue	**2,716**	**3,690**
5. INTEREST REVENUE		
Cash and Cash Equivalents	55	63
Total Interest Revenue	**55**	**63**
6. OTHER REVENUE		
Water Hydrants/Standpipe Sales	448	43
Information Statements	166	181
Tapping/Inspection Fees	9	47
Other Revenue	707	650
Total Other Revenue	**1,330**	**921**
7. EMPLOYEE BENEFIT EXPENSES		
Salaries and Wages	11,593	10,737
Annual Leave	1,000	953
Long Service Leave	326	561
Employer Superannuation Contributions	1,125	1,050
Other	979	905
Total Employee Benefit Expenses	**15,023**	**14,206**
8. DEPRECIATION AND AMORTISATION EXPENSE		
Buildings	167	162
Fixtures and Fittings	114	123
Urban Water Infrastructure	8,337	8,507
Wastewater Infrastructure	3,527	3,596
Headworks Infrastructure	6,694	6,068
Rural Distribution Infrastructure	11,577	12,284
Plant, Equipment and Vehicles	1,006	1,054
Intangibles	866	1,060
Total Depreciation and Amortisation Expenses	**32,288**	**32,854**

	2015/16 $'000	2014/15 $'000
9. OPERATION MAINTENANCE AND ADMINISTRATION EXPENSES		
Operations and Maintenance	11,848	11,302
Administration	4,785	5,112
Total Operating Maintenance and Administration Expenses	**16,633**	**16,414**
10. BORROWING AND INTEREST COSTS		
Interest Paid/Payable	6,393	6,806
Financial Accommodation Levy	1,543	1,617
Interest on Finance Lease	737	770
Total Borrowing Costs	**8,673**	**9,193**

11. INCOME TAX

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

Components of tax expense/(revenue)		
Deferred tax relating to temporary differences	(14,146)	(3,095)
Income Tax Expense/(Revenue) disclosed in financial statements	**(14,146)**	**(3,095)**
Deferred income tax expense included in income tax expense comprises:		
(Decrease)/increase in deferred tax liabilities	(14,146)	(3,095)
	(14,146)	**(3,095)**
Reconciliation of income tax to prima facie tax payable		
Net result before income tax expense	(7,416)	(9,507)
Tax at the Australian tax rate of 30% (2014/15: 30%)	-	-
Tax expense (relating to items of other comprehensive income)		
Gain/(loss) on revaluation of property, plant, equipment and infrastructure	22,460	208

12. CASH AND CASH EQUIVALENTS

Cash at the end of the year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows.

Cash in Hand and at Bank/(Overdraft)	1,235	94
Deposits at call	-	3,603
Total Cash and Cash Equivalents	**1,235**	**3,697**

	2015/16 $'000	2014/15 $'000
13. RECEIVABLES		
Receivables - Current		
Contractual Receivables		
Rates and Charges Debtors	12,602	12,367
Pensioner Debtors	364	396
Other Debtors	702	356
Less – Provision for Impaired Receivables	(214)	(211)
Accrued Water and Wastewater Consumption Accounts	1,713	2,565
Accrued Interest Revenue	-	2
Statutory Receivables		
GST Receivable	381	723
Total Receivables - Current	**15,548**	**16,198**
Receivables - Non-Current		
Contractual Receivables		
Private Schemes	150	98
Total Receivables Non-Current	**150**	**98**
Total Receivables	**15,698**	**16,296**

14. DEBTORS

14.1 Provision for impaired receivables

As at 30 June 2016, current receivables of the Corporation with a nominal value of $89,606 (2015: $132,391) were impaired. The amount of the provision was $213,656 (2015 $211,465). The individually impaired receivables mainly relate to urban tenancy debtors. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of these receivables is as follows:		
3 to 6 months	-	-
Over 6 months	90	132
	90	**132**
Movements in the provision for impaired receivables are as follows:		
At 1 July	211	159
Provision for impairment recognised during the year	90	132
Receivables written off during the year as uncollectable	(88)	(80)
	213	**211**

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

	2015/16 $'000	2014/15 $'000

14.2 Past due but not impaired trade receivables

As at 30 June 2016, trade receivables of $4,702,565 (2015: $4,159,083) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

As at 30 June 2016 other amounts within receivables of $125,922 (2015: $84,392) were past due but not impaired. Based on debtor history, it is expected that these amounts will be received in full.

15. PREPAYMENTS

Prepayments	254	229
Total Prepayments	**254**	**229**

16. INVENTORIES

Maintenance Stock	1,600	1,514
Total Inventories	**1,600**	**1,514**

17. PROPERTY, PLANT, EQUIPMENT AND INFRASTRUCTURE

17.1 Land

Land at fair value	**25,878**	**27,268**

17.2 Fixtures and fittings

Fixtures and Fittings at fair value	2,179	2,936
Less Accumulated Depreciation	(1,918)	(2,564)
Total Fixtures and Fittings	**261**	**372**

17.3 Buildings

Buildings at fair value	4,671	6,483
Less Accumulated Depreciation	-	-
Total Buildings	**4,671**	**6,483**

17.4 Urban water infrastructure

Urban Water Infrastructure		
At Fair Value	306,781	331,652
Less Accumulated Depreciation	(57)	(32,508)
Total Urban Water Infrastructure	**306,724**	**299,144**

17.5 Wastewater infrastructure

Wastewater Infrastructure		
At Fair Value	169,281	145,925
Less Accumulated Depreciation	(25)	(13,528)
Total Wastewater Infrastructure	**169,256**	**132,397**

	2015/16 $'000	2014/15 $'000
17.6 Headworks infrastructure		
Headworks Infrastructure		
At Fair Value	534,133	603,918
Less Accumulated Depreciation	(114)	(24,762)
Total Headworks Infrastructure	**534,019**	**579,156**
17.7 Rural distribution infrastructure		
Rural Distribution Infrastructure		
At Fair Value	845,809	830,083
Less Accumulated Depreciation	(131)	(48,345)
Total Rural Distribution Infrastructure	**845,678**	**781,738**
17.8 Plant, equipment and vehicles		
Plant, Equipment and Vehicles at fair value	8,817	9,052
Less Accumulated Depreciation	(4,074)	(3,930)
Total Plant, Equipment and Vehicles	**4,743**	**5,122**
17.9 Capital work in progress		
Work in Progress at Cost	21,631	15,981
Total Capital Work in Progress	**21,631**	**15,981**
Total Property, Plant, Equipment and Infrastructure	**1,912,861**	**1,847,661**

18. PROPERTY, PLANT, EQUIPMENT AND INFRASTRUCTURE

Reconciliation of the carrying amount of non-current assets

2015/16	Opening Value $'000	Additions $'000	Disposals $'000	Depreciation $'000	Transfers $'000	Revaluation Adjustment $'000	WIP Movement	Closing WDV $'000
Property, Plant, Equipment and Infrastructure								
Land	27,268	-	(267)	-	(5)	(1,125)	7	25,878
Buildings	6,483	-	-	(167)	-	(1,647)	2	4,671
Fixtures and Fittings	372	-	(6)	(114)	-	-	9	261
Urban Water Infrastructure	299,144	214	(578)	(8,337)	3	12,445	3,833	306,724
Wastewater Infrastructure	132,397	319	(31)	(3,527)	1	37,567	2,530	169,256
Headworks Infrastructure	579,156	-	-	(6,694)	71,772	(110,262)	47	534,019
Rural Distribution Infrastructure	781,738	429	(142)	(11,577)	(71,766)	138,264	8,732	845,678
Plant, Equipment and Vehicles	5,122	-	(1,248)	(1,006)	(10)	-	1,885	4,743
Capital Work in Progress	15,981	22,912	-	-	-	-	(17,262)	21,631
Total Property, Plant, Equipment and Infrastructure	**1,847,661**	**23,874**	**(2,272)**	**(31,422)**	**(5)**	**75,242**	**(217)**	**1,912,861**

2014/15	Opening Value $'000	Additions $'000	Disposals $'000	Depreciation $'000	Transfers $'000	Revaluation Adjustment $'000	WIP Movement	Closing WDV $'000
Property, Plant, Equipment and Infrastructure								
Land	27,268	-	-	-	-	-	-	27,268
Buildings	5,956	-	(31)	(162)	-	695	25	6,483
Fixtures and Fittings	338	-	-	(123)	-	-	157	372
Urban Water Infrastructure	293,810	391	(452)	(8,507)	224	-	13,678	299,144
Wastewater Infrastructure	130,601	602	(187)	(3,596)	(3)	-	4,980	132,397
Headworks Infrastructure	585,357	-	(27)	(6,068)	(242)	-	136	579,156
Rural Distribution Infrastructure	785,366	-	(107)	(12,284)	21	-	8,742	781,738
Plant, Equipment and Vehicles	5,104	-	(932)	(1,054)	-	-	2,004	5,122
Capital Work in Progress	27,417	18,301	-	-	-	-	(29,737)	15,981
Total Property, Plant, Equipment and Infrastructure	**1,861,217**	19,294	**(1,736)**	**(31,794)**	**-**	**695**	**(15)**	**1,847,661**

18.1 PROPERTY, PLANT, EQUIPMENT AND INFRASTRUCTURE

Fair value measurement hierarchy for assets as at 30 June

	Carrying Amount as at 30 June 2016	Fair Value Measurement at end of reporting period using: Level 1	Level 2	Level 3
Land - Specialised	25,878	-	-	25,878
Buildings - Specialised	4,671	-	-	4,671
Fixtures and Fittings	261	-	-	261
Infrastructure - Urban Water	306,724	-	-	306,724
Infrastructure - Waste Water	169,256	-	-	169,256
Infrastructure - Headworks	534,019	-	-	534,019
Infrastructure - Rural Distribution	845,678	-	-	845,678
Plant and Equipment	1,796	-	-	1,796
Vehicles	2,947	-	2,947	-
Total Fair Value Measurement of Assets	**1,891,230**	**-**	**2,947**	**1,888,283**

	Carrying Amount as at 30 June 2015	Fair Value Measurement at end of reporting period using: Level 1	Level 2	Level 3
Land - Specialised	27,268	-	-	27,268
Buildings - Specialised	6,483	-	-	6,483
Fixtures and Fittings	372	-	-	372
Infrastructure - Urban Water	299,144	-	-	299,144
Infrastructure - Waste Water	132,397	-	-	132,397
Infrastructure - Headworks	579,156	-	-	579,156
Infrastructure - Rural Distribution	781,738	-	-	781,738
Plant and Equipment	1,950	-	-	1,950
Vehicles	3,172	-	3,172	-
Total Fair Value Measurement of Assets	**1,831,680**	**-**	**3,172**	**1,828,508**

There have been no transfers between levels during the period.

Specialised land and specialised buildings
For specialised land and specialised buildings, an independent valuation was performed by VGV (using Egan Valuers) to determine the fair value. The effective date of the valuation is 30 June 2016.

The market approach was used for specialised land, adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate valuation has been applied to the subject asset.

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 input.

For GWMWater's specialised buildings, the depreciated replacement cost method has been utilised due to the absence of an active and liquid market. This cost represents the replacement of the building/improvements to a modern equivalent standard, taking into consideration upgrading buildings to meet current regulatory and legislative requirements. The cost is then adjusted by applying an appropriate depreciation rate, on a useful life basis, after making adjustments for condition and general maintenance. Specialised buildings are classified as a level 3 input.

Infrastructure

An independent valuation of GWMWater's infrastructure assets was performed by VGV (using KPMG). The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2016.

Water and sewer infrastructure are valued using the depreciated replacement cost method as described in Note 1.4.6. This cost represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation.
As depreciation adjustments based on asset age, theoretical asset remaining useful life, asset condition assessment ratings are considered as significant, unobservable inputs in nature, all the classes within the Infrastructure category are classified as Level 3 fair value measurement.

Due to the specialised nature of the infrastructure assets and in accordance with current accounting standards, infrastructure assets are valued using depreciated replacement cost approach. Market approach was not considered due to the lack of an active and liquid market for the assets and the income approach is not considered appropriate due to the regulated nature of the regional (non-metro) water industry. All infrastructure assets have been valued using level 3 inputs as per AASB Standards and FRD 103F guidance, due to the lack of an active market and no observable inputs available.

When applying the Depreciated Replacement Cost approach to infrastructure assets the direct method was utilised. This method involved researching the current cost to replace a water infrastructure asset with a new asset of equivalent functionality. After determining the replacement cost an adjustment was made for depreciation due to physical deterioration. The useful lives were also reviewed for each infrastructure asset class and adjusted in accordance with an assets condition and expected remaining useful life.

Vehicles
Vehicles are valued using the depreciated replacement cost method. GWMWater acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the active market, is managed by experienced fleet managers at GWMWater who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Plant and equipment
Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method. There were no changes in valuation techniques throughout the period to 30 June 2016. For all assets measured at fair value, the current use is considered the highest and best use.

Grampians Wimmera Mallee Water Corporation
Notes to the financial statements
For the Financial Year ended 30 June 2016

18.2 PROPERTY, PLANT, EQUIPMENT AND INFRASTRUCTURE

Reconciliation of level 3 assets at fair value

2015/16	Land Specialised $'000	Buildings Specialised $'000	Fixtures and Fittings $'000	Infrastructure Urban Water $'000	Infrastructure Waste Water $'000	Infrastructure Headworks $'000	Infrastructure Rural Distribution $'000	Plant and Equipment $'000
Opening Balance	27,268	6,483	372	299,144	132,397	579,156	781,738	1,950
Additions (Disposals)	(260)	2	3	3,469	2,818	47	9,019	283
Transfers between financial classes		-	-	3	1	71,772	(71,766)	(10)
Transfers in (out) of Level 3	(5)	-	-	-	-	-	-	-
Gains or Losses recognised in net result								
Depreciation	-	(167)	(114)	(8,337)	(3,527)	(6,694)	(11,577)	(427)
Impairment loss	-	-	-	-	-	-	-	-
Subtotal	27,003	6,318	261	294,279	131,689	644,281	707,414	1,796
Revaluation	(1,125)	(1,647)	-	12,445	37,567	(110,262)	138,264	-
Subtotal	(1,125)	(1,647)	-	12,445	37,567	(110,262)	138,264	-
Closing Balance	25,878	4,671	261	306,724	169,256	534,019	845,678	1,796

2014/15	Land Specialised $'000	Buildings Specialised $'000	Fixtures and Fittings $'000	Infrastructure Urban Water $'000	Infrastructure Waste Water $'000	Infrastructure Headworks $'000	Infrastructure Rural Distribution $'000	Plant and Equipment $'000
Opening Balance	27,268	5,956	338	293,810	130,601	585,357	785,366	2,001
Additions (Disposals)	-	(6)	157	13,617	5,395	109	8,635	445
Transfers between financial classes	-	-	-	224	(3)	(242)	21	-
Transfers in (out) of Level 3	-	-	-	-	-	-	-	-
Gains or Losses recognised in net result								
Depreciation	-	(162)	(123)	(8,507)	(3,596)	(6,068)	(12,284)	(496)
Impairment loss	-	-	-	-	-	-	-	-
Subtotal	27,268	5,788	372	299,144	132,397	579,156	781,738	1,950
Revaluation	-	695	-	-	-	-	-	-
Subtotal	-	695	-	-	-	-	-	-
Closing Balance	27,268	6,483	372	299,144	132,397	579,156	781,738	1,950

Description of significant unobservable inputs to Level 3 valuations

Asset Class	Examples of Types of Assets	Valuation Technique	Significant Inputs (Level 3 Only)
Specialised Land	• Land subject to restriction as to use and/or sale • Land in areas where there is not an active market	Market Approach	CSO Adjustments
Specialised Buildings	• Specialised buildings with limited alternative uses and/or substantial customisation e.g. water treatment plant, water pump stations etc.	Depreciated Replacement Cost	• Cost per square metre • Useful life
Fixtures and Fittings	• Specialised items with limited alternative uses and/or substantial customisation	Depreciated Replacement Cost	• Cost per square metre/unit • Useful life
Plant and Equipment	• Specialised items with limited alternative uses and/or substantial customisation	Depreciated Replacement Cost	• Cost per unit • Useful life
Waste Water Infrastructure	• Waste water mains • Waste water treatment plants • Sewer pump stations	Depreciated Replacement Cost	• Cost per unit/metre • Useful life
Urban Water Infrastructure	• Water mains • Water treatment plants • Water pump stations • Water bores • Water storages	Depreciated Replacement Cost	• Cost per unit/metre • Useful life
Rural Distribution Infrastructure	• Pipeline • Channels and structures • Water (distribution) pump stations • Water bores • Water storages • Recycled water mains	Depreciated Replacement Cost	• Cost per unit/metre • Useful life
Headworks Infrastructure	• Major structures • Storages • Headworks channels and structures • Water pump stations • Water bores • Water storages	Depreciated Replacement Cost	• Cost per unit/metre • Useful life

19. INTANGIBLE ASSETS

	Water Entitlements	Software	Other	Total
Opening Balance 1 July 2014	**6,706**	**1,847**	**1,719**	**10,272**
Additions	-	15	53	68
Disposals	-	(11)	(3)	(14)
Amortisation	-	(695)	(365)	(1,060)
Balance as at 30 June 2015	**6,706**	**1,156**	**1,404**	**9,266**
Additions	-	217	-	217
Disposals	-	-	(8)	(8)
Amortisation	-	(517)	(349)	(866)
Balance as at 30 June 2016	**6,706**	**856**	**1,047**	**8,608**

	2015/16 $'000	2014/15 $'000
20. INVESTMENT PROPERTIES		
Balance at beginning of financial year	654	729
Net gain/(loss) from fair value adjustments	18	(76)
Additions	-	30
Disposals	-	(29)
Transfers from land and buildings	5	-
Balance at end of financial year	**676**	**654**
Amounts recognised in Comprehensive Operating Statement for investment properties		
Rental Income	34	27
Direct operating expenses from the property that generated rental income	(7)	(11)
	27	**16**

20.1 VALUATION BASIS

GWMWater obtains independent valuations for its investment properties annually. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available, the directors considered the most appropriate method of establishing market value of a property is the capitalisation method; utilising discounted rentals and high yield rates, which is reflective of risk.

GWMWater has four investment properties; three investment properties were valued using market evidence to ascertain fair value. One property is a commercial building where the summation method of valuation was applied. There were no comparable sales or rental returns available to use as a basis for establishing value of the property, the capitalisation rate is 13% and indicated a yield of 7.7% (2014/15 capitalisation rate 15%).

	Carrying Amount as at 30 June 2016	Fair Value Measurement at end of reporting period using: Level 1	Level 2	Level 3
Investment Properties	676	-	676	-
Total Fair Value Measurement of Assets	**676**	**-**	**676**	**-**

	Carrying Amount as at 30 June 2015	Fair Value Measurement at end of reporting period using: Level 1	Level 2	Level 3
Investment Properties	654		542	112
Total Fair Value Measurement of Assets	**654**	**-**	**542**	**112**

	2015/16 $'000	2014/15 $'000
21. NET LOSS/(GAIN) ON DISPOSAL OF NON-FINANCIAL ASSETS		
Proceeds on disposal		
Proceeds on disposal of non-financial assets	(2,120)	(1,025)
Less Written Down Value on disposal		
Land	267	-
Buildings	-	31
Urban Water Infrastructure	578	452
Wastewater Infrastructure	31	187
Plant, Equipment and Vehicles	1,248	932
Fixtures and Fittings	6	-
Headworks Infrastructure	-	27
Rural Distribution Infrastructure	142	107
Intangible assets	8	14
Investment Properties	-	29
Total Net Loss/(Gain) in Disposal of Non-Financial Assets	**160**	**754**
22. PAYABLES - CURRENT		
Contractual Payables		
General Creditors	840	805
Accrued Expenses	5,651	5,799
Other	791	660
Total Payables - Current	**7,282**	**7,264**

	2015/16 $'000	2014/15 $'000
23. EMPLOYEE BENEFITS - CURRENT		
Employee benefits that are unconditional and expected to settle within 12 months after the end of the period measured at nominal value		
- Annual Leave	799	776
- Annual Leave on costs	135	131
- Long Service Leave	417	554
- Long Service Leave on costs	73	82
- RDO Accrual	202	208
- RDO on costs	28	35
Total	**1,654**	**1,786**
Employee benefits that are unconditional and are not expected to settle within 12 months after the end of the period measured at present value.		
- Annual Leave	758	763
- Annual Leave on costs	128	129
- Long Service Leave	2,779	2,287
- Long Service Leave on costs	489	398
Total	**4,154**	**3,577**
Total Employee Benefits - Current	**5,808**	**5,363**
The following assumptions were adopted in measuring the present value of long service leave entitlements:		
Weighted average increase in employee costs	4.13%	4.44%
Weighted average discount rates	1.99%	2.07%
24. EMPLOYEE BENEFITS - NON-CURRENT		
Long Service Leave	284	265
- Long Service Leave on costs	50	45
Total Employee Benefits - Non-Current	**334**	**310**

Long Service Leave representing less than 7 years of continuous service measured at present value.

	Notes	2015/16	2014/15
		$'000	$'000
25. BORROWINGS			
Borrowings - Current			
Bank Overdraft		-	-
Borrowings - current (i)		6,000	10,000
Borrowings (Finance Lease) - current		537	470
Advances from government - current (ii)		132	132
Total Current Borrowings		**6,669**	**10,602**
Borrowings - Non-Current			
Borrowings - non-current (i)		112,400	115,900
Borrowings (Finance Lease) – non-current		9,031	9,568
Advances from government - non-current (ii)		515	647
Total Non-Current Borrowings		**121,946**	**126,115**
Total Borrowings		**128,615**	**136,717**

(i) Borrowings from Treasury Corporation Victoria (TCV) for the year ended 30 June 2016 is $118,400,000 (30 June 2015 $125,900,000). These borrowings are secured by the Victorian Government.

(ii) Unsecured advance from the Department of Environment, Land, Water and Planning (DEWLP) under the Greener Government Building Program.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values of non-current borrowings are based on cash flows discounted using borrowing rates varying from 4.90% to 8.02%, (2014/15 4.42% to 8.67%) interest and FAL, depending on the term of the borrowing.

Credit standby arrangements			
Total facilities			
Bank Overdraft		1,000	1,000
Total facilities		**1,000**	**1,000**
Unused at balance date			
Bank Overdraft	12	1,000	1,000
Total unused at balance date		**1,000**	**1,000**

The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Loans and Bank Overdraft are secured by the future revenue of the Corporation and a guarantee from the Treasurer of Victoria.

	2015/16 $'000	2014/15 $'000
26. DEFERRED TAX LIABILITIES		
The balance comprises temporary differences attributable to:		
Amounts recognised in the Comprehensive Operating Statement		
Tax Losses	(138,935)	(138,001)
Depreciation	66,513	78,698
Provisions	(1,888)	(1,691)
Other net deferred tax liabilities/(assets)	(490)	(553)
	(74,800)	**(61,547)**
Amounts recognised directly in equity		
Revaluation of property, plant, equipment (PPE) and infrastructure	246,694	225,128
Net deferred tax liabilities	**171,894**	**163,581**
Movements:		
Opening balance at 1 July	163,581	166,468
(Credited)/debited to the comprehensive operating statement	(14,146)	(3,095)
Reallocation deferred tax liability recognised in comprehensive operating statement	893	208
(Credited)/debited to other comprehensive income	22,572	-
Reallocation deferred tax liability recognised in equity	(893)	-
(Credited) / debited to equity	(113)	-
Closing balance at 30 June	**171,894**	**163,581**
Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities to be recovered after more than 12 months	171,894	163,581
27. CONTRIBUTED CAPITAL		
Balance at 1 July	1,172,447	1,172,297
Transactions with State in its capacity as owner - *Coliban Water*	-	150
Contributions for Drought Preparedness Water Infrastructure Projects	1,406	-
Balance at 30 June	**1,173,853**	**1,172,447**

	2015/16 $'000	2014/15 $'000
28. ASSET REVALUATION RESERVES		
Balance at 1 July	522,837	522,350
Movement in Asset Revaluation Reserves	75,242	695
Tax effect on revaluation increment	(22,460)	(208)
Balance at 30 June	**575,619**	**522,837**
Representing asset revaluation reserves:		
Land	12,819	14,716
Buildings	684	2,278
Urban Water Infrastructure	73,549	64,625
Wastewater Infrastructure	41,239	14,893
Headworks Infrastructure	156,355	232,773
Rural Distribution Infrastructure	290,973	193,552
Balance at 30 June	**575,619**	**522,837**
29. ACCUMULATED DEFICIT		
Balance at 1 July	(129,202)	(122,790)
Net result for the period after income tax	6,730	(6,412)
Balance at 30 June	**(122,472)**	**(129,202)**

Grampians Wimmera Mallee Water Corporation
Notes to the financial statements
For the Financial Year ended 30 June 2016

30. FINANCIAL INSTRUMENTS

Interest rate exposure and ageing analysis of financial assets

	Weighted average effective interest rate	Carrying amount	Interest rate exposure			Not past due and not impaired	Past due but not impaired				Impaired financial assets
2015/16	%		Fixed interest rate	Variable interest rate	Non-interest bearing		Less than 1 Month	1-3 Months	3 months - 1 year	1 - 10 years	
Cash and Cash Equivalents ^	1.8%	1,235	-	1,233	2	1,235	-	-	-	-	-
Rates and Charges Debtors	0.0%	12,388	-	-	12,388	7,476	223	878	3,811		209
Pensioner Rebate Debtors	0.0%	364	-	-	364	364				-	
Other Debtors	0.0%	702	-	-	702	569	54	22	57		5
Private Schemes	6.3%	150	150	-	-	150		-	-	-	-
Accrued Income	0.0%	1,713	-	-	1,713	1,713		-	-	-	-
		16,552	**150**	**1,233**	**15,169**	**11,507**	**277**	**900**	**3,868**	**-**	**214**
2014/15											
Cash and Cash Equivalents ^	2.0%	3,697	-	3,697	-	3,697	-	-	-	-	-
Rates and Charges Debtors #	0.0%	12,156	-	-	12,156	7,996	609	186	3,365	-	189
Pensioner Rebate Debtors	0.0%	396	-	-	396	396	-	-	-	-	-
Other Debtors	0.0%	356	-	-	356	271	14	1	70	-	22
Private Schemes	7.0%	98	98	-	-	98	-	-	-	-	-
Accrued Income	0.0%	2,567	-	-	2,567	2,567	-	-	-	-	-
		19,270	**98**	**3,697**	**15,475**	**15,025**	**623**	**187**	**3,435**	**-**	**211**

Under the Water Act, GWMWater has the right to charge interest on aged debts and this is levied at the legislated rate as published in the government gazette of 6.3%

The Scheme debtors represent new town sewerage scheme customers that have elected to pay contributions on the basis of a deferred payment arrangement of 20 years which carries an effective rate of 6.27%.

^ All Cash and Cash Equivalents are held in Financial Institutions with a AAA credit quality rating.

Interest rate exposure and maturity analysis of financial liabilities

	Weighted average effective interest rate	Carrying amount	Interest rate exposure			Nominal amount	Maturity Date			
2015/16	%		Fixed interest rate	Variable interest rate	Non-interest bearing		Less than 1 Month	1-3 Months	3 months - 1 year	1 - 20 years
General Creditors	0.0%	840	-	-	840	840	840	-	-	-
Bank Overdraft	0.0%	-	-	-	-	-	-	-	-	-
Borrowings – TCV #	5.2%	118,400	118,400	-	-	118,400	-	1,000	5,000	112,400
Borrowings – Finance Lease (BOOT)	7.5%	9,568	9,568	-	-	9,568	42	85	410	9,031
Advances from government - DELWP ^	0.0%	647	-	-	647	647	-	-	132	515
Accrued Expenses	0.0%	5,651	-	-	5,651	5,651	5,651	-	-	-
Other Payables	0.0%	791	-	-	791	791	776	15	-	-
		135,897	**127,968**	**-**	**7,929**	**135,897**	**7,309**	**1,100**	**5,542**	**121,946**
2014/15										
General Creditors	0.0%	805	-	-	805	805	805	-	-	-
Bank Overdraft	0.0%	-	-	-	-	-	-	-	-	-
Borrowings – TCV #	5.3%	125,900	125,900	-	-	125,900	-	5,000	5,000	115,900
Borrowings – Finance Lease (BOOT)	7.5%	10,038	10,038	-	-	10,038	37	75	358	9,568
Advances from government - DELWP ^	0.0%	779	-	-	779	779	-	-	132	647
Accrued Expenses	0.0%	5,799	-	-	5,799	5,799	5,799	-	-	-
Other Payables	0.0%	660	-	-	660	660	556	104	-	-
		143,981	**135,938**	**-**	**8,043**	**143,981**	**7,197**	**5,179**	**5,490**	**126,115**

^ Unsecured advance which bears no interest from the Department of Environment, Land, Water and Planning under the Greener Government Building Program. The remaining term of the advance is 5 years.

	2015/16 $'000	2014/15 $'000
31. RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO NET RESULT FOR THE YEAR		
Net Result for the year before tax	(7,416)	(9,507)
Non-cash movements:		
Assets acquired for nil consideration	(961)	(993)
Depreciation and amortisation	32,288	32,854
(Gain)/Loss on Disposal of Fixed Assets	160	754
(Gain)/Loss on revaluation of investment property	(18)	76
Change in Assets and Liabilities:		
(Increase)/Decrease in Debtors	597	(642)
(Increase)/Decrease in Prepayments	(25)	(50)
(Decrease)/Increase in Payables	203	170
Increase/(Decrease) in Employee Provisions	469	(21)
Increase/(Decrease) in Provisions	-	(960)
(Increase)/Decrease in Inventory	(86)	(60)
Net Cash provided by Operating Activities	**25,211**	**21,621**

32. COMMUNITY SERVICE OBLIGATIONS

The Corporation provided the following Community Service Obligations (CSO) on behalf of government.

Pensioner and Concession Card Holders	2,551	2,274
Water and Sewerage Rebate Scheme	390	380
Water Smart Rebate Scheme	107	109
Utility Relief Grant Scheme	30	33
Total Community Service Obligations	**3,078**	**2,796**

The value of water concessions claimed for life support machines - haemodialysis in 2015/16 was $408 (2014/15: $518).

33. COMMITMENTS

The following commitments are inclusive of GST.

33.1 Capital commitments

Total capital expenditure contracted at balance date, but not recognised in the financial statements as liabilities and expected to be paid in the next twelve months.:

:

Wimmera Mallee Pipeline Ext SS 4	3,550	-
Rural Pipeline Intelligence Project	-	2,634
Other works	1,619	2,339
Total Capital Commitments	**5,169**	**4,973**

33.2 Private Public Partnerships - Water Treatment Services Agreement (finance lease)

Commissioned BOOT Schemes related to finance lease liabilities		Minimum future lease payments		Present value of minimum future lease payments	
		2015/16	2014/15	2015/16	2014/15
		$'000	$'000	$'000	$'000
Not later than 1 year		1,237	1,207	537	470
Longer than 1 year and not longer than 5 years		5,260	5,133	2,949	2,615
Longer than 5 years		7,339	8,702	6,081	6,953
Minimum Lease Payments		**13,836**	**15,042**	**9,567**	**10,038**
Less Future interest charged in accounts		(4,268)	(5,004)	-	-
Total		**9,568**	**10,038**	**9,567**	**10,038**
Representing lease liabilities					
Current	25			537	470
Non-Current	25			9,030	9,568
Total Lease Liabilities				**9,567**	**10,038**

	2015/16	2014/15
	$'000	$'000

33.3 Operating lease commitments

Total operating leases at balance date, not recognised in the financial statements as liabilities:

Not later than 1 year	54	90
Longer than 1 year and not longer than 5 years	63	71
Longer than 5 years	63	40
Total Operating Lease Commitments	**180**	**201**

33.4 Other significant operating commitments

Total other significant operating leases at balance date, not recognised in the financial statements as liabilities:

Not later than 1 year	339	489
Longer than 1 year and not longer than 5 years	96	71
Longer than 5 years	-	-
Total Other Significant Operating Commitments	**434**	**560**

33.5 Operating lease receivables

Not later than 1 year	51	42
Longer than 1 year and not longer than 5 years	111	64
Longer than 5 years	250	106
Total Operating Lease Receivables	**412**	**212**

	2015/16 $'000	2014/15 $'000

33.6 Environmental contribution levy

In accordance with the gazettal order GWMWater will be required to make the following payment for the environmental contribution levy.

Not later than 1 year	1,684	1,684
Longer than 1 year and not longer than 5 years	6,200	-
Total Environmental Contribution Levy Commitments	**7,884**	**1,684**

34. CONTINGENT ASSETS

On 7 April 2000 GWMWater (Grampians Water) entered into an agreement with Stawell Gold Mines to be paid $15,000 per year for ten years resulting from the possible relocation of the water storages at Stawell in the event that approval was granted to mine Big Hill in Stawell. The State Government rejected planning approval to mine Big Hill on that occasion. Due to changes in operations since the agreement was established it is unlikely that the terms of this original agreement will be acted on.

A further proposal by Stawell Gold Mines to open cut Big Hill was also rejected by the State Government in October 2014 however further representations are being made by Stawell Gold Mines to have this position reconsidered. Should a favourable outcome result from this reconsideration a new agreement between Stawell Gold Mines and GWMWater will be developed to address the impact on GWMWater assets located on Big Hill.

35. CONTINGENT LIABILITIES

As at 30 June 2016 actions to compulsorily acquire land for easements are in progress. A possible 3 land holders may claim loss/damages due to that acquisition.

36. RESPONSIBLE PERSONS RELATED DISCLOSURE

36.1 Responsible persons

The names of persons who were Responsible Persons at any time during the financial year are:

The Hon Lisa Neville	Minister for Water
Mr. Peter Vogel	Chairman
Ms. Mary Bignell	Board Director (01/07/2015 – 30/09/2015) Deputy Chairperson (01/10/2015 to 30/06/2016)
Mr. Chris Hewitt	Deputy Chairman (01/07/2015 – 30/09/2015)
Ms. Samantha Mathews	Board Director (01/07/2015 – 30/09/2015)
Ms. Catherine Vinot	Board Director (01/07/2015 – 30/09/2015)
Mr. Leo Delahunty	Board Director (01/07/2015 – 30/09/2015)
Mr. Reid Mather	Board Director (01/07/2015 – 30/09/2015)
Mr. Paul Battista	Board Director (01/10/2015 to 30/06/2016)
Ms. Bronwen Clark	Board Director (01/10/2015 to 30/06/2016)
Mr. David Jochinke	Board Director (01/10/2015 to 30/06/2016)
Ms. Peta Maddy	Board Director (01/10/2015 to 30/06/2016)
Ms. Caroline Welsh	Board Director (01/10/2015 to 30/06/2016)
Mr. Desmond Powell	Board Director (01/10/2015 to 30/06/2016)
Mr. Mark Williams	Managing Director (Accountable Officer)

All positions were held for the period 01 July 2015 to 30 June 2016 unless otherwise stated.

36.2 Remuneration of responsible persons

The numbers of Responsible Persons are shown below in their relevant income bands (excluding the Responsible Minister).

		2015/16	2014/15
$	$	No.	No.
0 -	9,999	5	-
10,000 -	19,999	2	-
20,000 -	29,999	5	6
50,000 -	59,999	-	1
60,000 -	69,999	1	-
260,000 -	269,999	-	1
270,000 -	279,999	1	-

Total remuneration received or due and receivable to Responsible Persons from the reporting entity amounted to $513608.27 (30 June 2015: $495,839). The Minister's remuneration is disclosed in the financial statements of the Department of Premier and Cabinet.

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report. Responsible Persons transact with GWMWater under normal commercial terms.

36.3 Executive officer remuneration

The number of executive officers, other than responsible persons included under 'Remuneration of Responsible Officers' above, whose remuneration received or receivable exceeded $100,000 during the reporting period, are shown 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. There were no contractors with significant management responsibility during the financial year.

		Total Remuneration		Base Remuneration	
		2015/16	2014/15	2015/16	2014/15
$	$	No.	No.	No.	No.
150,000 -	159,999	-	1	1	1
160,000 -	169,999	1	1	1	1
170,000 -	179,999	1	-	1	1
180,000 -	189,999	-	1	1	1
190,000 -	199,999	2	1	-	-
Total number of executives		**4**	**4**	**4**	**4**
Total annualised employee equivalents (AEE) *		**8**	**4**	**4**	**4**
Total amount		**$729,833**	**$703,899**	**$691,791**	**$675,153**

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

37. EMPLOYEE ENTITLEMENTS

37.1 Aggregate employee entitlement liability

	2015/16 $'000	2014/15 $'000
Annual Leave	1,819	1,799
Long Service Leave	4,093	3,631
RDO	230	243
Total	**6,142**	**5,673**

37.2 Superannuation

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

Contributions by GWMWater (excluding any unfunded liability payments) to superannuation plans are detailed below:

Fund	Type of Scheme	Contribution Rate	Contributions 2015/16 $'000	Contributions 2014/15 $'000
ESS Super scheme:				
- State Super Revised Scheme	Defined Benefits	17.30%	-	-
- State Super New Scheme	Defined Benefits	7.4-10.3%	148	160
- State Super Accumulation Scheme	Accumulation Fund	9.25-9.5%	12	10
Vision Super	Defined Benefits	9.25-10.25%	83	111
Vision Super Saver Plan	Accumulation Fund	9.25-9.5%	709	684
Other	Accumulation Fund	9.25-9.5%	345	338
Total Superannuation			**1,297**	**1,303**

37.3 Vision Super accumulation and defined benefits members

37.3.1 Accumulation

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ending 30 June 2016, this was 9.5% required under Superannuation Guaranteed Legislation). Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory

requirements. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

The Superannuation Guarantee contribution rate is legislated to progressively increase to 12% by 2025. The Superannuation Guarantee rate will remain at 9.5% for 5 years, increasing to 10% from 1 July 2021, and eventually to 12% from 1 July 2025.

37.3.2 Defined benefit plan

As provided under Paragraph 34 of AASB 119 – *Employee Benefits*, GWMWater 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 GWMWater in the Fund cannot be measured as a percentage compared with other participating employers. While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for accounting 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

GWMWater 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 employer funding arrangements comprise of three components as detailed below:

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

GWMWater is also required to make additional contributions to cover the contribution tax payable on the contributions referred to above.

Employees are also required to makes 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 31 March 2016, GWMWater makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee, on advice from the Fund's Actuary. For the year ended 30 June 2016, this rate was 9.5% of members' salaries. This rate increased from 9.25% for the year ending 30 June 2014 and will increase in line with the required Superannuation Guarantee contribution rate.

In addition, GWMWater reimburses the Fund to cover the excess if the benefits paid as 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 standards 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 (ie. It's 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 shortfall for the purposes of SPS 160 and the fund 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 GWMWater) 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
- The service periods of deferred members split between the deferred members pre-1 July 1993 and post-30 June 1993 service period; and
- The pensioner (including fixed term pension) liabilities which are allocated to the pre-1993 period.

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

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

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

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

Differences between calculations

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

Retrenchment increments
During 2015/16, GWMWater made one payment $35,888 to the Fund in respect of retrenchment increments, (2014/15 $nil).

Last actuarial investigation surplus amounts
The Fund's interim actuarial investigation identified the following in the defined benefit category of which GWMWater is a contributing employer:

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

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

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

GWMWater was notified of the of the 30 June 2015 actuarial investigation results in late August 2015.

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

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

Prior actuarial investigation short fall amounts
Following the actuarial review conducted by the Trustee on 31 December 2011, a funding shortfall of $453 million for the Fund was determined. A call to Employers for additional contributions was made for the financial year 30 June 2012 for a top up payment. GWMWater was notified that a contribution was required and was recognised as an expense in the Comprehensive Operating Statement in 2011/12. GWMWater has not been advised of any further adjustments.

GWMWater's share of the shortfall amounted to $1,214,554.93 (excluding contributions tax) which was accounted for in the 2011/12 Comprehensive Operating Statement within Employee Benefits and in the Balance Sheet in Current Liabilities Provisions.

- No further amount has been accounted for in the 2015/16 Comprehensive Operating Statement within Employee Benefits or in the Balance Sheet in Current Liabilities Employee Benefits
- GWMWater received an early payment discount of $63,114.59 and this has been accounted for in the 2012/13 Comprehensive Operating Statement within Employee Benefits and in the Balance Sheet in Current Liabilities Provisions.

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

	30-June-15 $ million	30-June-14 $ million
Net Market Value of Assets	2,379.2	2,354.9
Accrued Benefits (per accounting standards)	2,083.1	2,061.9
Difference between Assets and Accrued Benefits	296.1	293.0
Vested Benefits (Minimum sum which must be paid to members when they leave the fund)		2,277.8

The financial assumptions used to calculate the Accrued Benefits for the defined category of the Fund were:

	30-June-16	30-June-15
Net Investment Return	7.00% p.a.	7.50% p.a.
Salary Inflation	4.25% p.a.	4.25% p.a.
Price Inflation	2. 5% p.a.	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.

	2015/16 $'000	2014/15 $'000
Employer contributions to Vision Super accumulation and defined benefit funds	713	714
Employer contributions payable to Vision Super at reporting date	79	81
Total	**792**	**795**

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2017 is $nil.

37.4 State Superannuation Board
GWMWater contributes in respect of certain employees to the State Superannuation Board's New Scheme and the Revised Scheme.

In accordance with statutory requirements, the Corporation contributes to these schemes as follows:

State Superannuation Board New Scheme
Contributions to the new scheme are based on the level of contribution of each participating employee. These contributions are:

% Member Contribution	% Employer Contribution
Zero	7.4%
3.0%	8.7%
5.0%	9.5%
7.0%	10.3%

State Superannuation Board Revised Scheme
17.3% of member employee's salary.

Any unfunded liability in respect of employees of GWMWater who are members of the State Superannuation Schemes controlled by the Victorian Superannuation Board will be recognised by the Department of Treasury and Finance in its Balance Sheet.

The employer contributions payable at 30 June 2016 was $7,917 (2014/15: $nil). The Corporation has no loans with the State Superannuation Board.

38. EX-GRATIA EXPENSES

Ex-gratia expenses are the voluntary payment of money or other non-monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability or claim against GWMWater. GWMWater made no ex gratia expenses for both individual items and in aggregate that are greater than or equal to $5,000. GWMWater made nil compensation payments to employees for reporting period 2015/16, (2014/15 $67,411) which were recognised in Employee Benefits in the Comprehensive Operating Statement.

39. REMUNERATION OF AUDITOR GENERAL

	2015/16 $'000	2014/15 $'000
Amounts received or due and receivable, by the auditor of the Corporation for Auditing the accounts of the Corporation.	52	57

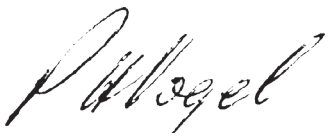
Financial Statutory Certificate 2016

We certify the, attached financial statements for the Grampians Wimmera Mallee Water Corporation (trading as GWMWater) have been prepared in accordance with Standing Directions 4.2 of the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards, Interpretations, and other mandatory professional reporting requirements.

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

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

We authorise the attached financial statements for issue on 12 August 2016.



Peter Vogel
Chairman

Mark Williams
Managing Director

Sally Marshall
Executive Manager Business Performance and Planning
(Chief Finance and Accounting Officer)

Dated this 12th day of August 2016

VAGO

Victorian Auditor-General's Office

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INDEPENDENT AUDITOR'S REPORT

To the Board Members, Grampians Wimmera Mallee Water Corporation

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of the Grampians Wimmera Mallee 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 financial statutory certificate.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

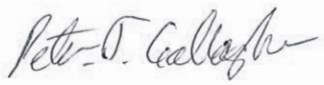
Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, I and my staff and delegates have complied with 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 Grampians Wimmera Mallee Water Corporation as at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.



for Dr Peter Frost
Acting Auditor-General

MELBOURNE
19 August 2016

Disclosure **Index**

The Annual Report of GWMWater has been prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the corporation's compliance with statutory disclosure requirements.

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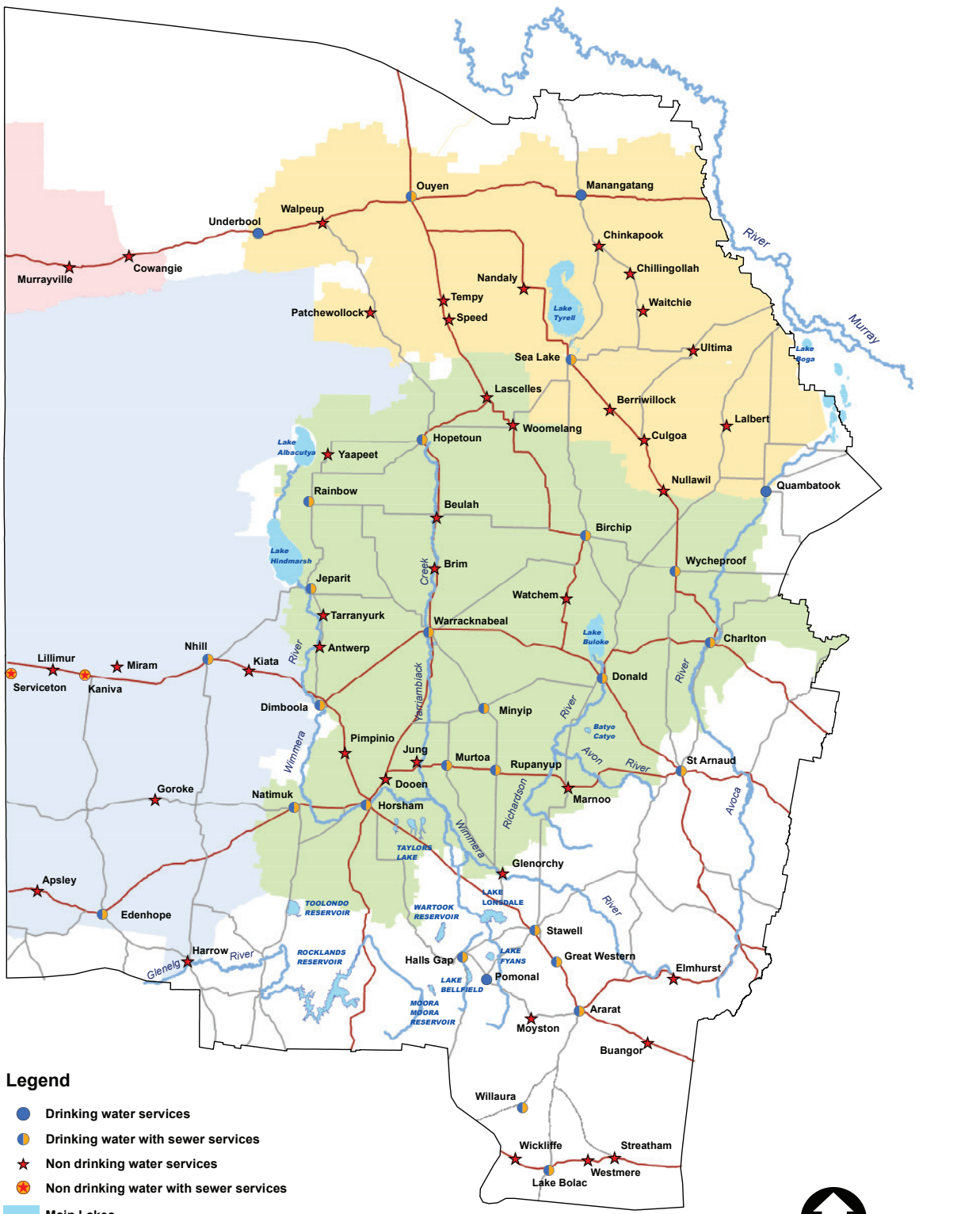
Service Area



Legend

- Drinking water services
- Drinking water with sewer services
- Non drinking water services
- Non drinking water with sewer services
- Main Lakes
- Reservoirs
- Rivers
- Highways
- Main Roads
- Pipeline supplied from Murray River
- Pipeline supplied from Grampians System
- West Wimmera Groundwater Management Area (GMA)
- Murrayville Water Supply Protection Area (WSPA)

0 5 10 20 30 40 Kilometres

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