

**Annual Report**  
for the year ended  
30 June 2014

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City West Water  
Corporation

ABN 70 066 902 467



City West Water

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## A foreword from the Chairman and Managing Director

We are pleased to present City West Water's 2013-14 Annual Report. This report provides a summary of the organisation's performance, audited financial report, corporate governance statements and additional statutory information.

Overall, City West Water performed very well across its triple bottom line key performance indicators. Profit before tax for the year was \$36.1m compared to budget of \$20.6m. This result has been achieved by a combination of a higher than budgeted gross margin associated with higher water sales and sewage disposal charges, lower than budgeted finance charges and strong management of capital and operating costs. The favourable result was partly offset by lower than budgeted developer related revenues due to a general downturn in housing development in greenfield areas. Water purchases were 103.4GL compared to last year's 103.2GL and budget of 97.0GL.

A focus on customer service as well as improving the organisation's productivity continues to be a priority for City West Water. Our aim is to continue to deliver the level of service customers want at lower cost.

In December 2013, the Minister for Water released the Victorian Government's new urban water strategy *Melbourne's Water Future*, which delivers on the government's Living Victoria policy and offers a holistic approach to whole-of-water-cycle management. City West Water has been working to deliver the initiatives and priorities detailed in the strategy.

In January 2014 the Minister for Water launched the *Fairer Water Bills* initiative, an efficiency program aimed at delivering system wide cost reductions for the urban water sector and lower water bills for Melbourne households from 2014-15.

In view of *Melbourne's Water Future* and *Fairer Water Bills*, City West Water's Board and executive team revised the organisation's mission and strategic objectives to take into account the outcomes and initiatives outlined in those policies. The revised mission and strategic objectives are extremely important to the provision of effective leadership in City West Water's role delivering *Melbourne's Water Future* and *Fairer Water Bills*.

City West Water has continued to ensure that the organisation's service provision is efficient, and maintains its record of having the lowest average residential water bill in metropolitan Melbourne. City West Water does however acknowledge the imperative for ongoing continuous improvement and that by continuing to seek further opportunities for improvement, the organisation can extract further savings and provide customers with even better value.

City West Water's business transformation program, involving the staged replacement of existing IT systems and processes with an integrated suite of business systems to enable faster, evidence based decision making and significant improvements in productivity and customer service, is continuing. Release 1 has been completed (finance, budgeting, project accounting and procurement modules) and implementation of Release 2 (asset management module) is underway. Release 3 (billing and collection) will begin thereafter.

During the year, two Board members terms expired, and on behalf of the organisation, we would like to acknowledge the contributions of Marilyn Anderson and Derek Skues over the past six years. Following their retirement, City West Water welcomed two new Directors, Philip Clark and Vivienne Nguyen, who were appointed in October 2013.

The 2014 year was one of significant demands on the Board, our management team and every staff member at City West Water. The response of everyone was very impressive and our management team has provided strong and very effective leadership. We extend a sincere thank you to the Board of Directors and staff for their continued support, efforts and achievements over the past year.

In accordance with the *Financial Management Act 1994*, we are pleased to attest that City West Water's annual report is compliant with all statutory reporting requirements.



**The Hon. Alan Stockdale**  
Chairman

Melbourne  
27 August 2014



**Anne Barker**  
Managing Director

# Report of Operations

## General information

City West Water Corporation is a statutory water authority incorporated under the *Water Act 1989*. It is one of three retail water businesses in metropolitan Melbourne owned by the Victorian Government. The Minister responsible for City West Water for the period from 1 July 2013 to 30 June 2014 was the Hon. Peter Walsh MLA, Minister for Water.

City West Water's core business is the supply of water, sewerage, trade waste and where available, recycled water services to customers in accordance with the organisation's Customer Charter. City West Water services over 403,000 residential and business customers in Melbourne's central business district and inner and western suburbs.

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

City West Water operates under statements of obligations issued by the Minister for Water under section 41 of the *Water Industry Act 1994*. The statements impose obligations on City West Water regarding the performance of its functions and exercise of powers. City West Water is required to monitor compliance with the obligations set out in the statements, report on non-compliance and take remedial action.

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

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

### Vision

To be a truly sustainable water business

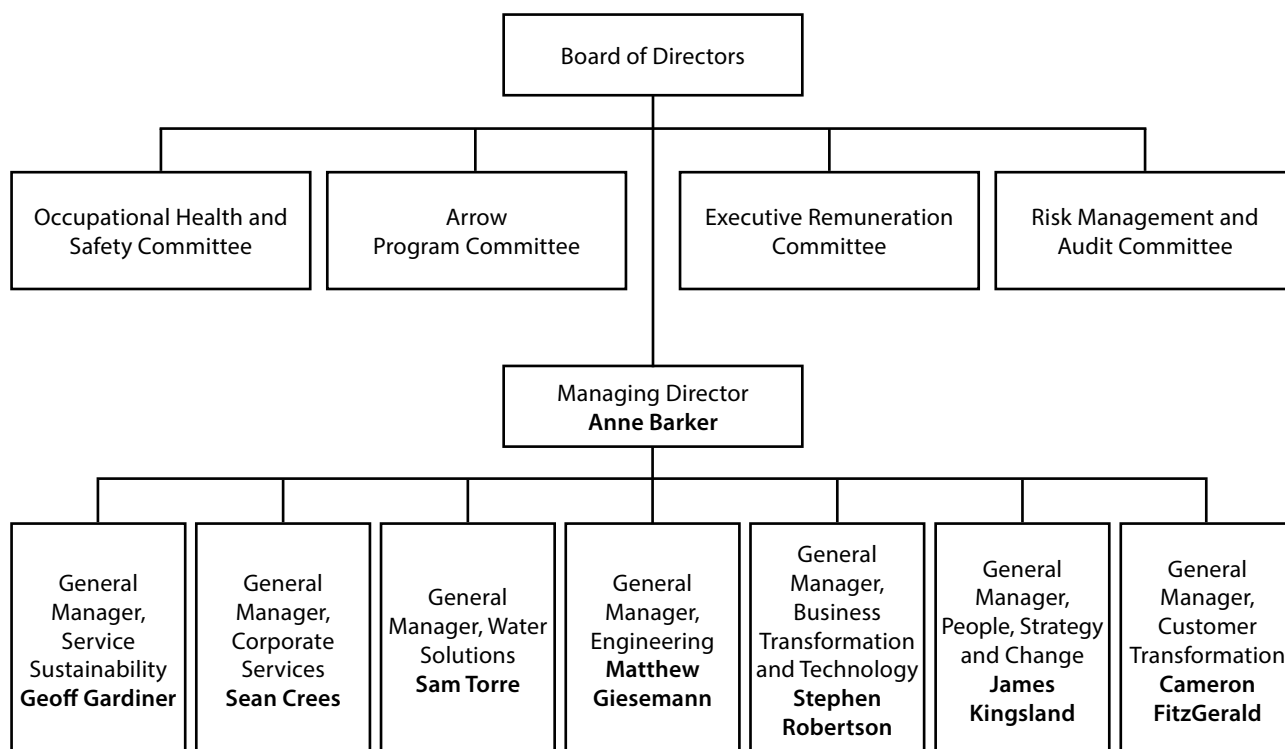
### Mission

Guarantee affordable and safe water for today and tomorrow and contribute to the delivery of Melbourne's Water Future Strategy

### Values

Leadership, integrity, innovation, respect.

## Organisational structure



The Hon. Peter Walsh MLA was appointed as the Minister for Water in December 2010. As Minister for Water, the Minister is responsible for urban water, irrigation water, groundwater, water corporations and governance, allocation and trading, permanent water saving rules and water restrictions.

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

The Board meets 11 times per year, with additional meetings held on an as needed basis. It is committed to performing its role in accordance with the highest standards of corporate governance. There are four committees of the Board. The Risk Management and Audit Committee, and the Occupational Health and Safety Committee meet four times per year. The Executive Remuneration Committee and the Arrow Program Committee meet as required.

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

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

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

## Report of Operations (continued)

| Director  | Experience  | Committee membership   |
|---|---|--|
| <b>The Hon. Alan Stockdale</b><br>Chairman<br>LLB, BA, FAICD. | The Hon. Alan Stockdale was appointed as Chairman of City West Water on 1 October 2011. Alan Stockdale is a part-time consultant for Maddocks Lawyers, Metro Trains Melbourne Pty Ltd and Yarris Pty Ltd. He is Chairman of the Medical Research Commercialisation Fund (2007 - current); a CEO Syndicate for the CEO Institute and the MBAV Foundation (2008 - current); Immediate Past Federal President of the Liberal Party of Australia having been Federal President (2008 - 2014); a Director of NSW Treasury Corporation (2005 - current) and a member of the Advisory Board of Lazard Australia (2011 - current). He has extensive corporate experience including roles with Macquarie Infrastructure Group and Macquarie Bank and as Chairman or a Director of several ASX-listed companies. Mr Stockdale was a member of the Victorian Parliament (1985 - 1999) and was Victorian Treasurer (1992 - 1999) and Minister for IT and Multimedia (1996 - 1999). He holds Bachelor of Laws and Bachelor of Arts degrees and is a Fellow of the Australian Institute of Company Directors. | Executive Remuneration Committee (Chairman)<br><br>Ex-officio member of all other Board committees                               |
| <b>Anne Barker</b><br>Managing Director<br>LLB, MAICD.        | Anne Barker was appointed as City West Water's Managing Director in November 2002. Ms Barker practised law before gaining broad management experience with Myer Stores and the ANZ Banking Group. Prior to joining City West Water, Ms Barker was the Executive Manager of the Commercial and Revenue divisions at SPI Powernet where she gained extensive experience working in a regulated utility environment. She is currently the Chair of Whitelion and Open Family Australia, and a Director of the Water Services Association of Australia.   | Occupational Health and Safety Committee   |
| <b>Debra Goodin</b><br>B.Ec., FCA, MAICD.                     | Debra Goodin was appointed as a director of City West Water on 1 October 2011 and is also the Deputy Chairperson of the Board. Debra is a professional non-executive director and management consultant. Debra has held executive leadership positions in operations, finance, project delivery, corporate strategy, mergers and acquisitions and corporate services roles in both the public and private sectors. Debra also has experience working globally and in publicly listed companies. Debra is a Director of Senex Energy Limited a listed oil and gas exploration company and Beyond Bank a mutual bank regulated by APRA. Debra is also a member of the Finance Committee for the Royal Women's Hospital. Ms Goodin has a Bachelor of Economics, is a Chartered Accountant and Member of the Institute of Company Directors.  | Risk Management and Audit Committee (Chairman)<br><br>Executive Remuneration Committee<br><br>Arrow Program Committee (Chairman) |
| <b>Vivienne Nguyen</b><br>B.Comm., M. App. Fin.               | Vivienne Nguyen was appointed as a director on 1 October 2013. Vivienne was previously a director of Grampians Wimmera Mallee Water Corporation. Vivienne's most recent position was Principal Consultant with Oppeus International (2012 - June 2013) and she has previously held various senior executive roles with ANZ bank (2004 - 2011) including Group Head of Diversity and Senior Manager Risk Planning and Development. She is a member of the board of Western Health (2009 - current) and was a former Trust member of Queen Victoria Women's Centre (2006 - 2010). Vivienne has a Bachelor of Commerce and Master of Applied Finance   | Risk Management and Audit Committee  |



| Director   | Experience  | Committee membership   |
|--|---|--|
| <b>Jan Begg</b><br>B.Sc. (Hons), MBA<br>FAICD.         | Jan Begg was appointed a Director on 1 October 2011. Jan is the Managing Director of Azulin Pty Ltd, an independent business and governance consultancy. She is an experienced non-executive director and an independent member of Department of Education and Early Childhood Development Portfolio Audit and Risk Committee (Vic), a member of the Monash University Department of Management Advisory Board and a member of Melbourne Business School. Ms Begg previously had senior executive roles in Australia, UK and USA. She is the AICD representative and chair of the Standards Australia committee on IT Governance and head of the Australian delegation for the international standards committee. She has undertaken research and authored academic papers in the areas of strategy implementation and project governance. Ms Begg has a Bachelor of Science (Honours) and a Master of Business Administration and is a Fellow of the Australian Institute of Company Directors.  | Occupational Health and Safety Committee (Chair)<br><br>Arrow Program Committee                            |
| <b>Peter McKeown</b><br>B.Ec, LLB,<br>GradDipLaw, SJD. | Peter McKeown was appointed as a director on 1 October 2012. Peter is a consultant with a background as general counsel for public companies in the primary industry sector and prior to that as a legal practitioner in private and government practice. He is Company Secretary of Graziers' Investment Company Limited and GIC holdings Pty Ltd. He is a senior fellow in the law faculty at Monash University. He is a lay member on the St Vincent's Hospital Animal Ethics Committee and the external lawyer on the Australian Catholic University Human Research Ethics Committee. Peter McKeown was Chairman of the Executive Management Committee of Graziers Investment Company Limited (formerly Australian Wool Services Ltd) and General Counsel and Company Secretary for the Australian Wheat Board and AWB Limited. He has been Chairman of the Mount Lilydale College Advisory Board. Dr McKeown has a Bachelor of Economics, Bachelor of Laws, Graduate Diploma in Law and a Doctor of Juridical Science, all from Monash University. He is also an Australian Legal Practitioner.                            | Occupational Health and Safety Committee<br><br>Risk Management and Audit Committee                        |
| <b>Fiona Pearse</b><br>B.Ec., CPA, FAICD.              | Fiona Pearse was appointed a director on 1 October 2012. She has extensive financial and commercial experience gained from a large variety of executive and non-executive director roles. Her executive career was comprised of various finance and tax roles at large global companies, mainly at BHP Billiton, the world's largest diversified resources company, and also at BlueScope Steel, one of Australia's largest manufacturers. She has worked in industries as diverse as petroleum, transport, utilities, insurance and steel in senior financial roles at the coalface, in financial and tax oversight, advisory and planning roles at corporate head office and as a non-executive director. She is currently also an independent non-executive director at World Vision Australia, Australia's largest charity, and at two of Australia's leading independent schools, Scotch College and Presbyterian Ladies' College. Fiona holds a Bachelor of Economics, majoring in accounting; she is a Fellow of the Australian Institute of Company Directors, and she is also a Certified Practising Accountant (CPA). | Risk Management and Audit Committee<br><br>Executive Remuneration Committee<br><br>Arrow Program Committee |

## Report of Operations (continued)

| Director  | Experience   | Committee membership  |
|---|--|---|
| <b>Philip Clark</b><br>B. Eng., MBA.                                | Philip Clark was appointed a director on 1 October 2013. Phil is a private business advisor with Phil Clark and Associates (2010 - current). He was previously the Vice President Resource Development for BHP Billiton Coal (2005 - 2010) and had an extensive career with that company spanning over 30 years. He is chairperson of Engineers Without Borders and a member of its Finance and Audit Committee (2010 - current) and a member of African Energy Resources Limited and its Audit and Remuneration Committee (2011 - current). Phil has a Bachelor of Engineering and Master of Business Administration.   | Occupational Health and Safety Committee  |
| <b>Marilyn Anderson</b><br>B.Sc. (Hons), Ph.D.<br>FAA, FTSE, FAICD. | Professor Marilyn Anderson was appointed as a director on 1 July 2008. With over 40 years' experience in scientific research in the areas of diabetes, cancer and plant biochemistry, Professor Anderson is a Professor of Biochemistry at LaTrobe University and is a member of the La Trobe University Council. She was a founding director of Hexima Limited, and is currently Hexima's Chief Science Officer and executive director. Professor Anderson was a director at South East Water Limited for over 10 years prior to her appointment at City West Water. Professor Anderson is a Fellow of the Australian Academy of Sciences, a Fellow of the Academy of Technological Sciences and Engineering and a Fellow of the Australian Institute of Company Directors. She has a Bachelor of Science (Honours) and a Doctorate of Philosophy (Biochemistry).<br><br>Ceased as a Director 30 September 2013 | Occupational Health and Safety Committee (Chair)<br><br>Risk Management and Audit Committee |
| <b>Derek Skues</b><br>Dip. Arch., Reg.<br>Arch.                     | Derek Skues was appointed as a director on 1 July 2008. With a background in architecture and project management, he was a Director of Atkinson Project Management for 20 years and an Executive Consultant for the multi-disciplinary global company Aurecon undertaking both project management and management consulting assignments. He is also a director of the Power House Youth Leadership Foundation and a past director of Lord Somers Camp and Power House, and the Royal South Yarra Lawn Tennis Club.<br><br>Ceased as a Director 30 September 2013   | Occupational Health & Safety Committee<br><br>Executive Remuneration Committee              |

## Board Committees

### **Risk Management and Audit Committee**

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

### **Occupational Health and Safety Committee**

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

### **Executive Remuneration Committee**

The Executive Remuneration Committee is responsible for setting City West Water's policy on executive remuneration and individual remuneration packages for senior executives.

### **Arrow Program Committee**

The Board asked three Directors to form an informal advisory committee in 2013 to advise the Board on specific issues in relation to the Arrow Program, a business transformation program based on upgrading most business systems to a common enterprise platform. The Arrow Program Committee was formally constituted in June 2014 when the Board approved its charter.

## Report of Operations (continued)

### Attendance at Board and committee meetings

|                               | Board of Directors meetings |          | Risk Management and Audit Committee meetings |                | Occupational Health and Safety Committee meetings |          | Executive Remuneration Committee meetings |                |
|-------------------------------|-----------------------------|----------|--|----------------|---|----------|---|----------------|
|                               | Eligible                    | Attended | Eligible                                     | Attended       | Eligible  | Attended | Eligible                                  | Attended       |
| The Hon. Alan Stockdale       | 11                          | 11       | 5  | 4              | 4   | 4        | 4   | 4              |
| Anne Barker                   | 11                          | 11       | n/a  | 5 <sup>3</sup> | 4   | 4        | n/a                                       | 4 <sup>3</sup> |
| Debra Goodin                  | 11                          | 11       | 5  | 5              | n/a   | n/a      | 4   | 4              |
| Vivienne Nguyen <sup>1</sup>  | 8                           | 7        | 3  | 3              | n/a   | n/a      | n/a                                       | n/a            |
| Jan Begg                      | 11                          | 11       | n/a  | 1 <sup>3</sup> | 4   | 3        | n/a                                       | n/a            |
| Peter McKeown                 | 11                          | 11       | 5  | 5              | 4   | 4        | n/a                                       | n/a            |
| Fiona Pearse                  | 11                          | 11       | 5  | 5              | n/a   | n/a      | 4   | 4              |
| Philip Clark <sup>1</sup>     | 8                           | 8        | n/a  | n/a            | 3   | 3        | n/a                                       | n/a            |
| Marilyn Anderson <sup>2</sup> | 3                           | 3        | 2  | 2              | 1   | 1        | n/a                                       | n/a            |
| Derek Skues <sup>2</sup>      | 3                           | 2        | n/a  | 1 <sup>3</sup> | 1   | 1        | 1   | 1              |

<sup>1</sup> began as a Director 1 October 2013

<sup>2</sup> ceased as a Director 30 September 2013

<sup>3</sup> the Director attended but was not a member of the committee

### Occupational health and safety

City West Water is committed to providing healthy and safe workplaces for all employees, contractors, customers and the public who access City West Water's workplaces. To this end, City West Water works towards a safety culture of shared attitudes, values and beliefs concerning occupational health and safety (OH&S).

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

The policy seeks to support the following objectives of ensuring:

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

The table overleaf outlines City West Water's OH&S targets and its performance against those targets.

## OH&S targets

### City West Water employees

|                                     | 2014 Actual | 2014 Target | Variance | 2013 Actual |
|-------------------------------------|-------------|-------------|----------|-------------|
| Lost time injuries                  | 1           | 0           | (1)      | 0           |
| AS4801: 2001 (OH&S)                 | Retained    | Retain      | -        | Retained    |
| Attendance at OH&S training (%)     | 100.0       | 95.0        | 5.3      | 99.9        |
| Workplace inspections conducted (%) | 100.0       | 100.0       | 0        | 100.0       |

## Workforce data

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

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

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

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

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

At 30 June 2014, City West Water's total workforce was 447 (2012-13, 445). The average age of City West Water employees was 40.8 (2012-13 41.0), and the proportion of women in the organisation's workforce was 41.6 per cent (2012-13, 41.6 per cent).

## Report of Operations (continued)

### Financial information

#### Financial highlights

Profit before tax for the year was \$36.1m compared to budget of \$20.6m. Higher than expected sales revenue as a result of a drier and warmer than average year, as well as lower than expected operating costs, finance charges and depreciation, were the main factors that contributed to this positive result. The favourable result was partly offset by higher than expected bulk water purchases and sewage discharges and lower than expected developer revenue (assets received free of charge).

City West Water made a total dividend payment of \$4.7m during 2013-14 and paid income tax equivalent of \$21.3m.

Total borrowings increased by \$96.0m for the year. The increase in borrowings was mainly to fund the required capital expenditure to support growth in the organisation's licence area as well as continued investment in network and IT infrastructure assets. Capital expenditure for the year was \$120.6m. The capital program for the year included two significant projects for City West Water: the West Werribee Dual Water Supply scheme and the Arrow Program. When complete, the West Werribee Dual Water Supply scheme will supply drinking and recycled water for 19,200 customers in existing and new residential estates in West Werribee. The Arrow Program is a business transformation program based on upgrading most business systems to an enterprise platform. When complete, it will enable significant efficiencies in City West Water's business processes.

Return on equity was 3.6 per cent (2012-13 4.5 per cent) while cash interest cover was 1.7 times (2012-13 2.3 times). Gearing, as measured by total debt / (debt + equity) increased to 58.3 per cent (2012-13 58.1 per cent). The reduction in interest cover as well as the increase in the gearing ratio reflect City West Water's increased borrowing to fund growth in the organisation's licence area, continued investment in infrastructure assets and a reduction in the regulated weighted average cost of capital resulting from the Essential Services Commission's (ESC) pricing decision for Water Plan 3.

In May 2014, the Minister for Water announced that residential customers would receive a \$100 reduction in their annual water consumption bill for each of the next four years. This initiative will be funded by cost savings and additional revenue initiatives identified by City West Water, such as improving billing accuracy for trade waste charges, together with savings that will be passed on by Melbourne Water through lower bulk charges.

Profit before tax has declined over the past 5 years in line with the ESC's price determination (lower weighted average cost of capital), as well as increases in depreciation and finance charges from City West Water's continued investment in infrastructure and IT assets. The decline in development activities over the period has also contributed to these results.

### Summary of financial results

|                                | 2013-14<br>(\$'000) | 2012-13<br>(\$'000) | 2011-12<br>(\$'000) | 2010-11<br>(\$'000) | 2009-10<br>(\$'000) |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Sales revenue                  | 561,707             | 422,912             | 429,867             | 364,856             | 309,464             |
| Area contributions             | 15,773              | 15,934              | 16,753              | 17,344              | 15,843              |
| Assets received free of charge | 13,391              | 17,454              | 23,184              | 25,948              | 33,386              |
| Other revenue                  | 19,466              | 17,349              | 19,555              | 21,848              | 22,298              |
| <b>Total revenue</b>           | <b>610,377</b>      | <b>473,649</b>      | <b>489,359</b>      | <b>429,996</b>      | <b>380,991</b>      |
|                                |                     |                     |                     |                     |                     |
| Bulk charges                   | 353,408             | 227,223             | 225,509             | 168,450             | 139,208             |
| Finance costs                  | 60,266              | 52,422              | 45,879              | 39,734              | 32,090              |
| Depreciation and amortisation  | 39,852              | 37,398              | 35,293              | 30,507              | 22,539              |
| Employee benefits              | 37,439              | 34,319              | 30,201              | 26,441              | 25,792              |
| Operating contracts            | 31,472              | 34,661              | 31,924              | 30,287              | 27,807              |
| Other expenses                 | 51,755              | 42,763              | 48,852              | 46,878              | 46,404              |
| <b>Total expenses</b>          | <b>574,192</b>      | <b>428,786</b>      | <b>417,658</b>      | <b>342,297</b>      | <b>293,840</b>      |
|                                |                     |                     |                     |                     |                     |
| <b>Profit before tax</b>       | <b>36,145</b>       | <b>44,863</b>       | <b>71,701</b>       | <b>87,699</b>       | <b>87,151</b>       |

## Summary of financial position

|   | 2013-14<br>(\$'000) | 2012-13<br>(\$'000) | 2011-12<br>(\$'000) | 2010-11<br>(\$'000) | 2009-10<br>(\$'000) |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Current assets  | 93,638              | 116,073             | 77,715              | 62,353              | 48,353              |
| Non-current assets                                      | 1,988,309           | 1,837,812           | 1,938,297           | 1,805,999           | 1,556,043           |
| <b>Total assets</b>                                     | <b>2,081,947</b>    | <b>1,953,885</b>    | <b>2,016,012</b>    | <b>1,868,352</b>    | <b>1,604,396</b>    |
| Current liabilities                                     | 186,511             | 173,439             | 186,168             | 135,692             | 124,310             |
| Non-current liabilities                                 | 1,164,073           | 1,110,234           | 992,605             | 901,556             | 786,792             |
| <b>Total liabilities</b>                                | <b>1,350,584</b>    | <b>1,283,673</b>    | <b>1,178,773</b>    | <b>1,037,248</b>    | <b>911,102</b>      |
| <b>Net assets</b>                                       | <b>731,363</b>      | <b>670,212</b>      | <b>837,239</b>      | <b>831,104</b>      | <b>693,294</b>      |
| Net cash flows from operating activities                | 19,224              | 47,586              | 46,741              | 65,738              | 48,883              |
| Payments for property, plant, equipment and intangibles | 150,873             | 163,987             | 126,900             | 92,691              | 95,248              |

## Summary of capital expenditure

|  | 2013-14<br>(\$'000) | 2012-13<br>(\$'000) | 2011-12<br>(\$'000) | 2010-11<br>(\$'000) | 2009-10<br>(\$'000) |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| City West Water funded capital expenditure | 120,590             | 182,217             | 144,884             | 122,432             | 154,180             |

Further information on capital expenditure can be found in the Department of Treasury and Finance's most recent Budget Paper 4 State Capital Program (BP 4).

## Summary of financial performance

|   | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 |
|---|---------|---------|---------|---------|---------|
| Cash interest cover (times)   | 1.7     | 2.3     | 2.9     | 3.5     | 3.4     |
| Gearing ratio (%)<br>(total debt (including finance leases)/total assets) | 49.2    | 47.5    | 37.2    | 34.2    | 34.0    |
| Internal financing ratio (%)  | 9.6     | 13.9    | 1.0     | 47.2    | 12.8    |
| Current ratio (times)   | 0.5     | 0.7     | 0.4     | 0.5     | 0.4     |
| Return on assets (%)  | 4.8     | 4.9     | 6.0     | 7.3     | 8.8     |
| Return on equity (%)  | 3.6     | 4.5     | 6.1     | 7.9     | 11.8    |
| EBITDA margin   | 22.3    | 28.5    | 31.5    | 37.2    | 37.8    |

## Report of Operations (continued)

### Matters subsequent to the end of the financial year

On 11 May 2014 the Minister for Water announced the Victorian Government's *Fairer Water Bills* initiative to deliver more than \$1 billion of savings that will be made across Victoria's urban water sector over the next four years. As part of this initiative, City West Water residential water customers are entitled to a bill reduction of \$100 on their first quarter bill for each of the next four years, starting from 2014-15.

Apart from the above, no matter or circumstance has arisen since 30 June 2014 which has significantly affected, or may significantly affect:

- the corporation's operations;
- the results of those operations; or
- the corporation's state of affairs in the financial year subsequent to 30 June 2014.

### Consultancies

During 2013-14, City West Water engaged nine consultants on various engagements where the total fees payable to the consultant was less than \$10,000 (GST exclusive). The total expenditure incurred during 2013-14 in relation to these consultancies was \$95,378 (GST exclusive).

During 2013-14, City West Water engaged 22 consultants on various consultancies where the total fees payable to the consultant was \$10,000 or greater (GST exclusive). The total expenditure during 2013-14 in relation to these consultancies was \$1,009,681 (GST exclusive). Details of individual consultancies can be viewed at [citywestwater.com.au](http://citywestwater.com.au).

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

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

The definition of consultancy was amended effective from 1 July 2013. Consequently, disclosure of 2013-14 consultancy expenditure cannot be compared with prior year disclosure.

### Other information

#### Freedom of Information

City West Water is subject to the *Freedom of Information Act 1982*.

In 2013-14, City West Water received 18 requests for access to documents under the *Freedom of Information Act 1982*.

| Request              | No.       |
|----------------------|-----------|
| Access in full       | 1         |
| Access in part       | 15        |
| Access denied        | 0         |
| Other - no documents | 0         |
| Not finalised        | 2         |
|                      |           |
| <b>Total</b>         | <b>18</b> |

Requests for access to City West Water documents under the *Freedom of Information Act 1982* may be made in writing to:

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

Each application for information attracts a \$25.70 fee (\$26.50 from 1 July 2014). Applications must identify clearly the documents required.

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

Sean Crees (Principal Officer)  
General Manager, Corporate Services

Andrew Jessop (Authorised Officer)  
Manager, Corporate Administration

#### Building Act 1993

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



## Protected Disclosure Act 2012

The *Protected Disclosure Act 2012* came into effect on 10 February 2013. The purposes of the Act are:

- a) to encourage and facilitate disclosures of:
  - (i) improper conduct by public officers, public bodies and other persons
  - (ii) detrimental action taken in reprisal for a person making disclosure under the Act
- b) to provide protection for:
  - (i) persons who make those disclosures
  - (ii) persons who may suffer detrimental action in reprisal for those disclosures
- c) to provide for the confidentiality of the content of those disclosures and the identity of persons who make those disclosures.

A member of the public or an employee of City West Water can make a disclosure under the Act if he or she believes that one or more employees of City West Water have engaged in improper conduct.

Disclosures of improper conduct by City West Water or its employees may be made by completing the form at the website address below and sent to:

[ibac.vic.gov.au/report-corruption-or-misconduct/online-form](http://ibac.vic.gov.au/report-corruption-or-misconduct/online-form)

Independent Broad-based Anti-corruption Commission (IBAC)

Level 1, North Tower  
459 Collins Street  
Melbourne 3000

PO Box 24234  
Melbourne 3001

Telephone: 1300 735 135  
Facsimile: (03) 8635 6444

There were no disclosures to IBAC of improper conduct either by City West Water or any of its employees during the current reporting period (2012-13 n/a).

## National Competition Policy

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

City West Water has an independent Board of Directors with independent and objective performance monitoring. The organisation pays income tax equivalent and pays a financial accommodation levy for its borrowings through Treasury Corporation of Victoria (TCV). City West Water operates in an environment where the Essential Services Commission (ESC) determines cost based pricing. City West Water submitted a Water Plan to the ESC to enable them to make a price determination for the period 2013-14 to 2017-18. The ESC made a final determination on prices in June 2013. These new prices took effect from 1 July 2013.

In this regard, City West Water's processes are consistent with the objectives of National Competition Policy agreements and the requirements of the '*Competitive Neutrality Policy Victoria*' policy statement.

City West Water's purchasing policy and procedures are aligned to Victorian Government Purchasing Board policies, and the organisation regularly monitors its compliance with its legal obligations under the *Competition and Consumer Act 2010*.

## Environmental performance

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

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

## Report of Operations (continued)

The following table outlines City West Water's environmental business targets and its performance against those targets.

### Environmental targets

| ESC regulated standards   | 2014 Actual | 2014 Target | Variance (%) | 2013 Actual |
|---|-------------|-------------|--------------|-------------|
| Sewer blockages per 100km of sewer main (No.)                             | 16.5        | 27.0        | 38.9         | 15.1        |
| Interruptions to sewerage services restored within five hours (%)         | 99.4        | 96.7        | 2.8          | 98.8        |
| Unaccounted for water (%)   | 9.3         | 9.3         | -            | 9.3         |
| Average time to attend sewer spills and blockages (minutes)               | 25.7        | 27.6        | 6.9          | 24.2        |
| Sewer spills per 1,000 properties (No.)                                   | 0.47        | 1.50        | 68.7         | 0.48        |
| <b>Other targets</b>  |             |             |              |             |
| Response to sewer spills within 1 hour (%)                                | 100.0       | 100.0       | 0.0          | 100.0       |
| Spills due to pump station equipment failure (No.)                        | 0           | 0           | 0            | 0           |
| Non-food waste customers non-compliant with trade waste agreements (%)    | 1.06        | ≤ 2.0       | 47.0         | 1.10        |
| Compliance with EPA licence for discharge from Altona Treatment Plant (%) | 100.0       | 100.0       | 0.0          | 100.0       |
| ISO 14001: 2004 (Environmental Management)                                | Retained    | Retain      | -            | Retained    |
| HACCP (Water Quality)   | Retained    | Retain      | -            | Retained    |

### Victorian Industry Participation Policy

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

#### Contracts commenced to which the VIPP applied

During 2013-14, City West Water commenced no contracts for which a VIPP plan was required.

#### Contracts completed to which the VIPP applied

During 2013-14 City West Water completed one VIPP applicable project valued at \$23m. The outcomes reported from the implementation of the VIPP where information was provided were as follows:

- an average of 80.0% of local content outcome was recorded;
- a total of 36 (AEE) positions were created; and
- no new apprenticeships/traineeships were created and no existing apprenticeships/traineeships retained.

The benefits to the Victorian economy in terms of retention of skills from the completed project includes staff being upskilled on the latest version of the Oracle E-Business Suite, adding to the overall skill base in Victoria.

### Privacy of information

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

A copy of City West Water's Privacy Policy can be viewed at [citywestwater.com.au](http://citywestwater.com.au).

### Financial Management Act 1994

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

## Other information

The following information is available from City West Water subject to the *Freedom of Information Act 1982*:

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

## Water consumption and drought response reporting

### Water consumption

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

| District        | Residential customers |                           |                                  |                                 | Non residential customers |                           |                                  |                                 | Total number of customers (No.) |
|-----------------|-----------------------|---------------------------|----------------------------------|---------------------------------|---------------------------|---------------------------|----------------------------------|---------------------------------|---------------------------------|
|                 | Number (No)           | Potable water volume (ML) | Recycled waste water volume (ML) | Recycled stormwater volume (ML) | Number (No)               | Potable water volume (ML) | Recycled waste water volume (ML) | Recycled stormwater volume (ML) |                                 |
| City West Water | 365,151               | 52,974                    | -                                | -                               | 38,070                    | 40,771                    | 421                              | 47                              | 403,221                         |
| <b>Total</b>    | <b>365,151</b>        | <b>52,974</b>             | <b>-</b>                         | <b>-</b>                        | <b>38,070</b>             | <b>40,771</b>             | <b>421</b>                       | <b>47</b>                       | <b>403,221</b>                  |

| District        | Total potable water volume (ML) | Total recycled water volume (ML) | Total consumption (ML) | Average annual consumption (ML) <sup>1</sup> | Weekly residential potable water consumption (ML) | Non-revenue water |                    |                         | Total non-revenue water (ML) | Total water all sources (ML) |
|-----------------|---------------------------------|----------------------------------|------------------------|--|---|-------------------|--------------------|-------------------------|------------------------------|------------------------------|
|                 |                                 |                                  |                        |  |   | Leakage (ML)      | Fire fighting (ML) | Other (ML) <sup>2</sup> |                              |                              |
| City West Water | 93,745                          | 468                              | 94,213                 | 88,596                                       | 1,075   | 7,141             | 517                | 1,978                   | 9,636                        | 103,849                      |
| <b>Total</b>    | <b>93,745</b>                   | <b>468</b>                       | <b>94,213</b>          | <b>88,596</b>                                | <b>1,075</b>                                      | <b>7,141</b>      | <b>517</b>         | <b>1,978</b>            | <b>9,636</b>                 | <b>103,849</b>               |

<sup>1</sup> average annual consumption calculated between 2009-10 and 2013-14

<sup>2</sup> includes theft, misuse from fire services, theft from hydrants, illegal tampering and under measurement by meters

## Report of Operations (continued)

### Drought response reporting

Metropolitan water retailers are required to prepare a Drought Response Plan with four levels of water restrictions that control the use of drinking water outdoors. Permanent water saving rules remain in place for metropolitan Melbourne as at 30 June 2014.

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

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

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

On 1 December 2013 the Water Outlook outlined a number of individual and joint industry short and medium term actions to improve future drought response. Below is a summary of the agreed joint short term actions.

- continue to inform the community about the rules that ensure the wise use of water at all times;
- work with the Office of Living Victoria (OLV) to develop the first metropolitan water cycle planning framework;
- work with OLV, the Metropolitan Planning Authority and local councils to develop integrated water plans at a regional and local level;

- continue to provide customers with proactive water efficiency education and advice programs that complement the Living Victoria Water Rebate program for households;
- continue implementation of education and awareness programs including schools programs and whole of water cycle education programs;
- undertake the National Benchmarking Study through the creation of an online resource;
- continue to work with industry to deliver the voluntary Water Management Action Plan program that encourages businesses using greater than 5 million litres of water per year to invest in water and energy efficiency;
- promote the Living Victoria Water Rebate program for small businesses;
- undertake active leak detection, proactive renewals of water mains, pressure management, intelligent network technologies and rapid response to bursts and leaks;
- develop a strategic framework and an implementation plan for integrated water cycle management within City West Water's service area;
- provide 'fit for purpose' alternative water supply to service new urban development and public open spaces in the West Werribee area; and
- partner with local government in the City West Water region to deliver stormwater harvesting projects for irrigation.

Further information can be found by visiting [citywestwater.com.au](http://citywestwater.com.au).

### Corporate water consumption<sup>1</sup>

| 2013-14  | 2012-13  |
|--|--|
| Water consumed: 2,157 kL                         | Water consumed: 2,045 kL                         |
| 3.49 kL per full time equivalent employee        | 3.89 kL per full time equivalent employee        |
| 314.78 litres per m <sup>2</sup> of office space | 298.31 litres per m <sup>2</sup> of office space |

<sup>1</sup> Includes all water used at head office and canteen. Does not include water used by third party contractors.

## Environmental sustainability

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

### Sustainability Policy

The Sustainability Policy guides City West Water's strategic planning processes, particularly in development of the annual Corporate Plan and Business Plan. The policy defines sustainability as living and working in ways that do not jeopardise current and future social, environmental and economic resources. The policy is implemented via City West Water's integrated quality, environmental, water quality, sewage quality, occupational health and safety and financial management systems.

### Environmental Policy

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

- maintaining an ISO14001 accredited environment management system (EMS) to manage organisational environmental aspects and impacts;
- aligning environmental strategic objectives with targets and actions through City West Water's Environmental Sustainability Plan (ESP);
- reviewing targets and actions set out in the ESP at regular intervals;
- reporting progress against targets and actions set out in the ESP to both the City West Water Board and the Community Liaison Committee; and
- publicly reporting on environmental performance via this report and the environment section of the City West Water website.

## 1. Sustainable water use

City West Water has in place a suite of programs promoting integrated and sustainable use of water resources, consistent with a whole-of-water-cycle-management approach that includes better use of alternative supplies. Through these initiatives the organisation contributes to the *Melbourne's Water Future* vision of:

*A smart and resilient water system for a liveable sustainable and productive Melbourne.*

Programs delivered during 2013-14 to advance integrated water cycle management and engage the community are outlined in this section.

### 1.1 City West Water's Integrated Water Cycle Management Strategy

Launched in early 2014 the Integrated Water Cycle Management Strategy addresses the challenges of increased water demand caused by rapid population growth. The strategy proposes a suite of integrated infrastructure solutions to deliver affordable and sustainable water cycle services that will supply water and sewerage services as well as improve the environmental sustainability, resilience and economic performance of water management. The strategy is available in full at [citywestwater.com.au](http://citywestwater.com.au).

### 1.2 Regional whole of water cycle management

City West Water has been working with OLV and other stakeholders to develop options to service western and central growth areas using a whole-of-water-cycle-management approach. Regional whole-of-water-cycle management plans are being developed to deliver on goals to reduce reliance on drinking water, increase use of alternative local water sources, reduce stormwater runoff into waterways and improve liveability and community health. The two regional plans that fall within City West Water's service are:

#### Water Future West

The investigation area for Water Future West comprises City West Water's and Western Water's service areas including the western Maribyrnong and Werribee River catchments. The region has the potential to benefit strongly from whole-of-water-cycle planning as the area experiences lower rainfall than other parts of the metropolitan area, is remote from drinking water sources, is experiencing rapid urban growth, and contains important irrigation districts.

A regional water balance is being developed to explore how different initiatives will impact the water cycle across the region. In addition various sub-projects in the infill and growth areas are underway to quantify the opportunities and constraints for integrated servicing strategies.

#### Water Future Central

The investigation area comprises inner city local government areas and will particularly focus on precincts that have been identified as areas of significant urban renewal. These precincts are expected to undergo redevelopment resulting in increased density, which presents a range of whole-of-water-cycle-management opportunities.

## Report of Operations (continued)

### 1.3 Alternative water schemes

In 2013-14 City West Water completed or continued progress on the alternative water initiatives listed below, in line with the organisation's Integrated Water Cycle Management Strategy.

#### **West Werribee Dual Supply Scheme**

The West Werribee Dual Supply Scheme will supply Class A recycled water from the Werribee Recycled Water Plant through purple water pipes to homes in estates in the Werribee and Wyndham Vale areas. This year saw the completion of pipe construction and the storage tank required to enable supply. As part of the project, construction of the salt reduction plant that will treat the recycled water before distribution to customers is near completion.

#### **Aquifer storage and recharge**

The Aquifer Storage and Recharge (ASR) project will enable surplus water produced as part of the West Werribee Dual Supply Scheme to be injected into an underground aquifer for storage. When summer demand exceeds the capacity of the plant, water will be extracted from the aquifer to add to the supply to customers. Detailed design of the aquifer borefield has been completed and bore construction has begun. Design work for a separate ASR treatment plant is nearing completion.

City West Water has also completed investigations into potential aquifers at Wyndham Vale, Mount Cottrell and Ravenhall. Investigations have involved drilling test bores and conducting pumping tests to determine the aquifer's feasibility for an ASR scheme. Results indicate that the Wyndham Vale area is the most promising for an ASR scheme, but requires further investigations to confirm its viability. City West Water will continue to investigate the Wyndham Vale area during 2014-15.

#### **Stormwater harvesting projects**

City West Water has been partnering with councils within the organisation's service area to deliver localised stormwater harvesting projects. During 2013-14, in the City of Brimbank, the Green Gully Reserve and Keilor Public Golf Course stormwater harvesting projects began operation.

In the Hobsons Bay municipality stormwater harvesting projects at Laverton Recreation Reserve and Paisley Park were also completed. These two projects diverted stormwater from nearby stormwater drains for treatment and storage before being drawn out for irrigation when needed.

The four stormwater projects have the capacity to deliver approximately 200 million litres of drinking water savings per year.

### 1.4 Uniform Drought Response Plan and By-Law

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

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

### 1.5 Drinking water quality

City West Water produces an Annual Drinking Water Quality Report available at [citywestwater.com.au](http://citywestwater.com.au). The document provides comprehensive details of water quality testing and results that show water quality is regularly better than the required standards and health related Australian drinking water quality guidelines.

### 1.6 Customer and community engagement

The following customer and community engagement initiatives were undertaken in 2013-14:

- understand customer needs in order to deliver the right product at the right price and in the right way;
- lead the community in water cycle management, and
- partner to achieve a healthy urban habitat.

#### **Community involvement and water awareness campaigns**

City West Water has an active community involvement and water awareness presence tailored to meet the diverse needs of the organisation's service area including:

- the healthy urban habitat website which links the community with information and resources to create thriving green spaces in a water efficient manner;
- English as a Second Language syllabus tailored to English language schools in City West Water's service area;
- the *Water Learn it! Live it!* program providing a suite of curriculum resources to teachers of prep to year 10, and delivered in conjunction with Melbourne's other water retailers;
- teacher resources including a lending library and water testing kit for school excursions;
- regular attendance at community festivals and events; and
- tailored presentations to community groups to provide relevant information on a variety of topics including household water saving programs, sources of water, transaction and interactions with water retailers, and water wise gardening.



### Community consultation

City West Water consults with customers on development and delivery of key planning documents on an as needed basis and through regular committee meetings.

2013-14 saw the culmination of in depth stakeholder consultation to develop the City West Water Integrated Water Cycle Management Strategy.

City West Water has two quarterly committees that assist the organisation understand community expectations:

### Community Liaison Committee

The Community Liaison Committee helps City West Water understand local community environmental expectations, as well as contributing to the development of the organisation's Environmental Sustainability Plan (ESP). During 2013-14 the Committee provided input to and endorsement of the ESP 2013-18. The committee also provided feedback to OLV on the objectives of the Water Future West Strategy.

### Customer Committee

The Customer Committee provides feedback and input into customer related programs and activities. In 2013-14 the committee provided input to and feedback on changes made to the City West Water Customer Charter. The committee also provided support and endorsement of the work being done with City West Water's recycled water, Healthy Urban Habitat and Greening the West programs.

### Greening the West

Greening the West is an initiative that aims to deliver positive health and social outcomes and enhanced liveability for communities in the western suburbs of Melbourne. Facilitated by City West Water, Greening the West is driven by a steering committee of partners including local councils, Parks Victoria, the Department of Environment and Primary Industries, the Department of Health, VicRoads and community and industry representatives. The vision for Greening the West is:

*To enable sustainable, liveable and healthy communities through urban greening.*

The Greening the West Steering Committee seeks to realise this vision by taking a regional approach in fostering projects and activities that deliver increased vegetation and public use of quality green space.

In November 2013 the *Greening the West - a regional approach Strategic Plan* was endorsed by the steering committee and formally launched. The committee is now working towards an implementation plan that includes investigating opportunities for greening to occur in areas of particular community health vulnerability, so as to have the most positive impact.

In addition City West Water is leading a number of other activities under the Greening the West banner:

- investigation of pilot greening projects including a green boulevard for Geelong Road and tree planting at Whitten Oval, Footscray;
- partnerships with universities to link students to greening projects such as green walls at two schools and developing recommendations for successful community gardens;
- supporting funding applications and leveraging support from state and federal agencies including the Department of Primary Industries' Two Million Trees initiative and the Federal Government's Green Army program;
- research and development with universities; and
- development of a Greening the West website – [greeningthewest.org.au](http://greeningthewest.org.au).

## 2 Other environmental aspects and impacts

City West Water's Environmental Management System (EMS) provides the framework for managing the organisation's environmental aspects and impacts. The EMS follows 'plan, check, do, and act' cycles outlined in ISO14001 Environmental Management System guidelines, with accreditation for the system obtained in 2013-14.

The EMS has an Aspect and Impacts register to ensure the organisation has in place appropriate controls to manage environmental risks, and meets statutory obligations. The EMS also provides a framework for City West Water to contribute to state wide environmental initiatives through delivery of initiatives outlined in the organisation's Environmental Sustainability Plan.

Statutory requirements and City West Water's participation in state wide environmental protection initiatives are outlined below.

### 2.1 Flora and fauna management

The dominant vegetation class in City West Water's service area is western basaltic plains grassland, interspersed with riparian plains woodland and coastal salt marsh around rivers and coasts respectively. The landscape is highly modified and accordingly remaining vegetation is home to a range of unique and threatened species.

During 2013-14, City West Water developed a Flora and Fauna Strategy to guide the management of native vegetation where it interacts with the organisation's operations. Implementation of the strategy will improve the effectiveness with which City West Water manages statutory obligations outlined in the *Flora and Fauna Guarantee Act 1988*, *Catchment and Land Protection Act 1994*, *Native Vegetation Permitted Clearing Regulations* and *Victorian Planning Provisions*. In addition, initiatives listed in the strategy will contribute to the following regional initiatives in City West Water's service area:

## Report of Operations (continued)

**The Port Phillip and Western Port Regional Catchment Strategy** which aims to strengthen the health and resilience of the region's natural environment. City West Water contributed to the strategy development through consultation with the Melbourne Metropolitan Water Industry Environment and Planning group. This group works to jointly advance the management of flora and fauna under water industry control.

**Biodiversity** which aims to increase awareness of biodiversity conservation, reduce habitat loss, highlight processes which pose a major threat to biodiversity, and identify habitats and environments that require urgent management.

### 2.2 Waterway health

City West Water's asset renewals, preventative maintenance, and sewage quality and treatment programs represent a significant investment that protects waterways from harmful impacts of sewage. In addition City West Water's International Standards Organisation accredited Integrated Sewage Quality System provides a rigorous framework for ensuring the organisation's programs provide adequate environment protection and meet statutory obligations.

#### State environment protection policy requirements

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

City West Water has a sewage treatment plant licence for effluent discharge from the Altona Treatment Plant. The organisation has complied with its licence requirements for 2013-14, ensuring that treatment plant operations minimise impacts to the protected beneficial uses of Port Phillip Bay's inshore segment, including:

- maintenance of aquatic ecosystems and associated wildlife;
- water based recreation (primary and secondary contact, aesthetic enjoyment);
- production of molluscs for human consumption – aquaculture;
- commercial and recreational use of edible fish and crustacea;
- navigation and shipping; and
- industrial water use.

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

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

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

#### Environmental flow contributions

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

#### Stormwater management

City West Water adheres to all planning permit conditions, including sediment controls to minimise stormwater runoff and prevent erosion.

Environmental Management Plans are in place for construction works, informed by water quality objectives in the *State Environment Protection Policy (Waters of Victoria)*, the organisation's obligations under the *Environment Protection Act 1970*, and the *Civil Contractors Federation Environmental Guidelines for Civil Construction*. This ensures that construction practices, for example site de-watering and groundwater management, do not put at risk any beneficial use of receiving waters.

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

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

#### Other activities that support values for waterways and bays

City West Water works closely with Melbourne Water, the waterways manager for the region, to ensure that the impacts of the organisation's programs and activities on waterways are aligned with state wide initiatives outlined in Melbourne Water's Healthy Waterways Strategy, Better Bays and Waterways Plan, and the Port Phillip and Yarra Bay Action Plan. Actions these organisations have jointly delivered in 2013-14 include:

- working with other retailers and the EPA to develop the Cleaner Yarra and Bay website and supporting mechanisms to notify the public of sewer spills and other water quality issues; and
- working with Melbourne Water and the Centre for Aquatic Pollution Investigation and Management to determine if sewer spills had any impact on river health in the Maribyrnong River.



### 3. Greenhouse gas emissions and net energy consumption

City West Water uses energy in the transportation and treatment of water and sewage, production of alternative water, and office administration. A breakdown of usage areas is shown in Table 1. City West Water performance against energy management targets is shown in Table 2.

Table 1: Corporate energy targets and performance

| Corporate Target                                  | Performance   |
|---|---|
| Implement cost effective efficiency opportunities | Developed a green lease with City West Water's new office owners to achieve a NABERS 4.5 star energy rating (expected to decrease office energy consumption by 52%)   |
| Utilise renewable energy for desalting operations | Installed a 6kW solar system at Altona Treatment Plant to pilot solar system performance<br>Obtained Renewable Energy Certificates from Melbourne Water for remaining energy use at the Altona Ultra Filtration Reverse Osmosis plant |

Table 2: Corporate energy targets and performance<sup>1</sup>

|                                   | ML      | MJ/ML     | kWh               | tCO <sub>2</sub> -e | tCO <sub>2</sub> -e/ML |
|-----------------------------------|---------|-----------|-------------------|---------------------|------------------------|
| Water treatment and pumping       | 103,384 | 8.623     | 891,518           | 290                 | 0.0028051              |
| Wastewater treatment <sup>2</sup> | 4,992   | 3,773.794 | 18,838,782        | 7,424               | 1.4871795              |
| Waste disposal                    | -       | -         | -                 | 618                 | -                      |
| Energy use (non-fleet)            | -       | -         | 9,272,380         | 1,747               | -                      |
| Vehicle fleet                     | -       | -         | 16,202,200        | 1,124               | -                      |
| Other activities                  | -       | -         | -                 | 125                 | -                      |
| Offsets Purchased                 | -       | -         | -                 | (400)               | -                      |
| <b>Total</b>                      |         |           | <b>45,204,880</b> | <b>10,928</b>       |                        |

<sup>1</sup> Previous year emission reporting includes Scope 3 emissions. 2013-14 emissions have only included Scope 1 and 2 emissions, except for Scope 3 emissions from waste. This is to meet the requirements of ministerial directions to align reporting with ESC indicators (which include only Scope 1 and 2 emissions).

<sup>2</sup> Wastewater treatment volumes are supplied only for sewage treated at City West Water sewage treatment plants. The majority of sewage is conveyed to Melbourne Water's Western Treatment Plant. Energy expended by City West Water in this conveyance is included in the energy use figure.

## Report of Operations (continued)

Table 3: Historical performance information

| Financial year  | 2012-13       | 2011-12      | 2010-11        | 2009-10      | 2008-09        |
|---|---------------|--------------|----------------|--------------|----------------|
| <b>Emissions (tCO<sub>2</sub>-e)</b>                      |               |              |                |              |                |
| Water treatment and pumping                               | 312           | 286          | 272            | 274          | 191            |
| Wastewater treatment                                      | 9,693         | 10,612       | 8,778          | 7,840        | 7,147          |
| Waste disposal  | 617           | 40.52        | 37.76          | 29.5         | 52.77          |
| Energy use (non fleet)                                    | 2,115         | 2,051        | 1,830          | 2,069        | 2,361          |
| Vehicle fleet   | 1,374         | 1,300        | 1,459          | 1,515        | 1,626          |
| Other   | 213           | 166          | 175            | 192          | 137            |
| <b>Offsets (tCO<sub>2</sub>-e)</b>                        |               |              |                |              |                |
| Green Balance   | -             | -            | -              | (4,968)      | (4,399)        |
| Showerhead exchange program<br>(Carbon Abatement Program) | -             | -            | -              | (3,936)      | (8,039)        |
| Green Energy  | -             | -            | -              |              | (799)          |
| Verified Carbon Offsets                                   | -             | (12,007)     | (12,600)       | (3,500)      | (1,000)        |
| Renewable energy certificates                             | (2,360)       | (2,602)      | -              | -            | -              |
| <b>Net greenhouse gas emissions</b>                       | <b>11,964</b> | <b>(152)</b> | <b>(47.92)</b> | <b>(483)</b> | <b>(2,720)</b> |

## Social Sustainability

### Community Service Obligations

City West Water provided the following community service obligations during 2013-14.

|   | 2013-14<br>(\$'000) | 2012-13<br>(\$'000) |
|---|---------------------|---------------------|
| Rebates paid to not for profit organisations under the water and sewerage rebate scheme | 483                 | 501                 |
| Provision of concessions to customers   | 21,095              | 19,753              |
| Water concessions to those on life support machines (haemodialysis)                     | 19                  | 16                  |
| Utility relief grant scheme   | 273                 | 198                 |

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

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

#### Provision of concessions to customers

Customers who hold a pension concession card, Department of Veterans Affairs gold card, or health care card are entitled to a 50 per cent concession on water and sewerage charges up to an annual maximum. The 2013-14 maximum was \$283.90. If a customer is receiving only one service they are entitled to a concession of up to half the annual maximum. City West Water invoices the Department of Health for the value of these concessions.

#### Water concessions to those on life support machines (haemodialysis)

Residential customers that require in home haemodialysis are entitled to a rebate on water usage and sewage disposal charges. The Department of Health determines the rebate amount based on the average annual water usage of an in home haemodialysis machine of 168,000 litres per year. This rebate is in addition to any other pension or concession a customer may be entitled to. City West Water invoices the Department of Health for the value of these concessions.

#### Utility Relief Grant Scheme

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

## Performance Report

### Financial performance indicators

| KPI | Key performance indicator   | 2012-13 Result | 2013-14 Result | 2013-14 Target | % Variance to prior year | Notes | % Variance to target | Notes |
|-----|---|----------------|----------------|----------------|--------------------------|-------|----------------------|-------|
| F1  | <b>Cash interest cover</b><br>Net operating cash flows before net interest and tax / net interest payments                    | 2.3            | 1.7            | 1.6            | (24.8)                   | 1     | 3.9                  |       |
| F2  | <b>Gearing ratio</b><br>Total debt (including finance leases) / total assets *100   | 47.5%          | 49.2%          | 52.0%          | 3.6                      |       | 5.5                  |       |
| F3  | <b>Internal financing ratio</b><br>Net operating cash flow less dividends / net capital expenditure * 100                     | 13.9%          | 9.6%           | 10.7%          | (30.7)                   | 2     | (10.3)               | 3     |
| F4  | <b>Current ratio</b><br>Current assets / current liabilities (excluding long term employee provisions and revenue in advance) | 0.7            | 0.5            | 0.5            | (25.7)                   | 4     | -                    |       |
| F5  | <b>Return on assets</b><br>Earnings before net interest and tax / average assets * 100  | 4.9%           | 4.8%           | 4.5%           | (2.6)                    |       | 6.5                  |       |
| F6  | <b>Return on equity</b><br>Net profit after tax / average total equity *100   | 4.5%           | 3.6%           | 2.1%           | (21.0)                   | 5     | 72.5                 | 6     |
| F7  | <b>EBITDA Margin</b><br>Earnings before interest, tax, depreciation and amortisation / total revenue *100                     | 28.5%          | 22.3%          | 21.9%          | (21.5)                   | 7     | 2.3                  |       |

1. Cash interest cover has decreased compared to 2012-13 mainly as a result of increased finance costs due to increased borrowing to fund City West Water's capital expenditure program, as well as a reduction in the weighted average cost of capital resulting from the ESC's pricing decision for Water Plan 3.

2. The internal financing ratio has decreased compared to 2012-13 due to lower net operating cash flows arising from increased bulk charges, finance costs and income tax equivalent payments.

3. The internal financing ratio was lower than target due to lower than expected net operating cash flows arising from lower than expected receipts from customers (due partly to the return of desalination cost to customers which were provided for in 2012-13), higher than budgeted bulk charges, payments to suppliers and income tax equivalent payments (higher than expected tax payment in respect of 2012-13), offset by lower than expected dividend payments. City West Water aims to improve its forecasting process to minimise the impact that timing differences have on targets.

4. The current ratio has decreased compared to 2012-13 due mainly to increased current borrowings in 2013-14.

5. Return on equity has decreased compared to 2012-13 due to a reduction in net profit after tax (reduction in WACC, increase in depreciation and finance charges) as well as the impact of increased equity from the recognition of an asset valuation surplus in 2013-14.

6. Return on equity was above the 2013-14 target due to higher than expected net profit after tax (higher than expected sales, lower than expected operating and finance charges).

7. EBITDA margin has decreased compared to 2012-13 due mainly to a reduction in gross margin arising from proportionately higher price increases for bulk water and sewage in comparison to City West Water's price increases as part of the ESC's price determination (Water Plan 3).

## Water and sewerage service performance indicators

| KPI Number | Key performance indicator  | 2012-13 Result | 2013-14 Result | 2013-14 Target | % Variance to prior year | Notes | % Variance to target | Notes |
|------------|--|----------------|----------------|----------------|--------------------------|-------|----------------------|-------|
| WS1        | <b>Unplanned water supply interruptions</b><br>Number of customers receiving five unplanned water supply interruptions in the year / total number of water (domestic and non-domestic) customers<br><br>*100 | 0              | 0              | 0.1            | -                        |       | 100.0                | 1     |
| WS2        | <b>Interruption time</b><br>Average duration of unplanned water supply interruptions (minutes)   | 120.4          | 115.3          | 140.8          | 4.2                      |       | 18.1                 | 2     |
| WS3        | <b>Restoration of unplanned water supply interruptions</b><br>Unplanned water supply interruptions restored within five hours (%)  | 97.9           | 97.9           | 93.9           | -                        |       | 4.3                  |       |
| SS1        | <b>Containment of sewer spills</b><br>Sewer spills from reticulation and branch sewers contained within 5 hours (%)  | 100.0          | 100.0          | 100.0          | -                        |       | -                    |       |
| SS2        | <b>Sewer spills interruptions</b><br>Number of residential sewerage customers affected by sewerage interruptions restored within 5 hours (number)  | 2,537          | 2,552          | 2,500          | (0.6)                    |       | (2.1)                |       |

1. The target was exceeded by 100 per cent as no customers experienced more than five unplanned interruptions during 2013-14.

2. The target average duration time for unplanned interruptions was exceeded due to fewer jobs than expected, enabling better responsiveness.

## Performance Report (continued)

### Customer responsiveness performance indicators

| KPI Number | Key performance indicator   | 2012-13 Result | 2013-14 Result | 2013-14 Target | % Variance to prior year | Notes | % Variance to target | Notes |
|------------|---|----------------|----------------|----------------|--------------------------|-------|----------------------|-------|
| CR1        | <b>Water quality complaints</b><br>Number of complaints per 100 customers (number)            | 0.069          | 0.045          | 0.100          | 34.8                     | 1     | 55.0                 | 1     |
| CR2        | <b>Sewerage service quality complaints</b><br>Number of complaints per 100 customers (number) | 0.005          | 0.005          | 0.055          | -                        |       | 90.9                 | 2     |
| CR3        | <b>Sewage odour complaints</b><br>Number of complaints per 100 customers (number)             | 0.024          | 0.029          | 0.055          | (20.8)                   | 3     | 47.3                 | 4     |
| CR4        | <b>Billing complaints</b><br>Number of complaints per 100 customers (number)                  | 0.118          | 0.154          | 0.130          | (30.5)                   | 5     | (18.5)               | 5     |

1. Fewer people than expected contacted City West Water during 2013-14 to complain about water quality.

2. Fewer people than expected contacted City West Water during 2013-14 to complain about sewer service quality.

3. More people contacted City West Water during 2013-14 to complain about sewerage odour compared to 2012-13. The significant majority of these reports were found to be 'no fault on arrival' or an internal issue and not a City West Water issue. In 2014-15 it is City West Water's intention to gather more qualitative information on trends in sewer odour complaints that may help in developing customer message strategies through initiatives such as IVR or proactive SMS messaging.

4. During 2013-14, fewer people than expected contacted City West Water to complain about sewage odour.

5. During 2013-14 City West Water received an increase in billing complaints, predominantly relating to the desalination plant issue in the first quarter of the financial year. As the return of desalination plant cost to customers has been completed in 2013-14, City West Water does not expect this issue to impact billing complaints in 2014-15.

### Environmental performance indicators

| KPI Number | Key performance indicator  | 2012-13 Result | 2013-14 Result | 2013-14 Target | % Variance to prior year | Notes | % Variance to target | Notes |
|------------|--|----------------|----------------|----------------|--------------------------|-------|----------------------|-------|
| E1         | <b>Effluent reuse volume (end use)</b><br>Effluent reuse volume (%)                | 16.0           | 2.2            | 10.0           | (86.3)                   | 1     | (78.0)               | 2     |
| E2         | <b>Total net CO<sub>2</sub> emissions</b><br>Net tonnes CO <sub>2</sub> equivalent | 11,964.0       | 10,928.0       | n/a            | (8.7)                    | 3     | n/a                  | 4     |

1. City West Water's Altona Recycled Water Treatment Plant was offline for most of 2013-14.

2. City West Water's target is calculated as the average of the last five years performance.

3. 2012-13 net CO<sub>2</sub> equivalent emissions included Scope 3 greenhouse emissions. These have not been reported in 2013-14.

4. City West Water does not have a target for net CO<sub>2</sub> emissions. Instead the organisation has in place an Energy Strategic Plan which follows the Environment Protection Authority's Carbon Management Hierarchy. For more information go to [citywestwater.com.au](http://citywestwater.com.au).

## Certification of Performance Report for 2013-2014

We certify that the accompanying Performance Report of City West Water Corporation in respect of the 2013-14 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 2013-14 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 of the Performance Report to be misleading or inaccurate.



**The Hon. Alan Stockdale**  
Chairman



**Anne Barker**  
Managing Director

Melbourne  
27 August 2014



Victorian Auditor-General's Office

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## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, City West Water Corporation

#### *The Performance Report*

The accompanying performance report for the year ended 30 June 2014 of the City West Water Corporation comprises the performance report, the related notes and the certification has been audited.

#### *The Board Members' Responsibility for the Performance Report*

The Board Members of the City West Water Corporation are responsible for the preparation and fair presentation of the performance report in accordance with 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 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, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

### *Opinion*

In my opinion, the performance report of the City West Water Corporation in respect of the 30 June 2014 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Performance Report*

This auditor's report relates to the performance report of the City West Water Corporation for the year ended 30 June 2014 included both in the City West Water Corporation's annual report and on the website. The Board Members of the City West Water Corporation are responsible for the integrity of the City West Water Corporation's website. I have not been engaged to report on the integrity of the City West Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the performance report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited performance report to confirm the information contained in the website version of the performance report.

MELBOURNE  
29 August 2014

  
John Doyle  
Auditor-General

## Major non residential water users

**Table 1: Customers by volume range**

| Volumetric Range – ML per year                      | Number of customers |
|---|---------------------|
| Equal to or greater than 200ML and less than 300ML  | 6                   |
| Equal to or greater than 300ML and less than 400ML  | 6                   |
| Equal to or greater than 400ML and less than 500ML  | 3                   |
| Equal to or greater than 500ML and less than 750ML  | 2                   |
| Equal to or greater than 750ML and less than 1000ML | 0                   |
| Greater than 1000ML                                 | 4                   |
| Total number of customers                           | 21                  |

**Table 2: Major customers and their participation in Water Management Action Plans (in alphabetical order)**

| Name of customer                               | waterMAP status         |
|--|-------------------------|
| Asahi Premium Beverages Pty Ltd                | Yes, waterMAP developed |
| Australian Vinyls Corporation Ltd              | Yes, waterMAP developed |
| Carlton & United Breweries, Abbotsford Brewery | Yes, waterMAP developed |
| Coogee Energy                                  | Yes, waterMAP developed |
| CSF Proteins                                   | Yes, waterMAP developed |
| Baiada Poultry Pty Ltd                         | Yes, waterMAP developed |
| JBS Australia Pty Limited                      | Yes, waterMAP developed |
| Melbourne Airport                              | Yes, waterMAP developed |
| Mobil Refining Australia                       | Yes, waterMAP developed |
| Leading Textiles Pty Ltd                       | Yes, waterMAP developed |
| Nufarm Chemicals                               | Yes, waterMAP developed |
| Onesteel                                       | Yes, waterMAP developed |
| Peerless Holdings Pty Ltd                      | Yes, waterMAP developed |
| Qenos Olefins                                  | Yes, waterMAP developed |
| Melbourne Health (Royal Melbourne Hospital)    | Yes, waterMAP developed |
| Schweppes Australia Pty Ltd                    | Yes, waterMAP developed |
| Sugar Australia                                | Yes, waterMAP developed |
| Victoria Wool Processors                       | Yes, waterMAP developed |
| Toyota Motor Corporation Australia             | Yes, waterMAP developed |
| University of Melbourne                        | Yes, waterMAP developed |
| Victoria Racing Club                           | Yes, waterMAP developed |

## 2. Other water efficiency reporting

**Requirement 3:** Information on Water Management Action Plan (waterMAP) program including customer participation and estimated efficiencies.

Around 70 per cent of water used by City West Water's non residential customer base is consumed by 1.5 per cent of customers. These customers consume 10 million litres of water per year or more, and were required to complete a waterMAP under a former mandatory program. The waterMAP program is now voluntary. City West Water

continues to work actively with this group of customers, as well as those using between 5-10 million litres of water per year. Support is also available to other customers below these usage thresholds. Support includes reviewing waterMAPs with existing waterMAP participants, conducting water audits for new participants in the program, and identifying and devising feasible improvement opportunities. waterMAP program participation numbers are included in Table 3.

## Major non residential water users (continued)

**Table 3: Number of customers completing a new waterMAP or a review of an existing waterMAP.**

| Year    | Program Status                     | waterMAPs        |         |       |
|---------|------------------------------------|------------------|---------|-------|
|         |                                    | New              | Reviews | Total |
| 2007-08 | Mandatory (>10ML/year + voluntary) | 483              | 76      | 559   |
| 2008-09 | Mandatory (>10ML/year + voluntary) | 60               | 464     | 524   |
| 2009-10 | Mandatory (>10ML/year + voluntary) | 38               | 490     | 528   |
| 2010-11 | Mandatory (>10ML/year + voluntary) | 24               | 397     | 421   |
| 2011-12 | Voluntary (>5ML/year)              | 13               | 148     | 161   |
| 2012-13 | Voluntary (>5ML/year)              | 202 <sup>1</sup> | 190     | 392   |
| 2013-14 | Voluntary (>5ML/year)              | 66               | 95      | 161   |

<sup>1</sup> New waterMAPs received in 2012-13 were a result of the Small and Medium Business Water and Energy Audit Program.

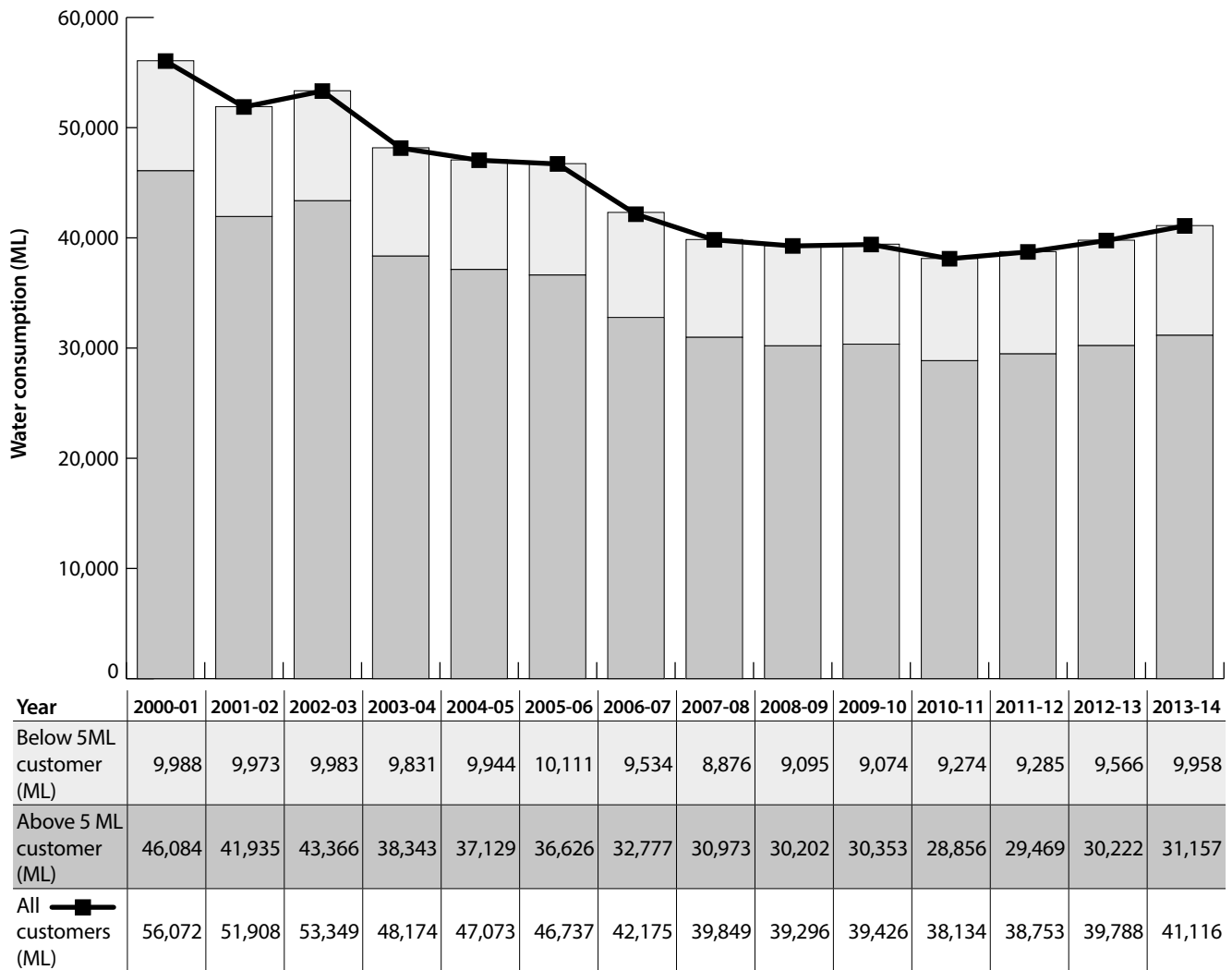
Currently, there are approximately 300 opportunities identified through existing waterMAPs with water savings equating to 2,169 million litres per year. These opportunities range from amenities upgrades to industrial process modifications.

Figure 1. overleaf illustrates annual water consumption for City West Water's non residential customers for the past 14 years. Customers using above 5 million litres per year steadily reduced consumption until 2010-11. From 2010-11 to 2013-14, customers using more than 5 million litres per year increased water use by approximately seven per cent. Growth in City West Water's non-residential customers over the past 13 years has been approximately 37 per cent.

City West Water has traditionally focused on assisting larger water users (greater than 10 million litres per year) through the waterMAP program as they account for 70 per cent of City West Water's non residential water use, however the trend of sustained water use by customers using less than 5 million litres per year has seen City West Water provide greater support targeted towards these customers.

## Major non residential water users (continued)

Figure 1: Annual water consumption for City West Water's non residential customers for the past 14 years



### Information on industry specific programs including customer participation and estimated efficiencies

Three industry sectors account for the bulk of non residential water consumption. Of customers using 10 million litres per year or more, the manufacturing sector accounts for over 50 per cent of water use, followed by the rental, hiring and real estate services sector (office buildings

and shopping centres) at 14 per cent and arts and recreation services (predominantly open space) at 11 per cent. For this reason, industry specific programs are mainly targeted at these sectors. A summary of these programs is provided in Table 4.

**Table 4: Summary of City West Water's industry specific programs**

| Program Name  | Program Date                  | Program Description  | Estimated Efficiencies  | Participants                      |
|---|-------------------------------|--|---|-----------------------------------|
| National Business Water Efficiency Benchmarking (NBweb)<br>nbweb.com.au | Website launched October 2013 | Water suppliers across Australia have collaborated to develop the National Business Water Efficiency Benchmarking project (NBweb). NBweb is designed to gather water use information across a wide range of business sectors to enable: <ul style="list-style-type: none"> <li>businesses to compare their water use to industry averages and be able to identify their own ways to use water in the most efficient manner and therefore save costs; and</li> <li>water suppliers to share their experience and pool resources to develop a nationally consistent business customer benchmarking framework.</li> </ul> The project was sponsored by the Victorian Government, the Smart Water Fund, City West Water and water businesses across Australia. | Website users remain anonymous, so efficiencies achieved as a result of NBweb are unable to be quantified.  | Approximately 80 visitors per day |
| Steam System Efficiency Program   | Completed June 2012           | Provide audits and training to assist businesses to improve water and energy efficiency of steam systems. City West Water is working with customers to implement improvement opportunities.  | <b>Savings identified:</b><br>239ML water per year<br>187,000 gigajoules gas per year<br>10,400 tonnes CO <sub>2</sub> -e per year<br><br><b>Implemented savings to date:</b><br>10ML water per year<br>14,900 gigajoules gas per year<br>784 tonnes CO <sub>2</sub> -e per year. | 30 audits                         |
| Clean in Place Efficiency Program                                       | Currently underway            | Provide assessments to assist businesses to improve water, energy, chemical and production efficiency of Clean In Place (CIP) systems.<br><br>CIP is a method of cleaning the interior surfaces of pipes, vessels, and associated process equipment, without disassembly. It is common in food, beverage and pharmaceutical industries.  | <b>Potential savings identified to date (6 of 8 audits complete):</b><br>31.6ML water per year<br>1 gigajoule gas per year<br>25,900 litres chemicals per year<br>1,040 hours downtime per year.  | 8 audits                          |

## Major non residential water users (continued)

| Program Name                           | Program Date                   | Program Description  | Estimated Efficiencies  | Participants   |
|--|--------------------------------|--|---|--|
| Open Space Optimisation                | Currently underway             | <p>City West Water, in partnership with Victorian Government agencies, local councils and key industry stakeholders, has initiated a project to determine best practice for optimising open space management using principles of water efficiency, and to demonstrate the business case of applying best practice. Achieving high water use efficiency and functional performance of the open space will be core elements of the study.</p> <ul style="list-style-type: none"> <li>• Stage 1: best practice options and business case for trial sites</li> <li>• Stage 2: operation of trial sites</li> <li>• Stage 3: evaluation and recommendations – adoption strategies and costing based on results.</li> </ul> <p>Stage 1 is complete, and is now awaiting the outcome of an application to the Living Victoria Fund to enable Stage 2 to proceed.</p>   | Water savings are expected as a result of implementing best practice. This will be confirmed in Stage 2 of the project when trial sites are operated.   | Input from stakeholders across the state and will be guided by industry specialists from local government, water authorities, private open space managers, irrigation and sports turf specialists, the Melbourne Cricket Club and the Melbourne and Olympic Parks Trust. |
| Cooling Tower Water Efficiency Program | Audits completed November 2009 | <p>Victorian Government program that was delivered by Australian Institute of Refrigeration, Air-conditioning and Heating (AIRAH) and project managed by City West Water. The project has assisted businesses across Victoria to optimise water efficiency in cooling towers. Outcomes include:</p> <ul style="list-style-type: none"> <li>• 469 cooling tower water efficiency assessments (10 per cent of Victoria's cooling tower stock);</li> <li>• AIRAH training courses for system operators;</li> <li>• development of a best practice water efficiency guide added to AIRAH's suite of publications;</li> <li>• on-line water efficiency calculator as part of a resource rich website <a href="http://mycoolingtower.com.au">mycoolingtower.com.au</a>;</li> <li>• 233 check meters provided to water customers across Victoria to optimise water efficiency in cooling towers; and</li> <li>• project review report.</li> </ul> | <p>Potential water savings estimated to be 1.9GL per year across Victoria if all cooling towers are running efficiently.</p> <p>Total water consumption by cooling towers across Victoria is estimated to be 30.8GL per year.</p> | <ul style="list-style-type: none"> <li>• 469 cooling tower system audits</li> <li>• 114 people attended AIRAH training course.</li> </ul>  |
| Schools Water and Energy Audits        | Ongoing                        | Provide schools with water and energy efficiency audits, identifying high level improvement opportunities.   | No quantitative studies have been performed to specifically assess these savings.   | 15 audits completed to date.   |

| Program Name                                       | Program Date            | Program Description  | Estimated Efficiencies   | Participants   |
|--|-------------------------|--|--|--|
| Non residential Laundries Water Efficiency Program | Completed               | The program, project managed by Yarra Valley Water, provided targeted commercial laundry operators across Victoria with an advisory service to assist them in achieving water and energy efficiencies through best practice operating processes.   | Quantitative studies of the program were performed by Yarra Valley Water.  | 123 City West Water customers participated. Six customers have implemented efficiency projects supported by City West Water co-funding resulting in water savings of 101ML per year. |
| Fire Sprinklers Water Efficiency Project           | Completed December 2011 | <p>Victorian Government project that was delivered by the Plumbing Industry Commission and supported by City West Water, South East Water and Yarra Valley Water. The project has assisted businesses across Victoria to optimise water efficiency in fire sprinkler systems. Outcomes include:</p> <ul style="list-style-type: none"> <li>• a guide to fire sprinkler system water saving;</li> <li>• free assessments and pressure setting adjustments; and</li> <li>• the identification of seven main opportunities for reducing water consumption in fire sprinkler systems.</li> </ul> | Potential water savings estimated to be 500ML per year across Victoria if all fire sprinkler systems are run at best practice. | 107 City West Water customers participated.  |

**Requirement 5:** Information on continuing work with businesses to build knowledge of water cycle patterns and options to encourage large water users to adopt local water solutions.

City West Water's Business Resource Efficiency Program works with non residential customers to improve overall resource efficiency, particularly with respect to saving water and energy, and reducing critical or problem contaminants in trade waste. The Business Resource Efficiency Program is designed to help businesses:

- analyse and understand water and energy use and trade waste generation patterns within their business;
- develop a waterMAP;
- implement initiatives to drive water and energy saving improvements;
- reduce total dissolved solids and other critical contaminants in trade waste;
- investigate alternative water options including rainwater and stormwater harvesting at an individual customer and precinct level;
- engage skilled and knowledgeable service providers;
- support resource efficiency behavioural change initiatives; and
- source and match Living Victoria rebates and third party funding opportunities to initiate implementation of resource efficiency projects.

City West Water's Business Resource Efficiency Program has a team of engineers and scientists with proven experience in the water industry to work one on one to assist customers. The team has a long history of working closely with business customers to meet their water, energy and trade waste obligations.

The Business Resource Efficiency team also collaborates with the organisation's Water Innovations team to work with businesses and local government to explore opportunities to utilise local water supplies.

## Major non residential water users (continued)

**Requirement 6:** Information to report to Parliament acknowledging leading and innovative business efforts to reduce use, harvest local water, and manage discharge.

**Table 6A: Summary of City West Water customer projects provided funding through the Department of Environment and Primary Industries' Small Grant Scheme**

| Customer                                  | Project Type                                  | Project Description  | Estimated Efficiencies | Project Completion Date              |
|---|---|--|------------------------|--------------------------------------|
| Conder Apartments                         | Water efficiency                              | Hot water reticulation system  | 3.7ML per year water   | April 2013                           |
| Flinders Wharf                            | Water efficiency                              | Data logging and sub metering of the facility  | 0.8ML per year water   | July 2013                            |
| Point Cook Senior Secondary College       | Recycled water use                            | Sports field redevelopment and connection to recycled water  | 5ML per year water     | August 2013                          |
| Wyndham City Council                      | Water efficiency                              | Redevelopment of leisure centre including pool, fixtures and fittings upgrades   | 7.4ML per year water   | Due for completion by October 2014   |
| JBS Australia Pty Ltd                     | Water efficiency                              | High pressure cleaning equipment   | 39ML per year water    | May 2013                             |
| Baiada Poultry                            | Rainwater harvesting                          | Rainwater harvesting for live bird holding area cleaning   | 1.3ML per year water   | December 2013                        |
| Sakata Rice Snacks                        | Water efficiency                              | Installation of pressure washers   | 1.8ML per year water   | October 2013                         |
| Victoria University Footscray Park Campus | Water efficiency                              | Replace 38 single flush cisterns to 4.5/3L flush units and 11 urinals will have their flow reduced from 9 litres to 2 litres.          | 1.8ML per year water   | September 2013                       |
| Medibank Icehouse                         | Rainwater harvesting                          | Connecting cooling towers to existing rainwater tanks  | 5.2ML per year water   | October 2013                         |
| Delta Civil                               | Water efficiency                              | New truck wheel wash system  | 1.5ML per year water   | November 2013                        |
| Phillip Nominees<br>Shell head office     | Water efficiency                              | Upgrade of 37 single flush toilets to dual flush toilets within the Department of Transport, Planning and Local Infrastructure tenancy | 0.3ML per year water   | February 2013                        |
| Qantas Airways                            | Water efficiency                              | Install data logging for onsite check meters   | 2ML per year water     | January 2013                         |
| Lowfield Nominees                         | Water efficiency                              | Install a plate heat exchanger and upgrade cooling system for retort vessel  | 1.7ML per year water   | March 2013                           |
| Freemasons Hospital                       | Water efficiency                              | Replacement of isolation valves  | 1ML per year water     | Due for completion by July 2014      |
| Williamstown Hospital                     | Fit for purpose reuse<br>Rainwater harvesting | Harvest reject stream from reverse osmosis plant and harvest rainwater   | 2.2ML per year water   | Due for completion by September 2014 |
| Sunshine Hospital                         | Fit for purpose reuse<br>Rainwater harvesting | Recycle reject stream of reverse osmosis plant and harvest rainwater   | 1.9ML per year water   | Due for completion by September 2014 |



Table 6B: Summary of leading and innovative projects completed by City West Water customers in 2013-2014

| Customer                           | Project Type                             | Project Description  | Estimated Efficiencies | Project Completion Date             |
|------------------------------------|--|--|------------------------|-------------------------------------|
| Victoria Racing Club               | In situ desalination                     | In situ groundwater desalination and aquifer storage and recovery for irrigation of the racetrack                                    | 150ML per year water   | Due for completion by August 2014   |
| Richmond Football Club             | Sewer mining<br>Water efficiency         | Resurfacing of Punt Road Oval with drought tolerant turf; improved drainage and connection to MCC recycled water plant in Yarra Park | 12ML per year water    | September 2013                      |
| Rialto Towers                      | Water efficiency                         | Replacement of toilets with water efficient models   | 22ML per year water    | Due for completion by December 2014 |
| 350 Queen Street, Melbourne        | Water efficiency                         | Amenities and utilities upgrade and cooling tower replacement  | 13ML per year water    | Due for completion by July 2014     |
| Maribyrnong Council Aquatic Centre | Rainwater harvesting<br>Wastewater reuse | Rainwater harvesting for toilet flushing and pool backwash recycling project   | 8ML per year water     | October 2013                        |

## Major non residential water users (continued)

Table 6C: Summary of leading and innovative projects completed by City West Water customers prior to 2013-2014

| Customer                  | Project Type          | Project Description   | Estimated Efficiencies  | Project Completion Date               |
|---------------------------|-----------------------|---|---|---------------------------------------|
| Melbourne Cricket Club    | Sewer mining          | Water treatment facility (sewer mine) built underground in Yarra Park to provide class A recycled water for use in the MCG toilets and wash down areas and for the irrigation of Yarra Park and Richmond Football Club  | Up to 180ML per year water  | November 2012                         |
| Sakata                    | Wastewater reuse      | Upgrade of water based dough cooling system to reuse water  | 20ML per year water   | December 2011                         |
| Oxford Cold Stores        | Rainwater harvesting  | Installation of a rainwater harvesting system to replace potable water use in cooling towers  | Approximately 20ML per year water   | Final stage completed in January 2011 |
| Carlton United Brewers    | Fit for purpose reuse | Installed dedicated recycled water storage and supply pipe system throughout the plant to collect fit for purpose wastewater streams for reuse  | 59ML per year water<br>59ML per year trade waste  | August 2010                           |
| Encore Tissue             | Wastewater reuse      | Filtering wastewater from the tissue making process, making it suitable for reuse in the paper machine  | 166 ML per year water<br>143 ML per year trade waste<br>The quality of trade waste discharge has improved through the removal of paper fibres which, in some instances, are reused in the papermaking process | March 2010                            |
| Australian Vinyls         | Wastewater reuse      | Removal of solids from wastewater using microfiltration and reverse osmosis to allow water to be reused in the production process   | Up to 325ML per year water  | February 2010                         |
| Moonee Valley Racing Club | Stormwater harvesting | Increasing the volume of stormwater captured for track irrigation by harvesting all of the stormwater that flows through Moonee Valley Racing Club's drainage networks, and increasing the size of the dam in which it is stored  | 60ML per year water<br>Considerable amount of hard rubbish and nitrogen diverted from Moonee Ponds Creek in large rainfall events   | June 2009                             |
| Etihad Stadium            | Rainwater harvesting  | Rainwater is collected from the venue's retractable roof and is used for turf irrigation and toilet flushing  | Approximately 20ML per year water   | December 2008                         |
| Various                   | Various               | City West Water has co-funded 109 other water efficiency projects at customer sites, including: <ul style="list-style-type: none"> <li>• rainwater and stormwater harvesting;</li> <li>• amenities upgrades;</li> <li>• process modifications; and</li> <li>• wastewater reuse.</li> </ul> Providing co-funding which has leveraged customer investment in water efficiency more than 4:1 | Total savings across 109 projects is 1.5GL per year water<br>Total lifetime savings of the projects is 25 GL water  | From 2007 to 2014                     |

**Requirement 7:** Information on assistance to businesses to capture water consumption savings through business analysis systems as a means of facilitating, identifying and implementing local water savings.

**Table 7: Summary of assistance provided to customers through business analysis systems**

| Business Analysis Systems   | Date                          | Description  |
|---|-------------------------------|--|
| waterMAPs   | Ongoing                       | Continue to support customers to prepare new waterMAPs and review existing waterMAPs annually, facilitating the identification and implementation of water efficiency opportunities.   |
| National Business Water Efficiency Benchmarking (NBweb)<br>www.nbweb.com.au | Website launched October 2013 | <p>Water suppliers across Australia have collaborated to develop the National Business Water Efficiency Benchmarking project. The tool is designed to gather water use information across a wide range of business sectors to:</p> <ul style="list-style-type: none"> <li>• enable businesses to compare their water use to industry averages and be able to identify their own ways to use water in the most efficient manner and therefore save costs; and</li> <li>• water suppliers to share their experience and pool resources to develop a nationally consistent business customer benchmarking framework.</li> </ul>   |
| Buildings Alive   | Currently developing          | <p>City West Water has partnered with Buildings Alive to develop a meaningful way to translate near real time water consumption data into actionable information for commercial buildings – a water consumption rapid efficiency feedback (REF) tool.</p> <p>The goal of the water REF tool, complementary to Buildings Alive's energy REF tool, is to trend, analyse, interpret, and communicate actionable information using a daily automated data feed from the loggers. Each day the building receives meaningful feedback about the previous day's water consumption (e.g. automated daily email message). So far, the delivery of this information to a trial site has allowed them to optimise the control and operation of their irrigation equipment to reduce water consumption by approximately one third.</p> |
| Research and Development Program  | Ongoing                       | City West Water operates a Research and Development Program that aims to overcome the barriers to improved water and water related energy efficiency and reducing trade waste volumes. It pairs business customers with research institutions to provide industry experience for university students and valuable site specific research for businesses. Sector specific projects are also undertaken including the Australian Water Association Innovation Award winning Steam Systems Efficiency Program and the Clean in Place Program. Research projects completed for businesses have also covered a wide range of topics, with needs including alternative water harvesting assessments, process improvements and alternative waste disposal assessments.  |

## Major non residential water users (continued)

**Requirement 8:** Description of work and methodology for developing guidelines and goals for increased water efficiency by smaller businesses with high water use.

City West Water has been actively working with small businesses within its service area to maximise opportunities for increased water efficiency. This has been achieved through a number of initiatives, some of which have also been reported in Requirement 4.

**Table 8: Summary of guidelines, tools and programs developed to assist City West Water's small businesses increase water efficiency**

| Initiative Name                        | Status                 | Description   | Estimated Efficiencies   | Participants   |
|--|------------------------|---|--|--|
| Living Victoria Rebates                | Ongoing                | Ongoing promotion of the availability of Living Victoria Rebates to customers through business customer newsletters, City West Water programs including the Business Resource Efficiency Program and stakeholder networks.  | <b>Estimated water savings:</b><br>21.7ML per year   | 275 rebates<br>Expenditure of \$467,204  |
| SME Water and Energy Audits            | Completed              | Leveraged other government programs to deliver water and energy efficiency audits at no cost to both large and small to medium enterprises.   | <b>Potential savings identified:</b><br>381ML per year<br>25.307 GWh per year                                    | 202 audits   |
| Resource Efficiency Assist Program     | Currently underway     | City West Water is working in conjunction with the Australian Industry Group and Sustainability Victoria to help small and medium businesses cut costs and boost productivity through the Resource Efficiency Assist Program. As part of the program, companies with less than 200 employees can access a range of free services, including: <ul style="list-style-type: none"> <li>• business assessments (water, trade waste, energy and materials);</li> <li>• Level 1 energy assessments;</li> <li>• Level 1 equivalent materials assessments;</li> <li>• showcases (to learn from leading companies); and</li> <li>• online videos.</li> </ul> | Efficiencies to be reported at the conclusion of the program in December 2014                                    | Targets:<br>60 onsite business assessments<br>40 people attending master classes<br>60 people attending showcasing |
| Pre-rinse Spray Valve Exchange Program | Completed October 2010 | Exchange inefficient pre-rinse spray valves (PRSVs) which use hot water, using 10-15 litres/min to efficient PRSVs using 4-6 litres/min in commercial kitchens.   | <b>Estimated savings:</b><br>23.9 ML per year<br>3,129 GJ gas per year<br>160 tonnes CO <sub>2</sub> -e per year | 367 PRSVs exchanged<br>VEEC accreditation obtained for PRSVs   |
| Business Showerhead Exchange Program   | Ongoing                | Exchange inefficient showerheads for water efficient showerheads in businesses including hotels, hospitals, aged care and recreational facilities.  | <b>Estimated savings:</b><br>182ML water per year<br>24,000 GJ gas per year                                      | 11,500 showerheads exchanged by 300 businesses   |

| Initiative Name                           | Status                               | Description  |
|---|--------------------------------------|--|
| Best Practice Guidelines for Saving Water | Available on City West Water website | <p>City West Water's Best Practice Guidelines aid business to identify water and resource saving opportunities. The guidelines include information about suitable water saving equipment, suggested process and procedural changes, maintenance, benchmarking and a selection of case studies. The guidelines cover:</p> <ul style="list-style-type: none"> <li>• amenities;</li> <li>• kitchens;</li> <li>• laundries;</li> <li>• cleaning practices;</li> <li>• cooling towers;</li> <li>• fire protection systems; and</li> <li>• outdoor water use.</li> </ul> <p>These are available at <a href="http://citywestwater.com.au">citywestwater.com.au</a>.</p> |
| Water Efficiency Checklist                | Ongoing                              | <p>City West Water has developed a water efficiency checklist to assist small businesses quickly identify water efficiency opportunities. It is designed specifically for small operations that are time poor</p>  |
| Small Business Engagement                 | Ongoing                              | <p>Working in collaboration with a number of stakeholders to leverage off their capacity and relationship to communicate the benefits of water efficiency. These stakeholders include:</p> <ul style="list-style-type: none"> <li>• local councils through Business Development Officers;</li> <li>• street trader groups;</li> <li>• the Restaurant and Catering Association; and</li> <li>• Australian Industry Group.</li> </ul>  |

## Attestation on Compliance with the Australian/New Zealand Risk Management Standard

I, Alan Stockdale, certify that City West Water Corporation has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard AS/NZS ISO 31000-2009 and an internal control system in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Board of Directors, through the Risk Management and Audit Committee, verifies this assurance and that the risk profile of City West Water Corporation has been critically reviewed within the last 12 months.

This attestation is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'Alan Stockdale', written in a cursive style.

**The Hon. Alan Stockdale**  
Chairman

Melbourne  
27 August 2014

# Statement of Comprehensive Income

For the year ended 30 June 2014

|  | Note        | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|--|-------------|------------------------|------------------------|
| Revenue  | 3           | 609,093                | 473,049                |
| Other income   | 3, 1(b)     | 1,244                  | 600                    |
| <b>Total income</b>  |             | <b>610,337</b>         | <b>473,649</b>         |
| Expenses   | 4, 1(b)     | (513,926)              | (376,364)              |
| Finance costs  |             | (60,266)               | (52,422)               |
| <b>Total expenses</b>  |             | <b>(574,192)</b>       | <b>(428,786)</b>       |
| <b>Profit before income tax expense</b>  |             | <b>36,145</b>          | <b>44,863</b>          |
| Income tax expense   | 5(a), 1(b)  | (11,067)               | (10,724)               |
| <b>Profit after income tax expense</b>   |             | <b>25,078</b>          | <b>34,139</b>          |
| <b>Other comprehensive income/(expense)</b>                                    |             |                        |                        |
| <b>Items that will not be reclassified to profit or loss</b>                   |             |                        |                        |
| Change in physical asset revaluation surplus                                   | 12          | 53,400                 | (255,800)              |
| Actuarial gain/(loss) on defined benefit superannuation plan liability/(asset) | 27(c), 1(b) | 4,847                  | 3,848                  |
| Income tax relating to components of other comprehensive income/(expense)      | 5(c), 1(b)  | (17,474)               | 75,586                 |
| <b>Other comprehensive income/(expense) after tax</b>                          |             | <b>40,773</b>          | <b>(176,366)</b>       |
| <b>Total comprehensive income/(expense)</b>                                    |             | <b>65,851</b>          | <b>(142,227)</b>       |

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

# Balance Sheet

As at 30 June 2014

|   | Note        | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|---|-------------|------------------------|------------------------|
| <b>ASSETS</b>                                 |             |                        |                        |
| <b>Current assets</b>                         |             |                        |                        |
| Cash and cash equivalents                     | 8           | 410                    | 40,009                 |
| Receivables                                   | 9           | 90,440                 | 74,462                 |
| Prepayments                                   | 10          | 2,788                  | 1,602                  |
| <b>Total current assets</b>                   |             | <b>93,638</b>          | <b>116,073</b>         |
| <b>Non-current assets</b>                     |             |                        |                        |
| Infrastructure, property, plant and equipment | 12          | 1,812,365              | 1,679,735              |
| Intangible assets                             | 13          | 172,345                | 158,053                |
| Defined benefit superannuation asset          | 27(c)       | 3,575                  | -                      |
| Receivables                                   | 11          | 24                     | 24                     |
| <b>Total non-current assets</b>               |             | <b>1,988,309</b>       | <b>1,837,812</b>       |
| <b>TOTAL ASSETS</b>                           |             | <b>2,081,947</b>       | <b>1,953,885</b>       |
| <b>LIABILITIES</b>                            |             |                        |                        |
| <b>Current liabilities</b>                    |             |                        |                        |
| Payables                                      | 14          | 59,041                 | 88,270                 |
| Borrowings                                    | 15          | 101,000                | 45,000                 |
| Provision for tax                             | 16, 1(b)    | 872                    | 10,089                 |
| Provision for employee benefits               | 27(a)       | 11,486                 | 10,739                 |
| Other provisions                              | 17          | 2,255                  | 5,686                  |
| Unearned income                               | 18          | 2,609                  | 1,078                  |
| Other liabilities                             | 19          | 9,248                  | 12,577                 |
| <b>Total current liabilities</b>              |             | <b>186,511</b>         | <b>173,439</b>         |
| <b>Non-current liabilities</b>                |             |                        |                        |
| Borrowings                                    | 20          | 922,500                | 882,500                |
| Deferred tax liabilities                      | 6(b), 1(b)  | 239,800                | 223,332                |
| Defined benefit superannuation liability      | 27(c), 1(b) | -                      | 979                    |
| Provision for employee benefits               | 27(a)       | 1,773                  | 1,636                  |
| Unearned income                               | 21          | -                      | 1,787                  |
| <b>Total non-current liabilities</b>          |             | <b>1,164,073</b>       | <b>1,110,234</b>       |
| <b>TOTAL LIABILITIES</b>                      |             | <b>1,350,584</b>       | <b>1,283,673</b>       |
| <b>NET ASSETS</b>                             |             | <b>731,363</b>         | <b>670,212</b>         |
| <b>EQUITY</b>                                 |             |                        |                        |
| Contributed equity                            | 22(a)       | 217,608                | 217,608                |
| Physical asset revaluation surplus            | 22(b)       | 203,619                | 166,239                |
| Retained profits                              | 22(c), 1(b) | 310,136                | 286,365                |
| <b>TOTAL EQUITY</b>                           |             | <b>731,363</b>         | <b>670,212</b>         |

The above Balance Sheet should be read in conjunction with the accompanying notes. Refer also to Note 25 - Contingent assets and liabilities, and Note 26 - Commitment for Expenditure.



# Statement of Changes in Equity

For the year ended 30 June 2014

|   | Note        | Paid up<br>Equity | Contributed<br>Equity | Physical<br>asset<br>revaluation<br>surplus | Retained<br>Profits | Total Equity |
|---|-------------|-------------------|-----------------------|---|---------------------|--------------|
|   |             | \$'000            | \$'000                | \$'000                                      | \$'000              | \$'000       |
| <b>Balance at 1 July 2012</b>   |             | 20,620            | 196,988               | 345,299                                     | 273,450             | 836,357      |
| Restated defined benefit<br>superannuation  | 27(c), 1(b) | -                 | -                     | -   | 882                 | 882          |
| Restated amounts at 1 July 2012   | 27(c), 1(b) | 20,620            | 196,988               | 345,299                                     | 274,332             | 837,239      |
| <b>Comprehensive income for the year</b>  |             |                   |                       |   |                     |              |
| Profit after income tax expense   | 22(c), 1(b) | -                 | -                     | -   | 37,138              | 37,138       |
| Restated defined benefit<br>superannuation  | 27(c), 1(b) | -                 | -                     | -   | (2,999)             | (2,999)      |
| Restated profit after income<br>tax expense   | 27(c), 1(b) |                   |                       |   | 34,139              | 34,139       |
| Other comprehensive income/<br>(expense) after tax  | 22, 1(b)    | -                 | -                     | (179,060)                                   | 2,694               | (176,366)    |
| <b>Total comprehensive income for the<br/>year</b>  |             | -                 | -                     | (179,060)                                   | 36,833              | (142,227)    |
| <b>Transactions with the State in its<br/>capacity as owner</b>   |             |                   |                       |   |                     |              |
| Reclassification upon transition to a<br>statutory authority under the <i>Water<br/>Act 1989</i> on 1 July 2012 | 22(a)       | (20,620)          | 20,620                | -   | -                   | -            |
| Dividends paid  | 7           | -                 | -                     | -   | (24,800)            | (24,800)     |
| <b>Total transactions with the State in<br/>its capacity as owner</b>   |             | (20,620)          | 20,620                | -   | (24,800)            | (24,800)     |
| <b>Balance at 30 June 2013</b>  | 22          | -                 | 217,608               | 166,239                                     | 286,365             | 670,212      |
| <b>Comprehensive income for the year</b>  |             |                   |                       |   |                     |              |
| Profit after income tax expense   |             | -                 | -                     | -   | 25,078              | 25,078       |
| Other comprehensive income/<br>(expense) after tax  |             | -                 | -                     | 37,380                                      | 3,393               | 40,773       |
| <b>Total comprehensive income for the<br/>year</b>  | 22          | -                 | -                     | 37,380                                      | 28,471              | 65,851       |
| <b>Transactions with the State in its<br/>capacity as owner</b>   |             |                   |                       |   |                     |              |
| Dividends paid  | 7           | -                 | -                     | -   | (4,700)             | (4,700)      |
| <b>Total transactions with the State in<br/>its capacity as owner</b>   |             | -                 | -                     | -   | (4,700)             | (4,700)      |
| <b>Balance at 30 June 2014</b>  | 22          | -                 | 217,608               | 203,619                                     | 310,136             | 731,363      |

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

# Cash Flow Statement

For the year ended 30 June 2014

|  | Note      | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|--|-----------|------------------------|------------------------|
| <b>Cash flows from operating activities</b>  |           |                        |                        |
| Receipts from customers  |           | 580,547                | 458,246                |
| Payments to suppliers and employees  |           | (503,286)              | (363,334)              |
| Goods and Services Tax received from the Australian Tax Office   |           | 20,714                 | 21,970                 |
| Interest received  |           | 125                    | 44                     |
| Tax equivalent paid  |           | (21,290)               | (17,741)               |
| Finance costs  |           | (57,586)               | (51,599)               |
| <b>Net cash provided by/(used in) operating activities</b>   | <b>32</b> | <b>19,224</b>          | <b>47,586</b>          |
| <b>Cash flows from investing activities</b>  |           |                        |                        |
| Payments for infrastructure, property, plant, equipment, capital works in progress and intangible assets |           | (150,873)              | (163,987)              |
| Proceeds from sale of infrastructure, property, plant and equipment                                      |           | 750                    | 373                    |
| <b>Net cash provided by/(used in) investing activities</b>   |           | <b>(150,123)</b>       | <b>(163,614)</b>       |
| <b>Cash flows from financing activities</b>  |           |                        |                        |
| Proceeds from borrowings   |           | 141,000                | 270,000                |
| Repayment of borrowings  |           | (45,000)               | (92,370)               |
| Dividends paid   |           | (4,700)                | (24,800)               |
| <b>Net cash provided by/(used in) financing activities</b>   |           | <b>91,300</b>          | <b>152,830</b>         |
| Net increase/(decrease) in cash and cash equivalents   |           | (39,599)               | 36,802                 |
| Cash and cash equivalents at the beginning of the financial year   |           | 40,009                 | 3,207                  |
| <b>Cash and cash equivalents at the end of the year</b>  | <b>8</b>  | <b>410</b>             | <b>40,009</b>          |

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

# Notes to and forming part of the Financial Statements

For the year ended 30 June 2014

## 1. Summary of significant accounting policies

### (a) Basis of preparation

#### *General*

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

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

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

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

The annual financial statements were authorised for issue by the Board on 27 August 2014.

The principal address is:-

City West Water Corporation  
1 McNab Avenue  
Footscray 3011

#### *Historical cost convention*

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

#### *Critical accounting estimates and judgements*

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

- fair valuation of infrastructure, property, plant and equipment (these assumptions are discussed in Note 1(q) and Note 12(d));
- actuarial assumptions used to determine the assets and liabilities of City West Water's defined benefit superannuation fund (these assumptions and the related carrying amounts are discussed in Note 27(c));
- estimate of useful lives of assets (these assumptions are discussed in Note 1(j));
- impairment of assets (these assumptions are discussed in Note 1(l));
- provisions (these assumptions are discussed in Note 1(u));
- income tax (these assumptions are discussed in note 1(e)); and
- unbilled revenue (these assumptions are discussed in note 1(c)).

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

#### *Scope and presentation of financial statements*

##### *Statement of Comprehensive Income*

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

##### *Balance Sheet*

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

##### *Statement of Changes in Equity*

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

##### *Cash Flow Statement*

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

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

For the year ended 30 June 2014

### 1. Summary of significant accounting policies (continued)

#### *New and revised accounting Standards and Interpretations*

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

*Standards issued that are applicable to City West Water, but not effective at 30 June 2014.*

Certain new Australian Accounting Standards have been published that are not mandatory for the 30 June 2014 reporting period that are applicable to City West Water.

| Standard                            | Effective date | Key changes  | Impact   |
|-------------------------------------|----------------|--|--|
| AASB 9 <i>Financial Instruments</i> | 1 January 2017 | This standard simplifies requirements for the classification and measurement of financial assets resulting from phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i> ). | A preliminary assessment has identified that the financial impact of available for sale assets will now be reported through Other Comprehensive Income and no longer recognised in profit before tax.<br><br>While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed. |

For the year ended 30 June 2014

In addition to the new standard detailed on the previous page the AASB has issued a list of amending standards that are not effective for the 2013-14 reporting period (as listed below). In general, these amending standards include editorial and reference changes that are expected to have insignificant impacts on reporting.

- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010);
- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets;
- AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments; and
- AASB Interpretation 21 - Levies

#### **(b) Changes in accounting policy**

Subsequent to the 2012-13 reporting period, the following new and revised standards have been adopted in the current period with their financial impact detailed below.

##### **AASB 13 Fair Value Measurement**

AASB 13 establishes a single source of guidance for all fair value measurements. City West Water has considered the specific requirements relating to highest and best use, valuation premise and principal (or most advantageous) market. City West Water has reviewed its fair value principles as well as its current valuation methodologies in assessing fair value and the assessment has not materially changed the fair values recognised.

AASB 13 has predominantly impacted the disclosures of the organisation. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 *Financial Instruments: Disclosures*.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information. Consequently, the 2012-13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7.

##### **AASB 119 Employee Benefits**

In 2013-14 City West Water has applied AASB 119 *Employee Benefits* (September 2011, as amended) and the related amendments for the first time.

The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The revised standard requires that recognition of all actuarial gains and losses on the defined benefit superannuation fund (i.e. the changes that result from changes in actuarial assumptions) be recognised immediately in Other Comprehensive Income. City West Water has previously adopted the direct method of accounting for actuarial gains or losses in the Statement of Comprehensive Income for its defined benefit superannuation fund. Under this method all actuarial gains and losses were recognised immediately in profit before tax. Under the revised AASB 119, actuarial gains or losses are now recognised in Other Comprehensive Income.

In addition, the revised standard also changes the definition of short term employee benefits. These were previously benefits that were expected to be settled within twelve months after the end of the reporting period in which the employees render the related service. Short term employee benefits are now defined as benefits expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service. The change in definition has not had a material impact on the measurement or classification of City West Water's short term employee benefits.

Comparative amounts for 2012-13 have been restated in accordance with the relevant transitional provisions set out in AASB 119. The impact is overleaf.

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

For the year ended 30 June 2014

## 1. Summary of significant accounting policies (continued)

### Balance Sheet as at 1 July 2012 (extract)

|  | Note  | 1 July 2012<br>pre adjustment<br>\$'000 | AASB 119<br>adjustments<br>\$'000 | 1 July 2012<br>restated<br>\$'000 |
|--|-------|---|-----------------------------------|-----------------------------------|
| <b>LIABILITIES</b>                       |       |   |                                   |                                   |
| <b>Non current liabilities</b>           |       |   |                                   |                                   |
| Defined benefit superannuation liability | 27(c) | 5,829                                   | (882)                             | 4,947                             |
| <b>Total non current liabilities</b>     |       | <b>5,829</b>                            | <b>(882)</b>                      | <b>4,947</b>                      |
| <b>EQUITY</b>                            |       |   |                                   |                                   |
| Retained profits                         | 22(c) | 273,450                                 | 882                               | 274,332                           |
| <b>Total equity</b>                      |       | <b>836,357</b>                          | <b>882</b>                        | <b>837,239</b>                    |

### Statement of Comprehensive Income for the year ended 30 June 2013 (extract)

|   | Note    | 30 June 2013<br>pre adjustment<br>\$'000 | AASB 119<br>adjustments<br>\$'000 | 30 June 2013<br>restated<br>\$'000 |
|---|---------|--|-----------------------------------|------------------------------------|
| Other income  | 1(b)(i) | 4,828                                    | (3,855)                           | 973                                |
| <b>Total income</b>   |         | <b>477,877</b>                           | <b>(3,855)</b>                    | <b>474,022</b>                     |
| <b>Profit before income tax expense</b>   |         | <b>48,718</b>                            | <b>(3,855)</b>                    | <b>44,863</b>                      |
| Income tax expense  | 5(a)    | (11,580)                                 | 856                               | (10,724)                           |
| <b>Profit after income tax expense</b>  |         | <b>37,138</b>                            | <b>(2,999)</b>                    | <b>34,139</b>                      |
| <b>Other comprehensive income/(expense)</b>   |         |  |                                   |                                    |
| <b>Items that will not be reclassified to profit or loss</b>                          |         |  |                                   |                                    |
| Actuarial gain/(loss) on defined benefit superannuation plan liability (gross amount) | 27(c)   | -  | 3,848                             | 3,848                              |
| Income tax relating to components of other comprehensive income/(expense)             | 5(c)    | 76,740                                   | (1,154)                           | 75,586                             |
| <b>Other comprehensive income/(expense) after tax</b>                                 |         | <b>(179,060)</b>                         | <b>2,694</b>                      | <b>(176,366)</b>                   |
| <b>Total comprehensive income/(expense)</b>   |         | <b>(141,922)</b>                         | <b>(305)</b>                      | <b>(142,227)</b>                   |

For the year ended 30 June 2014

**Balance Sheet as at 30 June 2013 (extract)**

|  | Note  | 1 July 2012<br>pre adjustment<br>\$'000 | AASB 119<br>adjustments<br>\$'000 | 1 July 2012<br>restated<br>\$'000 |
|--|-------|---|-----------------------------------|-----------------------------------|
| <b>LIABILITIES</b>                       |       |   |                                   |                                   |
| <b>Current liabilities</b>               |       |   |                                   |                                   |
| Current tax liabilities                  | 16    | 10,054                                  | 35                                | 10,089                            |
| <b>Total current liabilities</b>         |       | <b>173,403</b>                          | <b>35</b>                         | <b>173,439</b>                    |
| <b>Non current liabilities</b>           |       |   |                                   |                                   |
| Deferred tax liabilities                 | 6(b)  | 223,070                                 | 262                               | 223,332                           |
| Defined benefit superannuation liability | 27(c) | 972                                     | 7                                 | 979                               |
| <b>Total non current liabilities</b>     |       | <b>1,109,965</b>                        | <b>269</b>                        | <b>1,110,234</b>                  |
| <b>EQUITY</b>                            |       |   |                                   |                                   |
| Retained profits                         | 22(c) | 286,670                                 | (305)                             | 286,365                           |
| <b>Total equity</b>                      |       | <b>670,517</b>                          | <b>(305)</b>                      | <b>670,212</b>                    |

City West Water has not prepared a third balance sheet resulting from the above restatement as the impacts are not considered material to warrant additional disclosure. This is in accordance with AASB 101 *Presentation of Financial Statements*.

**Note 1(b)(i)**

In addition to changes to comparative amounts arising from a change in accounting policy, where applicable comparative amounts have been restated due an error whereby proceeds on disposal of non current physical assets were not offset with the costs of disposal of non current physical assets.

**Statement of Comprehensive Income for the year ended 30 June 2013 (extract)**

|                       | Note     | 30 June 2013<br>pre adjustment<br>\$'000 | Adjustment   | 30 June 2013<br>restated<br>\$'000 |
|-----------------------|----------|--|--------------|------------------------------------|
| Other income          |          | 4,828                                    | (373)        | 4,455                              |
| <b>Total Income</b>   | <b>3</b> | <b>477,877</b>                           | <b>(373)</b> | <b>477,504</b>                     |
| Expenses              |          | (376,737)                                | 373          | (376,364)                          |
| <b>Total expenses</b> | <b>4</b> | <b>(429,159)</b>                         | <b>373</b>   | <b>(428,786)</b>                   |

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

For the year ended 30 June 2014

## 1. Summary of significant accounting policies (continued)

The combined effect of AASB 119 changes and other changes in other income and total income are shown in the table below:

### Statement of Comprehensive Income for the year ended 30 June 2013 (extract)

|   | Note | 30 June 2013<br>\$'000 |
|---|------|------------------------|
| Previously reported other income        |      | 4,828                  |
| Adjustments:                            |      |                        |
| Other income - AASB 119 adjustment      |      | (3,855)                |
| Other income - correction of error      |      | (373)                  |
| Total adjustments                       |      | (4,288)                |
| Restated other income                   | 3    | 600                    |
| <b>Previously reported total Income</b> |      | <b>477,877</b>         |
| Adjustments as per above                |      | (4,288)                |
| <b>Restated total income</b>            |      | <b>473,649</b>         |

### Note 3 Revenue and other income (extract)

|   | 30 June 2013<br>pre adjustment<br>\$'000 | Adjustment     | 30 June 2013<br>restated<br>\$'000 |
|---|--|----------------|------------------------------------|
| Government grants                                 | 480                                      | -              | 480                                |
| Defined benefits superannuation income            | 3,975                                    | (3,855)        | 120                                |
| Proceeds from sale of non current physical assets | 373                                      | (373)          | -                                  |
| <b>Total other income</b>                         | <b>4,828</b>                             | <b>(4,228)</b> | <b>600</b>                         |
| <b>Total revenue and other income</b>             | <b>477,877</b>                           | <b>(4,228)</b> | <b>473,649</b>                     |

### Note 4 Expenses (extract)

|   | 30 June 2013<br>pre adjustment<br>\$'000 | Adjustment   | 30 June 2013<br>restated<br>\$'000 |
|---|--|--------------|------------------------------------|
| Asset disposal costs                        | 820                                      | (820)        | -                                  |
| Loss on sale of non current physical assets | -  | 175          | 175                                |
| Asset write offs/write downs                | -  | 272          | 272                                |
| <b>Total operating expenses</b>             | <b>149,514</b>                           | <b>(373)</b> | <b>149,141</b>                     |
| <b>Total expenses</b>                       | <b>376,737</b>                           | <b>(373)</b> | <b>376,364</b>                     |



For the year ended 30 June 2014

## REVENUE

### (c) Revenue recognition

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

Each form of revenue is recognised as follows:

- water and sewerage service charges which are billed quarterly in advance are recognised evenly throughout the financial year to reflect the pattern of revenue being earned;
- water and sewerage usage charges are recognised as income when the service has been provided;
- trade waste charges are recognised as income when the service has been provided;
- recycled water usage charges are recognised as income when the service has been provided;
- water trading revenue is recognised at the time of signing of a contract to transfer water to the purchaser;
- the one off desalination cost return was recognised progressively throughout the 2012-13 year as the return was passed on to customers by way of lower bills, or in the case of customers that had left the City West Water area, by way of refund;
- area contributions represent charges levied on developers to recover the costs of augmenting or constructing infrastructure assets to meet the future demands of urban growth. Developers are required to make a fair and reasonable contribution towards the cost of developing City West Water's water supply distribution systems and sewage disposal systems. In accordance with the requirements of AASB Interpretation 18 - *Transfers of Assets from Customers* and AASB 118 - *Revenue*, recognition of income occurs upon receipt;
- assets received free of charge arise where developers pay for the cost of construction of new assets, and subsequently 'gift' these assets to City West Water, which maintains them in perpetuity. In accordance with the requirements of AASB Interpretation 18 - *Transfers of Assets from Customers* and AASB 118 - *Revenue*, recognition of income occurs when the risks and rewards of ownership have been transferred to City West Water. This non cash revenue is recorded as assets received free of charge. Where actual cost is not available, City West Water recognises income by assessing the value of the works using a schedule of rates determined by the organisation. This schedule is based on historical cost tender information;

- income from works and services provided to third parties is recognised when the service has been provided;
- interest is recognised as revenue when earned and is accrued in accordance with the terms and conditions of the underlying financial instruments;
- fees and charges are recognised as income when the service has been provided;
- government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate. Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the organisation has complied with any attached conditions; and
- other revenue items are reported on an accrual basis.

## EXPENDITURE

### (d) Finance costs

Interest expense payable in arrears is accrued as incurred and is charged to the Statement of Comprehensive Income.

### (e) Income tax

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

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

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

For the year ended 30 June 2014

## 1. Summary of significant accounting policies (continued)

### (f) Bulk charges

Bulk charges are levied by Melbourne Water Corporation for the cost of water City West Water purchases, and for sewage treated at Melbourne Water's Western Treatment Plant.

Variable charges are levied in arrears and are payable on a weekly basis. Fixed charges are levied once a month, and are payable on the 15th of the month to which they refer. Any variable charges that remain outstanding at period end are accrued.

### (g) Environmental Contribution

The *Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water supply authorities. The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation. Having been extended previously from 1 July 2008 to 30 June 2012, the contribution period has again been extended to cover the period 1 July 2012 until 30 June 2016.

The purpose of the Environmental Contribution is set out in the Act and funds may be used for the purpose of funding various water related initiatives that seek to promote the sustainable management of water or are likely to address adverse water related environmental impacts.

Consistent with the *Environmental Contributions Order 2012 to 2016* made under Section 193 of the *Water Industry Act 1994* City West Water is paying a third tranche of the Environmental Contribution to the State Government. These contributions are recognised as expenses when they occur.

### (h) Employee benefits and agency labour

Employee benefits and agency labour refers to all payments made to employees during the year. It includes payments to all City West Water staff as well as contract and agency staff. Payments include ordinary time, overtime, allowances on costs, Fringe Benefits Tax, redundancy costs and WorkCover. Employee benefits and agency labour is recognised as an expense in the Statement of Comprehensive Income.

### (i) Leases

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

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

### (j) Depreciation and amortisation

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

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

|                       |               |
|-----------------------|---------------|
| Buildings             | 10 - 50 years |
| Infrastructure assets | 10 - 90 years |
| Plant and equipment   | 3 - 10 years  |
| Motor vehicles        | 5 years       |
| Software              | 3 - 10 years  |

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

### (k) Repairs and maintenance

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

### (l) Impairment of assets

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

- financial assets;
- non-current physical assets held for sale (if applicable);
- deferred tax assets;
- financial instrument assets; and
- inventories.

For the year ended 30 June 2014

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

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

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

#### (m) Other expenditure

Other expenditure is reported on an accrual basis.

### ASSETS

#### (n) Cash and cash equivalents

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

#### (o) Receivables

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

#### (p) Prepayments

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

#### (q) Infrastructure, property, plant and equipment

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

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

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

The carrying amount of a replaced or abandoned asset is written off in the Statement of Comprehensive Income as an element of expenses. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Subsequent valuation of infrastructure, property, plant and equipment is measured by fair value. Fair value is determined as the price to sell an asset in an orderly transaction between market participants at measurement date. City West Water uses observable market data for fair valuation as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques, as follows:

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

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

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

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

For the year ended 30 June 2014

## 1. Summary of significant accounting policies (continued)

### *Land and buildings*

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

### *Plant and equipment and motor vehicles*

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

### *Infrastructure*

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

### *Revaluation of non-current physical assets*

Non-current physical assets are measured at fair value. A full revaluation normally occurs every five years, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations. A full revaluation was performed during 2010-11 for the entire portfolio. In 2013-14 management applied Valuer-General Victoria indices to land and buildings and the movement was considered immaterial. Infrastructure assets are revalued each year using the income approach (discounted cash flow) method. Refer to Note 12(d) for a full explanation of the income approach (discounted cash flow) method.

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

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

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

### **(r) Intangible assets**

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

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

## **LIABILITIES**

### **(s) Payables**

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

### **(t) Borrowings**

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

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

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

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

### **(u) Provisions**

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

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

For the year ended 30 June 2014

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

#### **(v) Other liabilities**

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

#### **(w) Employee benefits**

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

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

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

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

- nominal value – component that the organisation expects to settle wholly within 12 months; and
- present value – component that the organisation does not expect to settle wholly within 12 months.

##### *(ii) Long service leave*

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

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

The components of current LSL liability are measured at:

- nominal value – component that the organisation expects to settle wholly within 12 months; and
- present value – component that the organisation does not expect to settle wholly within 12 months.

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

##### *(iii) Employee benefit on-costs*

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

##### *(iv) Termination benefits*

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

##### *(v) Performance bonuses*

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

#### **(x) Superannuation**

All City West Water employees are members either of City West Water's defined benefit fund or an approved accumulation fund of their choice. Defined benefit members receive lump sum benefits or a pension (in limited cases) on retirement, death, disablement or withdrawal from the plan. The defined benefit plan is closed to new members.

The amount charged to the Statement of Comprehensive Income in respect of superannuation represents the contributions made by City West Water to superannuation funds for the current service of current staff. Defined benefit superannuation contributions are made to the fund based on the relevant rule of the fund. Contributions to accumulation funds are made in accordance with the *Superannuation Guarantee (Administration) Act 1992*.

A liability or asset in respect of defined benefits superannuation is recognised and measured as the difference between the present value of employees' accrued benefits at reporting date and the net



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

For the year ended 30 June 2014

## 1. Summary of significant accounting policies (continued)

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

### (y) Dividend payable

As City West Water is owned by government, it is required to pay a dividend in accordance with a determination by the Treasurer of Victoria under the *Water Act 1989*. An obligation to pay a dividend only arises after a formal determination is made by the Treasurer following consultation between the Board, the relevant portfolio Minister and the Treasurer. As this process has not been finalised as at balance date, the Balance Sheet does not include a provision for final dividend for the 2013-14 financial year.

### (z) Goods and Services Tax

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

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

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

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

### (aa) Financial instruments

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

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

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

### Impairment

The organisation assesses at each balance date whether there is objective evidence that a financial asset is impaired i.e. when the amount outstanding will not be recovered in full.

### (ab) Rounding of amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars, or in certain cases to the nearest dollar.

## EQUITY

### (ac) Contributed equity

Additions to net assets which have been designated as contributed equity are recognised as contributed equity. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners. Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

### (ad) Physical asset revaluation surplus

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

### (ae) Retained profits

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

## OTHER

### (af) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of note at their nominal value and inclusive of GST payable.

These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

### (ag) Contingent assets and contingent liabilities

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

For the year ended 30 June 2014

## 2. Financial risk management objectives and policies

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

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

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

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

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

### Financial risk exposures

#### Market risk

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

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

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

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

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

For the year ended 30 June 2014

### 2. Financial risk management objectives and policies (continued)

#### 2.2 Sensitivity analysis

##### 2012-13

|   |                  | Interest rate risk |                  |                  |                  |
|---|------------------|--------------------|------------------|------------------|------------------|
|   |                  | -0.5%              |                  | +0.5%            |                  |
| Financial assets                            | Total<br>\$'000  | Profit<br>\$'000   | Equity<br>\$'000 | Profit<br>\$'000 | Equity<br>\$'000 |
| Cash (Note 8) <sup>1</sup>                  | 40,009           | (108)              | (108)            | 108              | 108              |
| Receivables (Note 9, 11) <sup>2</sup>       | 71,998           | -                  | -                | -                | -                |
| <b>Total financial assets</b>               | <b>112,007</b>   | <b>(108)</b>       | <b>(108)</b>     | <b>108</b>       | <b>108</b>       |
| <b>Financial liabilities</b>                |                  |                    |                  |                  |                  |
| Payables (Note 14)                          | 88,270           | -                  | -                | -                | -                |
| Borrowings (Note 15, 20) <sup>3</sup>       | 927,500          | 3,969              | 3,969            | (3,969)          | (3,969)          |
| Advances and deposits (Note 19)             | 3,936            | -                  | -                | -                | -                |
| Deferred developer reimbursements (Note 19) | 8,641            | -                  | -                | -                | -                |
| <b>Total financial liabilities</b>          | <b>1,028,347</b> | <b>3,969</b>       | <b>3,969</b>     | <b>(3,969)</b>   | <b>(3,969)</b>   |
| <b>Total increase/(decrease)</b>            |                  | <b>3,861</b>       | <b>3,861</b>     | <b>(3,861)</b>   | <b>(3,861)</b>   |

##### 2013-14

|   |                  | Interest rate risk |                  |                  |                  |
|---|------------------|--------------------|------------------|------------------|------------------|
|   |                  | -0.5%              |                  | -0.5%            |                  |
| Financial assets                            | Total<br>\$'000  | Profit<br>\$'000   | Equity<br>\$'000 | Profit<br>\$'000 | Equity<br>\$'000 |
| Cash (Note 8) <sup>1</sup>                  | 410              | (101)              | (101)            | 101              | 101              |
| Receivables (Note 9, 11) <sup>2</sup>       | 88,721           | -                  | -                | -                | -                |
| <b>Total financial assets</b>               | <b>89,131</b>    | <b>(101)</b>       | <b>(101)</b>     | <b>101</b>       | <b>101</b>       |
| <b>Financial liabilities</b>                |                  |                    |                  |                  |                  |
| Payables (Note 14)                          | 59,041           | -                  | -                | -                | -                |
| Borrowings (Note 15, 20) <sup>3</sup>       | 1,023,500        | 3,044              | 3,044            | (3,044)          | (3,044)          |
| Advances and deposits (Note 19)             | 4,113            | -                  | -                | -                | -                |
| Deferred developer reimbursements (Note 19) | 4,854            | -                  | -                | -                | -                |
| Other (Note 19)                             | 281              |                    |                  |                  |                  |
| <b>Total financial liabilities</b>          | <b>1,091,789</b> | <b>3,044</b>       | <b>3,044</b>     | <b>(3,044)</b>   | <b>(3,044)</b>   |
| <b>Total increase/(decrease)</b>            |                  | <b>2,943</b>       | <b>2,943</b>     | <b>(2,943)</b>   | <b>(2,943)</b>   |

<sup>1</sup> Calculation is based on average cash holdings of \$20.2m (2012-13 \$21.6m)

<sup>2</sup> Does not include statutory taxes (GST)

<sup>3</sup> Calculation is based on new borrowings, loans refinanced and forward rate agreements struck during the year of \$608.8m (2012-13 \$793.7m)



For the year ended 30 June 2014

### Credit risk

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

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

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

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

### Liquidity risk

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

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

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

### Fair value measurements

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

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

Refer to Note 33 for the carrying amounts and fair values of financial instruments.

### Capital management

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

City West Water's objective is to maintain its gearing ratio within the Essential Services Commission's benchmark ratio of 60 per cent. City West Water's gearing ratio (debt/(debt + equity)) for the year was 58.3 per cent, compared to 58.1 per cent in 2012-13.

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

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

These external capital requirements are incorporated into the management of capital through Board and State Government approval of City West Water's annual Corporate Plan.

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

For the year ended 30 June 2014

### 3. Revenue and other income

|  | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|--|------------------------|------------------------|
| <b>Sales revenue</b>                               |                        |                        |
| Service charges - water                            | 87,278                 | 65,144                 |
| Volume charges - water                             | 234,616                | 177,416                |
| Service charges - sewerage                         | 97,829                 | 84,457                 |
| Volume charges - sewerage                          | 100,614                | 85,892                 |
| Trade waste charges                                | 35,064                 | 29,646                 |
| Recycled water                                     | 5,285                  | 4,108                  |
| Water trading revenue                              | 1,021                  | -                      |
| Desalination cost returns <sup>1</sup>             | -                      | (23,751)               |
| <b>Total sales revenue</b>                         | <b>561,707</b>         | <b>422,912</b>         |
| <b>Other revenue</b>                               |                        |                        |
| Area contributions                                 | 15,773                 | 15,934                 |
| Assets received free of charge                     | 13,391                 | 17,454                 |
| Works and services provided to third parties       | 6,567                  | 5,633                  |
| Interest   | 131                    | 60                     |
| Fees and charges                                   | 10,799                 | 9,832                  |
| Lease income                                       | 346                    | 358                    |
| Other  | 379                    | 866                    |
| <b>Total other revenue</b>                         | <b>47,386</b>          | <b>50,137</b>          |
| <b>Total revenue</b>                               | <b>609,093</b>         | <b>473,049</b>         |
| <b>Other income</b>                                |                        |                        |
| Government grants <sup>2</sup>                     | 1,135                  | 480                    |
| Defined benefit superannuation income              | -                      | 120                    |
| Gain on sale of non-current physical assets        | 109                    | -                      |
| <b>Total other income <sup>3</sup></b>             | <b>1,244</b>           | <b>600</b>             |
| <b>Total revenue and other income <sup>3</sup></b> | <b>610,337</b>         | <b>473,649</b>         |

For the year ended 30 June 2014

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<sup>1</sup> Desalination cost returns for 2012-13 represent the required one off return to City West Water's customers for the early collection of desalination charges. The one off return was in addition to the repayment through City West Water's price freeze effective from 1 July 2012 – 30 June 2013, in order to return the full early collection of desalination charges to the organisation's customers. The early collection of desalination costs occurred as a result of a delay in the commissioning of the Victorian Desalination Plant in comparison to the cost assumed in the prices set by the Essential Services Commission in 2009 for Melbourne Water Corporation's bulk charges. The return of this money to customers was cost neutral to City West Water as the repayments are fully funded through lower bulk charges to City West Water from Melbourne Water. Provision was made for all outstanding unreturned amounts in 2012-13. As a result, no returns were required to be recognised in 2013-14.

<sup>2</sup> City West Water received Government funding during the year for the following:

- aquifer storage and recovery feasibility at the organisation's West Werribee Dual Supply project;
- contribution towards 'Greening the West' strategy;
- education program to improve the efficiency of cooling towers; and
- water efficiency grants for small businesses (Small Business Grant Scheme).

There are no unfulfilled conditions or other contingencies attached to these grants. City West Water did not benefit directly from any other form of Government assistance.

<sup>3</sup> Prior year restated. Refer to Note 1(b)(i).

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

For the year ended 30 June 2014

## 4. Expenses

|  | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|--|------------------------|------------------------|
| <b>Bulk water and sewerage charges</b>                   | <b>353,408</b>         | <b>227,223</b>         |
| <b>Operating expenses</b>                                |                        |                        |
| Environmental Contribution                               | 18,563                 | 10,787                 |
| Employee benefits and agency labour                      | 37,439                 | 34,319                 |
| Operating contracts                                      | 31,472                 | 34,661                 |
| Information technology                                   | 6,773                  | 6,809                  |
| Licence fees   | 667                    | 751                    |
| Billing and collection                                   | 6,073                  | 5,745                  |
| Rental expenses relating to operating leases             | 341                    | 153                    |
| Grants and water conservation initiatives                | 1,279                  | 1,785                  |
| Facilities maintenance                                   | 1,519                  | 1,406                  |
| Insurance  | 1,223                  | 988                    |
| Depreciation - buildings                                 | 1,742                  | 1,800                  |
| Depreciation - infrastructure                            | 26,393                 | 28,639                 |
| Depreciation - plant and equipment                       | 3,851                  | 3,028                  |
| Depreciation - motor vehicles                            | 870                    | 745                    |
| Amortisation - software                                  | 6,996                  | 3,186                  |
| Energy   | 1,307                  | 1,575                  |
| Loss on sale of non current physical assets <sup>1</sup> | -                      | 175                    |
| Asset write offs/write downs <sup>1</sup>                | 33                     | 272                    |
| Impaired receivables                                     | 2,625                  | 1,685                  |
| Other  | 11,352                 | 10,632                 |
| <b>Total operating expenses</b>                          | <b>160,518</b>         | <b>149,141</b>         |
| <b>Total expenses <sup>1</sup></b>                       | <b>513,926</b>         | <b>376,364</b>         |

<sup>1</sup> Prior year restated. Refer to note 1(b)(i).

For the year ended 30 June 2014

## 5. Income tax

|  | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|--|------------------------|------------------------|
| <b>(a) Income tax expense</b>                  |                        |                        |
| Current tax                                    | 12,073                 | 20,169                 |
| Deferred tax                                   | (1,006)                | (9,445)                |
|  | <b>11,067</b>          | <b>10,724</b>          |
| Income tax expense is attributable to:         |                        |                        |
| Profit from continuing operations <sup>1</sup> | 11,067                 | 10,724                 |
| <b>Aggregate income tax expense</b>            | <b>11,067</b>          | <b>10,724</b>          |

Deferred income tax expense/(revenue) included in income tax expense comprises:

|   |                |                |
|---|----------------|----------------|
| Decrease/(increase) in deferred tax assets      | 416            | (1,280)        |
| Increase/(decrease) in deferred tax liabilities | (1,422)        | (8,165)        |
|   | <b>(1,006)</b> | <b>(9,445)</b> |

### (b) Numerical reconciliation of income tax expense to prima facie tax payable

|  |               |               |
|--|---------------|---------------|
| Profit from continuing operations before income tax expense <sup>1</sup>                       | 36,145        | 44,863        |
| Tax at the Australian tax rate of 30 per cent (2012-13 30 per cent)                            | 10,844        | 13,459        |
| <b>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</b> |               |               |
| Non-deductible expenses  | 553           | 384           |
| Non-deductible depreciation  | 886           | 886           |
| Additional deductible expenses/non assessable income <sup>2</sup>                              | (1,216)       | (4,005)       |
|  | <b>11,067</b> | <b>10,724</b> |

### (c) Income tax relating to items of Other Comprehensive Income

|   |               |                 |
|---|---------------|-----------------|
| Gain/(loss) on revaluation of infrastructure  | 16,020        | (76,740)        |
| Actuarial gain/(loss) on defined benefit superannuation plan liability/(asset) <sup>1</sup> | 1,454         | 1,154           |
| <b>Income tax relating to items of Other Comprehensive Income <sup>1</sup></b>              | <b>17,474</b> | <b>(75,586)</b> |

<sup>1</sup> Prior year restated. Refer to Note 1(b).

<sup>2</sup> In line with the requirements of AASB 112 *Income Taxes* a review of City West Water's deferred tax balance was undertaken during 2013. This resulted in an adjustment to deferred tax liabilities and a reduction of income tax expense of \$3.4m.

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

For the year ended 30 June 2014

### 6. Deferred tax assets and deferred tax liabilities reconciliation

|  | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|--|------------------------|------------------------|
| <b>a) Deferred tax assets</b>  |                        |                        |
| The balance comprises temporary differences attributable to:           |                        |                        |
| <b>Amounts recognised in Statement of Comprehensive Income</b>         |                        |                        |
| Accrued expenses   | 26                     | 18                     |
| Provisions   | 5,749                  | 6,216                  |
| Amortisation of intellectual property                                  | 23                     | 25                     |
| Defined benefit superannuation fund liability                          | -                      | 294                    |
| Prepayments  | 45                     | -                      |
|  | <b>5,843</b>           | <b>6,553</b>           |
| <b>Movements:</b>  |                        |                        |
| Opening balance at the start of financial year                         | 6,553                  | 6,427                  |
| Credited/(charged) to the Statement of Comprehensive Income (Note 5a)  | (416)                  | 1,280                  |
| Credited/(charged) to equity   | (294)                  | (1,154)                |
| Closing balance at the end of financial year                           | <b>5,843</b>           | <b>6,553</b>           |
| Deferred tax assets expected to be recovered within 12 months          | 5,291                  | 6,040                  |
| Deferred tax assets expected to be recovered after more than 12 months | 552                    | 513                    |
|  | <b>5,843</b>           | <b>6,553</b>           |
| Set off of deferred tax assets pursuant to set off provisions          | (5,843)                | (6,553)                |
| Net deferred tax assets  | -                      | -                      |

For the year ended 30 June 2014

|   | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|---|------------------------|------------------------|
| <b>b) Deferred tax liabilities</b>  |                        |                        |
| The balance comprises temporary differences attributable to:              |                        |                        |
| <b>Amounts recognised in the Statement of Comprehensive Income</b>        |                        |                        |
| Fixed assets – depreciation   | 94,043                 | 94,489                 |
| Developer contributed assets  | 63,256                 | 64,142                 |
| Defined benefit superannuation fund asset                                 | 1,073                  | -                      |
| Receivables   | -                      | 3                      |
| <b>Amounts recognised in equity</b>                                       |                        |                        |
| Land and buildings revaluation  | 9,366                  | 9,366                  |
| Infrastructure assets revaluation   | 77,905                 | 61,885                 |
|   | <b>245,643</b>         | <b>229,885</b>         |
| <b>Movements:</b>   |                        |                        |
| Opening balance at the start of the financial year                        | 229,885                | 314,790                |
| (Credited)/charged to the Statement of Comprehensive Income (Note 5a)     | (1,422)                | (8,165)                |
| (Credited)/charged to equity  | 17,180                 | (76,740)               |
| Closing balance at the end of financial year                              | <b>245,643</b>         | <b>229,885</b>         |
| Deferred tax liabilities expected to be settled within 12 months          | -                      | 3                      |
| Deferred tax liabilities expected to be settled after more than 12 months | 245,643                | 229,882                |
|   | <b>245,643</b>         | <b>229,885</b>         |
| Set off of deferred tax assets pursuant to set off provisions             | (5,843)                | (6,553)                |
| Net deferred tax liabilities <sup>1</sup>                                 | <b>239,800</b>         | <b>223,332</b>         |

<sup>1</sup> Prior year restated. Refer to Note 1(b).

## 7. Dividends

|  |         |          |
|--|---------|----------|
| Interim dividend paid                                    | -       | (6,800)  |
| Final dividend paid during 2013-14 in respect of 2012-13 | (4,700) | -        |
| Final dividend paid during 2012-13 in respect of 2011-12 | -       | (18,000) |

As the 2013-14 interim and final dividends have not been determined by the Treasurer, they have not been provided for at reporting date. The Board's preliminary interim dividend estimate for this period is \$2.3m and its final dividend estimate is \$9.1m. Refer to Note 22(c) for dividend payments made during the year and to Note 1(y) for dividend policy.

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

For the year ended 30 June 2014

### 8. Current assets - Cash and cash equivalents

|   | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|---|------------------------|------------------------|
| Cash at bank  | 254                    | 484                    |
| Deposits at call  | 156                    | 39,525                 |
| <b>Total current assets - Cash and cash equivalents</b>   | <b>410</b>             | <b>40,009</b>          |
| The above figures are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement as follows: |                        |                        |
| Balance as above  | 410                    | 40,009                 |
| <b>Balance per Cash Flow Statement</b>  | <b>410</b>             | <b>40,009</b>          |

City West Water's exposure to interest rate risk is discussed in Notes 2 and 32.

### 9. Current assets - Receivables

|   |               |               |
|---|---------------|---------------|
| Unbilled receivables                      | 58,506        | 45,996        |
| Account receivables                       | 35,583        | 31,124        |
| Less: Provision for impaired receivables  | (3,649)       | (2,658)       |
| <b>Total current assets - Receivables</b> | <b>90,440</b> | <b>74,462</b> |

As at 30 June 2014, account receivables of the organisation with a nominal value of \$3.649m (2012-13 \$2.658m) were impaired. The individually impaired receivables relate to aged debts where it is considered that the recovery of the outstanding debt is less than likely.

|   |        |        |
|---|--------|--------|
| Receivables not past due and not impaired | 81,489 | 68,729 |
| Receivables past due but not impaired     | 5,302  | 3,075  |

The ageing of impaired receivables is as follows:

|                                   |              |              |
|-----------------------------------|--------------|--------------|
| 30-59 days past due               | 571          | 336          |
| 60-89 days past due               | 250          | 194          |
| 90 days and greater past due      | 2,828        | 2,128        |
| <b>Total impaired receivables</b> | <b>3,649</b> | <b>2,658</b> |

|   |               |               |
|---|---------------|---------------|
| <b>Total current assets - Receivables</b>   | <b>90,440</b> | <b>74,462</b> |
| Total current assets - Trade receivables net of statutory taxes (GST) - refer Note 33 | 88,697        | 71,974        |

Movements in the provision for impaired receivables are as follows:

|   |                |                |
|---|----------------|----------------|
| Opening balance at the start of the year                      | (2,658)        | (2,563)        |
| Provision for impaired receivables recognised during the year | (3,579)        | (2,583)        |
| Receivables written off during the year as uncollectible      | 2,588          | 2,488          |
| <b>Closing balance at the end of the year</b>                 | <b>(3,649)</b> | <b>(2,658)</b> |

As at 30 June 2014, account receivables of \$5.302m (2012-13 \$3.075m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these account receivables is as follows:

|  |              |              |
|--|--------------|--------------|
| 30-59 days past due                          | 3,610        | 2,492        |
| 60-89 days past due                          | 750          | 583          |
| 90 days and greater past due                 | 942          | -            |
| <b>Receivables past due but not impaired</b> | <b>5,302</b> | <b>3,075</b> |



For the year ended 30 June 2014

## 10. Current assets - Prepayments

|   | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|---|------------------------|------------------------|
| Prepayments - general                     | 2,394                  | 873                    |
| Prepayment - Smart Water Fund             | 394                    | 729                    |
| <b>Total current assets - Prepayments</b> | <b>2,788</b>           | <b>1,602</b>           |

## 11. Non-current assets - Receivables

|   |           |           |
|---|-----------|-----------|
| Receivables                                   | 24        | 24        |
| <b>Total non-current assets - Receivables</b> | <b>24</b> | <b>24</b> |

## 12. Non-current assets - Infrastructure, property, plant and equipment

|  |                  |                  |
|--|------------------|------------------|
| Specialised land at fair value                             | 29,762           | 29,762           |
| Non specialised land at fair value                         | 3,742            | 3,742            |
| <b>Total land at fair value</b>                            | <b>33,504</b>    | <b>33,504</b>    |
| Non specialised buildings                                  | 9,754            | 9,733            |
| less accumulated depreciation                              | (3,945)          | (2,202)          |
| <b>Total buildings at fair value</b>                       | <b>5,809</b>     | <b>7,531</b>     |
| Infrastructure assets at fair value                        | 1,508,424        | 1,432,827        |
| <b>Total infrastructure assets at fair value</b>           | <b>1,508,424</b> | <b>1,432,827</b> |
| Plant and equipment  | 23,569           | 22,891           |
| less accumulated depreciation                              | (18,706)         | (14,857)         |
| <b>Total plant and equipment at fair value</b>             | <b>4,863</b>     | <b>8,034</b>     |
| Motor vehicles   | 4,532            | 4,211            |
| less accumulated depreciation                              | (1,298)          | (1,157)          |
| <b>Total motor vehicles at fair value</b>                  | <b>3,234</b>     | <b>3,054</b>     |
| Works in progress at cost                                  | 256,531          | 194,785          |
| <b>Total infrastructure, property, plant and equipment</b> | <b>1,812,365</b> | <b>1,679,735</b> |

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

For the year ended 30 June 2014

### 12. Non-current assets - Infrastructure, property, plant and equipment (continued)

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

| 2013-14  | Carrying<br>Amount<br>\$'000 | Fair value measurement using:  |                                |                                |
|--|------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  |                              | Level 1 <sup>1</sup><br>\$'000 | Level 2 <sup>2</sup><br>\$'000 | Level 3 <sup>3</sup><br>\$'000 |
| Freehold land at fair value                                | 33,504                       |                                |                                |                                |
| Non specialised land                                       |                              |                                | 3,742                          |                                |
| Specialised land   |                              |                                |                                | 29,762                         |
| Non specialised buildings at fair value                    | 5,809                        |                                | 5,809                          |                                |
| Infrastructure assets at fair value                        | 1,508,424                    |                                |                                | 1,508,424                      |
| Plant and equipment at fair value                          | 4,863                        |                                |                                | 4,863                          |
| Motor vehicles at fair value                               | 3,234                        |                                |                                | 3,234                          |
| <b>Total infrastructure, property, plant and equipment</b> | <b>1,555,834</b>             | <b>-</b>                       | <b>9,551</b>                   | <b>1,546,283</b>               |

<sup>1</sup> quoted prices (unadjusted) in active markets for identical assets

<sup>2</sup> inputs based on observable market data (either directly using prices or indirectly derived from prices)

<sup>3</sup> inputs not based on observable market data

There have been no transfers between levels during the period.

#### 12(b) Reconciliation of Level 3 fair value movements

| 2013-14  | Specialised<br>land<br>\$'000 | Infrastructure<br>assets<br>\$'000 | Plant and<br>equipment<br>\$'000 | Motor<br>vehicles<br>\$'000 |
|--|-------------------------------|------------------------------------|----------------------------------|-----------------------------|
| Opening balance  | 29,762                        | 1,432,827                          | 8,034                            | 3,054                       |
| Purchases (sales)  | -                             | -                                  | 680                              | 1,050                       |
| Assets received free of charge                           | -                             | 13,354                             | -                                | -                           |
| Transfers from works in progress                         | -                             | 35,236                             | -                                | -                           |
| Gains or losses recognised in net result                 |                               |                                    |                                  |                             |
| Depreciation   | -                             | (26,393)                           | (3,851)                          | (870)                       |
| Impairment loss  | -                             | -                                  | -                                | -                           |
| <b>Subtotal</b>  | <b>-</b>                      | <b>(26,393)</b>                    | <b>(3,851)</b>                   | <b>(870)</b>                |
| Gains or losses recognised in Other Comprehensive Income |                               |                                    |                                  |                             |
| Revaluation gain   | -                             | 53,400                             | -                                | -                           |
| <b>Subtotal</b>  | <b>-</b>                      | <b>53,400</b>                      | <b>-</b>                         | <b>-</b>                    |
| <b>Closing balance</b>                                   | <b>29,762</b>                 | <b>1,508,424</b>                   | <b>4,863</b>                     | <b>3,234</b>                |

For the year ended 30 June 2014

## 12(c) Land and buildings

Non specialised land is valued using the market based direct comparison method. Under this valuation method, assets are compared to comparable sales of comparable assets. To the extent that non-specialised land does not contain significant, unobservable adjustments these assets are classified as Level 2 under the market based direct comparison approach.

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

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

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

An independent valuation of land and buildings was undertaken by a registered valuer, Karl Cundall of Valuelit Pty Ltd on behalf of Valuer-General Victoria as at 30 June 2011. At 30 June 2014 management made an assessment against Valuer-General indices and determined that no material movement had occurred.

The historical carrying amount of land and buildings was \$2.297m (2012-13 \$2.297m) and \$5.809m (2012-13 \$7.531m) respectively.

## 12(d) Infrastructure

Infrastructure is valued using the income approach (discounted cash flow) method. This method calculates fair value by discounting estimated future cash flows to their present value. The significant assumptions used in determining fair value at 30 June 2014 were:

- a nominal after tax discount rate range of 6.25 to 6.50 per cent (2012-13 6.25 to 6.50 per cent);
- long term inflation of 2.5 per cent per annum (2012-13 2.5 per cent per annum); and
- ten year model life (based on two Water Plan periods, one known and one estimated).

The 2013-14 valuation resulted in an increment of \$53.4m compared to a decrement of \$255.8m in 2012-13.

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

An asset's fair value is determined with regard to the asset's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset, or public announcements or commitments made in relation to the intended use of the asset. A full valuation of City West Water's infrastructure was performed by Deloitte as at 30 June 2014. The historical carrying amount of infrastructure was \$1,273.2m (2012-13 \$1,248.7m).

The rate used to discount free cash flows to their present value is based on assumptions that market participants would reasonably be expected to use in determining the fair value of the business after taking into account the market cost of debt and equity. The valuation estimate is also cross checked against the earnings and regulated asset value multiples at which comparable organisations are trading and recent transactions in comparable assets. The valuation of infrastructure assets is derived from the valuation estimate after allowing for working capital, non infrastructure assets, deferred tax liabilities and borrowings.

The valuation of infrastructure assets has been determined in accordance with an independent valuation undertaken by Deloitte. The valuation is at fair value based on the income approach (discounted cash flow) method. For the purpose of the opinion provided by Deloitte, fair market value is defined as the amount at which an asset would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell.

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

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

Deloitte's valuation of infrastructure assets is not premised on the existence of a special purchaser.

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

For the year ended 30 June 2014

### 12. Non-current assets - Infrastructure, property, plant and equipment (continued)

#### 12(e) Plant, equipment and motor vehicles

Plant, equipment and motor vehicles are held at carrying value (depreciated replacement cost) which is fair value. When plant and equipment is specialised in use such that it is rarely sold other than as part of a going concern, depreciated replacement cost is considered to be fair value. Unless there is market evidence that current replacement

cost is significantly different to the original acquisition cost, it is considered unlikely that depreciated replacement cost will be materially different from the existing carrying value.

There were no changes in valuation techniques throughout the year to 30 June 2014.

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

| Asset                 | Valuation technique                           | Significant unobservable input                | Range (Weighted Average)       | Sensitivity of the input to fair value   |
|-----------------------|---|---|--------------------------------|--|
| Specialised land      | Market approach                               | Community Service Obligation (CSO) adjustment | 9% - 43% (23%)                 | A significant increase (decrease) in the CSO adjustment would result in a significantly lower (higher) fair value.                   |
| Infrastructure assets | Income approach (discounted cash flow) method | Discount rate                                 | 6.25% - 6.50% (6.38%)          | A significant increase (decrease) in estimated discount rate would result in a significantly lower (higher) fair value.              |
|                       |   | Inflation rate                                | 2.50% (2.50%)                  | A significant increase (decrease) the inflation rate would result in a significantly higher (lower) fair value                       |
|                       |   | Useful life                                   | 10 - 90 years (75.9 years)     | A significant increase (decrease) in the estimated useful life of the asset would result in a significantly higher (lower) valuation |
| Plant and equipment   | Depreciated replacement cost                  | Cost per unit                                 | \$1,000 - \$88,000 (\$11,400)  | A significant increase (decrease) in cost per unit would result in a significantly higher (lower) fair value                         |
|                       |   | Useful life                                   | 3 - 10 years (7.2 years)       | A significant increase (decrease) in the estimated useful life of the asset would result in a significantly higher (lower) valuation |
| Motor vehicles        | Depreciated replacement cost                  | Cost per unit                                 | \$20,000 - \$95,000 (\$35,000) | A significant increase (decrease) in cost per unit would result in a significantly higher (lower) fair value                         |
|                       |   | Useful life                                   | 5 years (5 years)              | A significant increase (decrease) in the estimated useful life of the asset would result in a significantly higher (lower) valuation |

For the year ended 30 June 2014

## 12(g) Reconciliations

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

| 2012-13                                | Specialised<br>land<br>\$'000 | Non<br>specialised<br>land<br>\$'000 | Buildings<br>\$'000 | Infrastructure<br>\$'000 | Plant &<br>equipment<br>\$'000 | Motor<br>Vehicles<br>\$'000 | Works in<br>progress<br>\$'000 | Total<br>\$'000  |
|--|-------------------------------|--------------------------------------|---------------------|--------------------------|--------------------------------|-----------------------------|--------------------------------|------------------|
| Opening balance at 1 July 2012         | 29,762                        | 3,742                                | 8,892               | 1,587,480                | 4,670                          | 2,814                       | 168,974                        | 1,806,334        |
| Additions                              | -                             | -                                    | 439                 | -                        | 6,403                          | 1,366                       | 155,762                        | 163,970          |
| Assets received free of charge         | -                             | -                                    | -                   | 18,000                   | -                              | -                           | (18,000)                       | -                |
| Transfers                              | -                             | -                                    | -                   | 111,951                  | -                              | -                           | (111,951)                      | -                |
| Revaluations (decrement)/increment     | -                             | -                                    | -                   | (255,800)                | -                              | -                           | -                              | (255,800)        |
| Disposals                              | -                             | -                                    | -                   | (165)                    | (11)                           | (381)                       | -                              | (557)            |
| Depreciation expense                   | -                             | -                                    | (1,800)             | (28,639)                 | (3,028)                        | (745)                       | -                              | (34,212)         |
| <b>Closing balance at 30 June 2013</b> | <b>29,762</b>                 | <b>3,742</b>                         | <b>7,531</b>        | <b>1,432,827</b>         | <b>8,034</b>                   | <b>3,054</b>                | <b>194,785</b>                 | <b>1,679,735</b> |
| <b>2013-14</b>                         |                               |                                      |                     |                          |                                |                             |                                |                  |
| Opening balance at 1 July 2013         | 29,762                        | 3,742                                | 7,531               | 1,432,827                | 8,034                          | 3,054                       | 194,785                        | 1,679,735        |
| Additions                              | -                             | -                                    | 20                  | -                        | 681                            | 1,690                       | 110,369                        | 112,760          |
| Assets received free of charge         | -                             | -                                    | -                   | 13,354                   | -                              | -                           | (13,354)                       | -                |
| Transfers                              | -                             | -                                    | -                   | 35,236                   | -                              | -                           | (35,236)                       | -                |
| Revaluations (decrement)/increment     | -                             | -                                    | -                   | 53,400                   | -                              | -                           | -                              | 53,400           |
| Disposals                              | -                             | -                                    | -                   | -                        | (1)                            | (640)                       | (33)                           | (674)            |
| Depreciation expense                   | -                             | -                                    | (1,742)             | (26,393)                 | (3,851)                        | (870)                       | -                              | (32,856)         |
| <b>Closing balance at 30 June 2014</b> | <b>29,762</b>                 | <b>3,742</b>                         | <b>5,809</b>        | <b>1,508,424</b>         | <b>4,863</b>                   | <b>3,234</b>                | <b>256,531</b>                 | <b>1,812,365</b> |

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

For the year ended 30 June 2014

### 13. Non-current assets - Intangible assets

|                                | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|--------------------------------|------------------------|------------------------|
| Software at cost               | 75,061                 | 72,303                 |
| Less accumulated amortisation  | (31,023)               | (24,026)               |
| <b>Total software</b>          | <b>44,038</b>          | <b>48,277</b>          |
| Water entitlements at cost     | 96,916                 | 96,916                 |
| Works in progress at cost      | 31,391                 | 12,860                 |
| <b>Total intangible assets</b> | <b>172,345</b>         | <b>158,053</b>         |

#### Software

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

#### Water entitlements

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

#### Reconciliations

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

|  | Software<br>\$'000 | Water<br>entitlements<br>\$'000 | Works in<br>progress<br>\$'000 | Total<br>\$'000 |
|--|--------------------|---------------------------------|--------------------------------|-----------------|
| <b>2012-13</b>                         |                    |                                 |                                |                 |
| Opening balance at 1 July 2012         | 14,330             | 90,000                          | 27,609                         | 131,939         |
| Additions                              | -                  | 10,000                          | 22,384                         | 32,384          |
| Transfers                              | 37,133             | -                               | (37,133)                       | -               |
| Disposals                              | -                  | (3,084)                         | -                              | (3,084)         |
| Amortisation expense                   | (3,186)            | -                               | -                              | (3,186)         |
| <b>Closing balance at 30 June 2013</b> | <b>48,277</b>      | <b>96,916</b>                   | <b>12,860</b>                  | <b>158,053</b>  |
| <b>2013-14</b>                         |                    |                                 |                                |                 |
| Opening balance at 1 July 2013         | 48,277             | 96,916                          | 12,860                         | 158,053         |
| Additions                              | -                  | -                               | 21,288                         | 21,288          |
| Transfers                              | 2,757              | -                               | (2,757)                        | -               |
| Disposals                              | -                  | -                               | -                              | -               |
| Amortisation expense                   | (6,996)            | -                               | -                              | (6,996)         |
| <b>Closing balance at 30 June 2014</b> | <b>44,038</b>      | <b>96,916</b>                   | <b>31,391</b>                  | <b>172,345</b>  |

For the year ended 30 June 2014

Water entitlements represent City West Water's bulk water entitlements held in Northern Victoria as a result of its investment in Stage 1 of the Goulburn-Murray Water Connections Project. The project was originally established in 2007 as the Northern Victoria Irrigation Renewal Project (NVIRP). On 1 July 2012, NVIRP was merged with Goulburn-Murray Water to form the Goulburn-Murray Water Connections Project. The metropolitan water retailers contributed \$300m to the \$1 billion Stage

1 investment. Stage 1 will generate long term average annual water savings of 225GL which will be shared equally between irrigators, the metropolitan water retailers and the environment. The carrying amount at balance date represents City West Water's share of contributions, net of the share of contributions from four regional urban water businesses with access to Melbourne's pooled entitlement.

## 14. Current liabilities - Payables

|   | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|---|------------------------|------------------------|
| Payables - trade                            | 38,513                 | 70,422                 |
| Payables - other                            | 20,528                 | 17,848                 |
| <b>Total current liabilities - Payables</b> | <b>59,041</b>          | <b>88,270</b>          |

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

## 15. Current liabilities - Borrowings

|   |                |               |
|---|----------------|---------------|
| Treasury Corporation of Victoria              | 101,000        | 45,000        |
| <b>Total current liabilities - Borrowings</b> | <b>101,000</b> | <b>45,000</b> |

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

All of City West Water's borrowings are made through the Treasury Corporation of Victoria (TCV) and are Government guaranteed. City West Water paid a fee of \$1,059,607 (2012-13 \$928,205) for this facility.

## 16. Current liabilities - Provision for tax

|  |            |               |
|--|------------|---------------|
| Current tax liabilities <sup>1</sup>                 | 872        | 10,089        |
| <b>Total current liabilities - Provision for tax</b> | <b>872</b> | <b>10,089</b> |

<sup>1</sup> Prior year restated. Refer to Note 1(b).

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

For the year ended 30 June 2014

### 17. Current liabilities - Other provisions

|   | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|---|------------------------|------------------------|
| Other provisions                                      | 2,255                  | 5,686                  |
| <b>Total current liabilities - Provisions</b>         | <b>2,255</b>           | <b>5,686</b>           |
| <b>Other provisions are made up of the following:</b> |                        |                        |
| Insurance provision                                   | 660                    | 302                    |
| Biosolids management and desludging of ATP lagoon     | 116                    | 674                    |
| Desalination cost returns <sup>1</sup>                | 225                    | 4,133                  |
| Relocation allowance                                  | 450                    | -                      |
| Other sundry provisions                               | 804                    | 577                    |
| <b>Total sundry provisions</b>                        | <b>2,255</b>           | <b>5,686</b>           |

<sup>1</sup>Desalination cost returns for 2012-13 represents the required one off return to City West Water's customers for the early collection of desalination charges. The one off return is in addition to the repayment through City West Water's price freeze effective from 1 July 2012 - 30 June 2013, in order to return the full early collection of desalination charges to City West Water's customers. The early collection of desalination costs occurred as a result of a delay in the commissioning of the Victorian Desalination Plant in comparison to the cost assumed in the prices set by the Essential Services Commission in 2009 for Melbourne Water Corporation's bulk charges. The return of this money to customers is cost neutral to City West Water as the repayments are fully funded through lower bulk charges to City West Water from Melbourne Water.

#### Movement in other provisions

|  | Insurance<br>\$'000 | Biosolids/<br>desludge<br>\$'000 | Desalination<br>cost returns<br>\$'000 | Relocation<br>Allowance<br>\$'000 | Other<br>\$'000 | Total<br>\$'000 |
|--|---------------------|----------------------------------|--|-----------------------------------|-----------------|-----------------|
| Carrying amount as at 1 July 2013                | 302                 | 674                              | 4,133                                  | -                                 | 577             | 5,686           |
| Additional provisions recognised                 | 582                 | -                                | -                                      | 450                               | 525             | 1,557           |
| Payments/other sacrifices of<br>economic benefit | (224)               | (558)                            | (3,908)                                | -                                 | (298)           | (4,988)         |
| <b>Carrying amount as at 30 June 2014</b>        | <b>660</b>          | <b>116</b>                       | <b>225</b>                             | <b>450</b>                        | <b>804</b>      | <b>2,255</b>    |

### 18. Current liabilities - Unearned income

|  | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|--|------------------------|------------------------|
| Unearned income                                    | 2,609                  | 1,078                  |
| <b>Total current liabilities - unearned income</b> | <b>2,609</b>           | <b>1,078</b>           |



For the year ended 30 June 2014

## 19. Current liabilities - Other

|  | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|--|------------------------|------------------------|
| Advances and deposits                    | 4,113                  | 3,936                  |
| Deferred developer reimbursements        | 4,854                  | 8,641                  |
| Other                                    | 281                    | -                      |
| <b>Total current liabilities - Other</b> | <b>9,248</b>           | <b>12,577</b>          |

## 20. Non-current liabilities - Borrowings

|   |                |                |
|---|----------------|----------------|
| Treasury Corporation of Victoria                  | 922,500        | 882,500        |
| <b>Total non-current liabilities - Borrowings</b> | <b>922,500</b> | <b>882,500</b> |

## 21. Non-current liabilities - Unearned Income

|  |          |              |
|--|----------|--------------|
| Unearned income  | -        | 1,787        |
| <b>Total non-current liabilities - Unearned Income</b> | <b>-</b> | <b>1,787</b> |

## 22. Equity

|                                    |                |                |
|------------------------------------|----------------|----------------|
| Contributed equity                 | 217,608        | 217,608        |
| Physical asset revaluation surplus | 203,619        | 166,239        |
| Retained profits                   | 310,136        | 286,365        |
| <b>Total equity</b>                | <b>731,363</b> | <b>670,212</b> |

### (a) Contributed equity

Contributed equity represents an amount equivalent to the net assets transferred to City West Water Limited from Melbourne Water Corporation on the formation of City West Water Limited on 1 January 1995 of \$196.988m plus the amount of paid up equity reclassified as contributed equity upon transition of City West Water Limited to a statutory authority known as City West Water Corporation on 1 July 2012 of \$20.620m totalling \$217.608m.

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

For the year ended 30 June 2014

### 22. Equity (continued)

|  | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|--|------------------------|------------------------|
| <b>(b) Physical asset revaluation surplus</b>                              |                        |                        |
| Physical asset revaluation surplus at the beginning of the financial year  | 166,239                | 345,299                |
| Infrastructure assets revaluation, net of tax                              | 37,380                 | (179,060)              |
| <b>Physical asset revaluation surplus at the end of the financial year</b> | <b>203,619</b>         | <b>166,239</b>         |
| <b>(c) Retained profits</b>  |                        |                        |
| Retained profits at the beginning of the financial year <sup>1</sup>       | 286,365                | 274,332                |
| Profit after income tax expense  | 25,078                 | 34,139                 |
| Interim dividend paid (Note 7)   | -                      | (6,800)                |
| Final dividend paid during 2013-14 in respect of 2012-13 (Note 7)          | (4,700)                | -                      |
| Final dividend paid during 2012-13 in respect of 2011-12 (Note 7)          | -                      | (18,000)               |
| Actuarial gain/(loss) on defined benefit superannuation plan (net of tax)  | 3,393                  | 2,694                  |
| <b>Retained profits at the end of the financial year <sup>2</sup></b>      | <b>310,136</b>         | <b>286,365</b>         |

<sup>1</sup> Prior year restated. Refer to Note 1(b). **\$'000**

|   |                |
|---|----------------|
| Previously reported retained profits at the beginning of the year | 273,450        |
| Adjustment due to change in accounting policy                     | 882            |
| <b>Restated retained profits at the beginning of the year</b>     | <b>274,332</b> |

<sup>2</sup> Prior year restated. Refer to Note 1(b).

|   |                |
|---|----------------|
| Previously reported retained profits at the end of the year | 286,670        |
| Adjustment due to change in accounting policy               | (305)          |
| <b>Restated retained profits at the end of the year</b>     | <b>286,365</b> |

For the year ended 30 June 2014

## 23. Responsible persons and executives

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

### Responsible persons

The persons who held the positions of responsible persons at any time during the financial year were as follows:

|                          |                    |                                 |
|--------------------------|--------------------|---------------------------------|
| The Hon. Peter Walsh MLA | Minister for Water | 1 July 2013 - 30 June 2014      |
| The Hon. Alan Stockdale  | Chairman           | 1 July 2013 - 30 June 2014      |
| Ms Anne Barker           | Managing Director  | 1 July 2013 - 30 June 2014      |
| Ms Debra Goodin          | Director           | 1 July 2013 - 30 June 2014      |
| Ms Vivienne Nguyen       | Director           | 1 October 2013 - 30 June 2014   |
| Ms Jan Begg              | Director           | 1 July 2013 - 30 June 2014      |
| Dr Peter McKeown         | Director           | 1 July 2013 - 30 June 2014      |
| Ms Fiona Pearse          | Director           | 1 July 2013 - 30 June 2014      |
| Mr Philip Clark          | Director           | 1 October 2013 - 30 June 2014   |
| Prof. Marilyn Anderson   | Director           | 1 July 2013 - 30 September 2013 |
| Mr Derek Skues           | Director           | 1 July 2013 - 30 September 2013 |

Amounts relating to the Minister are reported in the financial statements of the Department of Premier and Cabinet. Other relevant interests are declared in the Register of Members' Interests which each Member of Parliament completes.

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

|              |   |         | 30 June 2014<br>No. | 30 June 2013<br>No. |
|--------------|---|---------|---------------------|---------------------|
| \$           |   | \$      |                     |                     |
| 10,000       | - | 19,999  | 2                   | 2                   |
| 30,000       | - | 39,999  | 2                   | 2                   |
| 40,000       | - | 49,999  | 4                   | 4                   |
| 90,000       | - | 99,999  | 1                   | 1                   |
| 380,000      | - | 389,999 | -                   | 1                   |
| 390,000      | - | 399,999 | 1                   | -                   |
| <b>Total</b> |   |         | <b>10</b>           | <b>10</b>           |

|                                     | \$             | \$             |
|-------------------------------------|----------------|----------------|
| <b>Total amount (whole dollars)</b> | <b>780,014</b> | <b>767,705</b> |

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

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

For the year ended 30 June 2014

### 23. Responsible persons and executives (Continued)

#### Executives

The number of executive officers other than responsible persons (as defined in FRD 21B *Responsible Person and Executive Officer Disclosures in the Financial Report*) and their total remuneration during the reporting period and the prior period are shown in the first two columns of the table 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. Total annualised employee equivalent provides a measure of full time executive officers over the reporting period.

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

|   |           | Total Remuneration |              | Base Remuneration |              |
|---|-----------|--------------------|--------------|-------------------|--------------|
|   |           | 30 June 2014       | 30 June 2013 | 30 June 2014      | 30 June 2013 |
|   |           | No.                | No.          | No.               | No.          |
| \$  | \$        |                    |              |                   |              |
| 80,000  | - 89,999  | 1                  | -            | 1                 | -            |
| 100,000   | - 109,999 | -                  | -            | -                 | 1            |
| 110,000   | - 119,999 | -                  | -            | 1                 | 1            |
| 120,000   | - 129,999 | -                  | -            | 1                 | 4            |
| 130,000   | - 139,999 | -                  | -            | 6                 | 5            |
| 140,000   | - 149,999 | -                  | -            | -                 | 1            |
| 150,000   | - 159,999 | -                  | -            | 3                 | 2            |
| 160,000   | - 169,999 | 2                  | 5            | -                 | 3            |
| 170,000   | - 179,999 | 4                  | 2            | 4                 | -            |
| 180,000   | - 189,999 | 3                  | 4            | -                 | -            |
| 190,000   | - 199,999 | 1                  | 2            | 2                 | 2            |
| 200,000   | - 209,999 | 1                  | 1            | -                 | 2            |
| 210,000   | - 229,999 | 2                  | -            | 3                 | -            |
| 220,000   | - 229,999 | 3                  | 1            | -                 | -            |
| 230,000   | - 239,999 | -                  | 1            | -                 | -            |
| 240,000   | - 249,999 | -                  | 1            | -                 | -            |
| 250,000   | - 259,999 | -                  | 1            | -                 | -            |
| 260,000   | - 269,999 | 1                  | 1            | -                 | -            |
| 270,000   | - 279,999 | -                  | 1            | -                 | -            |
| 280,000   | - 289,999 | 2                  | 1            | -                 | -            |
| 290,000   | - 299,999 | 1                  | -            | -                 | -            |
|   |           | 21                 | 21           | 21                | 21           |
| Total annualised employee equivalent <sup>1</sup> |           | 19.9               | 19.8         | 19.9              | 19.8         |
|   |           | \$                 | \$           | \$                | \$           |
| Total amount (whole dollars)                      |           | 4,243,018          | 4,293,642    | 3,260,470         | 3,147,204    |

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

For the year ended 30 June 2014

#### Key management personnel compensation

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

|                                       | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|---------------------------------------|------------------------|------------------------|
| Short term employment benefits        | 1,442                  | 1,414                  |
| Post employment benefits              | 214                    | 256                    |
| Other long term benefits <sup>1</sup> | 9                      | 6                      |
| Termination benefits                  | -                      | -                      |
| <b>Total</b>                          | <b>1,665</b>           | <b>1,676</b>           |
| <b>Total employees</b>                | <b>8</b>               | <b>8</b>               |

<sup>1</sup> Other long term benefits represents long service leave.

#### Payments to other personnel

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

## 24. Remuneration of auditor

Amounts received, or due and receivable by the auditor of City West Water:

|                                     |            |            |
|-------------------------------------|------------|------------|
| Victorian Auditor-General's Office  | 128        | 125        |
| <b>Total auditor's remuneration</b> | <b>128</b> | <b>125</b> |

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

For the year ended 30 June 2014

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### 25. Contingent assets and liabilities

#### Contingent assets

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

Currently there is approximately \$4.728m (2012-13 \$3.074m) of water supply assets under construction, and a further \$4.640m (2012-13 \$3.379m) of water supply assets committed to for which construction is yet to begin. The value of sewerage assets under construction is approximately \$6.861m (2012-13 \$5.379m), with a further \$5.498m (2012-13 \$4.387m) committed to for which construction is yet to begin. Contingent upon the completion of these assets, they will be transferred to City West Water, which will maintain them in perpetuity.

#### Contingent liabilities

Contingent on the completion of the above assets, City West Water has a liability to reimburse developers an estimated \$3.552m (2012-13 \$1.472m) for water supply assets and, \$2.386m (2012-13 \$2.225m) for sewerage assets for additional works constructed at City West Water's request. These reimbursements will occur either immediately on the completion of the assets or be deferred for an agreed period in accordance with the conditions of the agreement between City West Water and the developer.

For the year ended 30 June 2014

## 26. Commitment for expenditure

### Capital commitments

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

|  | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|--|------------------------|------------------------|
| Not later than one year  | 6,267                  | 32,741                 |
| Later than one year but not later than five years                      | -                      | -                      |
| <b>Total capital commitments not provided for on the Balance Sheet</b> | <b>6,267</b>           | <b>32,741</b>          |

### Lease commitments

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

|  |            |           |
|--|------------|-----------|
| Not later than one year  | 4          | 13        |
| Later than one year but not later than five years                    | 20         | 53        |
| Later than five years  | 147        | 13        |
| <b>Total lease commitments not provided for on the Balance Sheet</b> | <b>171</b> | <b>79</b> |

Representing:

|  |            |           |
|--|------------|-----------|
| Non-cancellable operating leases                                     | 171        | 79        |
| Cancellable operating leases   | -          | -         |
| <b>Total lease commitments not provided for on the Balance Sheet</b> | <b>171</b> | <b>79</b> |

### (c) Other commitments <sup>1</sup>

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

|  |               |               |
|--|---------------|---------------|
| Not later than one year  | 18,563        | 19,772        |
| Later than one year but not later than five years                    | 18,988        | 38,126        |
| <b>Total other commitments not provided for on the Balance Sheet</b> | <b>37,551</b> | <b>57,898</b> |

<sup>1</sup> Contained within other commitments:

#### Smart Water Fund

The Smart Water Fund is a joint venture which is administered via an agreement between City West Water, South East Water, Yarra Valley Water, Melbourne Water and the Victorian Government with the objective of delivering collaborative research in water related fields. City West Water has an equal interest in the arrangement with the other organisations. The total contributions paid to the Smart Water Fund to date amount to \$8.170m. At balance date, City West Water's share of unspent contributions to the fund amounts to \$0.394m (Refer Note 10). City West Water expects to contribute a further \$0.425m over the next three years in order to fund research and research related activities. The fund is expected to wind up in 2016-17.

#### Environmental Contributions

Consistent with the requirements of the *Water Industry Act 1994*, City West Water is committed to pay an annual Environmental Contribution of \$18.563m for each of the next two years to the Department of Environment and Primary Industries.

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

For the year ended 30 June 2014

### 27. Provision for employee benefits

#### (a) Employee benefits and related oncost liabilities

|   | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|---|------------------------|------------------------|
| <b>Current</b>  |                        |                        |
| Annual leave unconditional and expected to be paid within 12 months       | 2,142                  | 2,118                  |
| Annual leave unconditional and expected to be paid after 12 months        | 284                    | 162                    |
| Long service leave unconditional and expected to be paid within 12 months | 446                    | 406                    |
| Long service leave unconditional and expected to be paid after 12 months  | 5,480                  | 4,948                  |
| Other employee benefits   | 3,134                  | 3,105                  |
| <b>Provision for employee benefits - current</b>                          | <b>11,486</b>          | <b>10,739</b>          |
| <b>Non-current</b>  |                        |                        |
| Long service leave conditional  | 1,773                  | 1,636                  |
| <b>Provision for employee benefits - non-current</b>                      | <b>1,773</b>           | <b>1,636</b>           |
| <b>Aggregate employee benefits and related oncost liabilities</b>         | <b>13,259</b>          | <b>12,375</b>          |

#### (b) Superannuation

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

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

City West Water contributed a total of \$3.4m (2012-13 \$3.2m) to various accumulation funds during the year.

#### (c) Defined Benefit Superannuation

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

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

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



For the year ended 30 June 2014

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

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

- investment risk - the risk that investment returns will be lower than assumed and the organisation will need to increase contributions to offset this shortfall;
- salary growth risk - the risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions; and
- legislative risk - the risk that legislative changes could be made which increase the cost of providing the defined benefits.

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

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

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

|  | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|--|------------------------|------------------------|
| <b>Reconciliation of the net defined benefit liability/(asset)</b>                                   |                        |                        |
| Net defined benefit liability/(asset) at the start of the year                                       | 979                    | 5,829                  |
| (+) Adjustment to Other Comprehensive Income following the adoption of revised AASB 119 <sup>1</sup> | -                      | (882)                  |
| Adjusted net defined benefit liability/(asset) at start of year                                      | 979                    | 4,947                  |
| (+) Current service cost   | 915                    | 933                    |
| (+) Net interest   | 16                     | 113                    |
| (+) Past service cost  | -                      | -                      |
| (+) Gain/loss on settlements   | -                      | -                      |
| (-) Actuarial return on plan assets less interest income <sup>2</sup>                                | 2,680                  | 3,374                  |
| (+) Actuarial (gains)/losses arising from changes in demographic assumptions                         | (133)                  | -                      |
| (+) Actuarial (gains)/losses arising from changes in financial assumptions <sup>2</sup>              | (1,115)                | (1,175)                |
| (+) Actuarial (gains)/losses arising from liability experience <sup>2</sup>                          | (919)                  | 701                    |
| (+) Adjustment for effect of asset ceiling   | -                      | -                      |
| (-) Employer contributions   | 638                    | 1,166                  |
| <b>Net defined benefit liability/(asset) at end of year <sup>1</sup></b>                             | <b>(3,575)</b>         | <b>979</b>             |
| <sup>1</sup> Prior year restated. Refer to Note 1(b).  |                        |                        |
| <sup>2</sup> Prior year restated. Refer to Note 1(b).  | (\$'000)               |                        |
| (-) Actuarial return on plan assets less interest income   | 3,374                  |                        |
| (+) Actuarial (gains)/losses arising from changes in financial assumptions                           | (1,175)                |                        |
| (+) Actuarial (gains)/losses arising from liability experience                                       | 701                    |                        |
| <b>Actuarial (gain)/loss on defined benefit superannuation plan liability (refer Note 1(b))</b>      | <b>(3,848)</b>         |                        |

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

For the year ended 30 June 2014

### 27. Provision for employee benefits (continued)

#### (c) Defined Benefit Superannuation (continued)

|  | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|--|------------------------|------------------------|
| <b>Reconciliation of the fair value of plan assets</b> |                        |                        |
| Fair value of plan assets at beginning of the year     | 27,128                 | 22,068                 |
| (+) Interest income                                    | 904                    | 653                    |
| (+) Actual return on plan assets less interest income  | 2,680                  | 3,374                  |
| (+) Employer contributions                             | 638                    | 1,166                  |
| (+) Contributions by plan participants                 | 301                    | 301                    |
| (-) Benefits paid                                      | 210                    | 95                     |
| (-) Taxes, premiums and expenses paid                  | 263                    | 339                    |
| (+) Transfers in                                       | -                      | -                      |
| (-) Contributions to accumulation section              | -                      | -                      |
| (+) Settlements  | -                      | -                      |
| (+) Exchange rate changes                              | -                      | -                      |
| <b>Fair value of plan assets at end of the year</b>    | <b>31,178</b>          | <b>27,128</b>          |

#### Reconciliation of the defined benefit obligation

|  |               |               |
|--|---------------|---------------|
| Present value of defined benefit obligations at beginning of the year        | 28,107        | 27,015        |
| (+) Current service cost   | 915           | 933           |
| (+) Interest cost  | 920           | 766           |
| (+) Contributions by plan participants                                       | 301           | 301           |
| (+) Actuarial (gains)/losses arising from changes in demographic assumptions | (133)         | -             |
| (+) Actuarial (gains)/losses arising from changes in financial assumptions   | (1,115)       | (1,175)       |
| (+) Actuarial (gains)/losses arising from liability experience               | (919)         | 701           |
| (-) Benefits paid  | 210           | 95            |
| (-) Taxes, premiums and expenses paid  | 263           | 339           |
| (+) Transfers in   | -             | -             |
| (-) Contributions to accumulation section                                    | -             | -             |
| (+) Past service cost  | -             | -             |
| (+) Gain/loss on settlements   | -             | -             |
| (+) Settlements  | -             | -             |
| (+) Exchange rate changes  | -             | -             |
| <b>Present value of defined benefit obligations at end of the year</b>       | <b>27,603</b> | <b>28,107</b> |

The asset ceiling has no impact on the defined benefit liability/(asset).

For the year ended 30 June 2014

Fair value of plan assets

| As at 30 June 2014        | Total<br>\$'000 | Level 1 <sup>1</sup><br>\$'000 | Level 2 <sup>2</sup><br>\$'000 | Level 3 <sup>3</sup><br>\$'000 |
|---------------------------|-----------------|--------------------------------|--------------------------------|--------------------------------|
| Cash and cash equivalents | -               | -                              | -                              | -                              |
| Equity instruments        | -               | -                              | -                              | -                              |
| Debt instruments          | -               | -                              | -                              | -                              |
| Derivatives               | -               | -                              | -                              | -                              |
| Real Estate               | -               | -                              | -                              | -                              |
| Investment funds          | 31,178          | -                              | 31,178                         | -                              |
| Asset backed securities   | -               | -                              | -                              | -                              |
| Structured debt           | -               | -                              | -                              | -                              |
| <b>Total</b>              | <b>31,178</b>   | <b>-</b>                       | <b>31,178</b>                  | <b>-</b>                       |

<sup>1</sup> quoted prices (unadjusted) in active markets for identical assets

<sup>2</sup> inputs based on observable market data (either directly using prices or indirectly derived from prices)

<sup>3</sup> inputs not based on observable market data

|   | 30 June 2014 | 30 June 2013 |
|---|--------------|--------------|
| The percentage invested in each asset class at reporting date is: |              |              |
| Australian equity   | 30%          | 30%          |
| International equity  | 24%          | 29%          |
| Fixed income  | 11%          | 10%          |
| Property  | 9%           | 9%           |
| Growth alternatives   | 8%           | 8%           |
| Defensive alternatives  | 10%          | 7%           |
| Cash  | 8%           | 7%           |
| <b>Total</b>  | <b>100%</b>  | <b>100%</b>  |

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

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

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

For the year ended 30 June 2014

### 27. Provision for employee benefits (continued)

#### (c) Defined Benefit Superannuation (continued)

Significant actuarial assumptions at reporting date:

|  | 30 June 2014 | 30 June 2013 |
|--|--------------|--------------|
| <b>Assumptions to determine defined benefit cost</b>       |              |              |
| Discount rate  | 3.4% p.a.    | 3.0% p.a.    |
| Expected salary increase rate                              | 4.0% p.a.    | 4.0% p.a.    |
| <b>Assumptions to determine defined benefit obligation</b> |              |              |
| Discount rate  | 3.8% p.a.    | 3.4% p.a.    |
| Expected salary increase rate                              | 4.0% p.a.    | 4.0% p.a.    |

#### Sensitivity analysis

The defined benefit obligation as at 30 June 2014 under several scenarios is presented below.

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

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

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

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

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

|   | Base case | Scenario A                  | Scenario B                  | Scenario C                         | Scenario D                         |
|---|-----------|-----------------------------|-----------------------------|------------------------------------|------------------------------------|
|   |           | -0.5% p.a.<br>discount rate | +0.5% p.a.<br>discount rate | -0.5% p.a. salary<br>increase rate | +0.5% p.a. salary<br>increase rate |
| Discount rate                                       | 3.8% p.a. | 3.3% p.a.                   | 4.3% p.a.                   | 3.8% p.a.                          | 3.8% p.a.                          |
| Salary increase rate                                | 4.0% p.a. | 4.0% p.a.                   | 4.0% p.a.                   | 3.5% p.a.                          | 4.5% p.a.                          |
| Defined benefit obligation <sup>1</sup><br>(\$'000) | 27,603    | 29,006                      | 26,286                      | 26,266                             | 29,014                             |

<sup>1</sup> includes contributions tax provision

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

City West Water is not aware of any asset and liability matching strategies adopted by the plan.

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

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

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

For the year ended 30 June 2014

**(c) Defined Benefit Superannuation (continued)**

In the most recent review of the financial position as at 31 December 2013 Equipsuper recommended a contribution rate of nil based on the current short term position of City West Water's defined benefit fund. Equipsuper also strongly urged City West Water to continue to contribute at the long term contribution rate of 9.25 per cent. The reasons for this recommendation were due partly to the new APRA defined benefit prudential standard which will require City West Water to consistently maintain a funding position above 100 per cent, and an expectation that future returns are unlikely to be as strong as those in recent years. City West Water has continued to contribute at the long term contribution rate.

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

The next review of the financial position and contribution rate is due as at 30 June 2014.

**Expected contributions**

Expected employer contributions for the year ending 30 June 2015 amount to \$0.439m.

**Maturity profile of defined benefit obligation**

The weighted average duration of the defined benefit obligation as at 30 June 2014 is 9 years.

Expected benefit payments for the financial year ending on:

|                      | (\$'000) |
|----------------------|----------|
| 30 June 2015         | 2,100    |
| 30 June 2016         | 1,973    |
| 30 June 2017         | 2,064    |
| 30 June 2018         | 2,288    |
| 30 June 2019         | 2,354    |
| Following five years | 13,689   |

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

For the year ended 30 June 2014

### 28. Related party disclosure

#### Directors

The names of persons who were Directors of City West Water at any time during the financial year are as follows: A. Stockdale, A. Barker, D. Goodin, V. Nguyen, J. Begg, P. McKeown, F. Pearse, P. Clark, M. Anderson and D. Skues.

#### Remuneration and retirement benefits

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

#### Transactions with Directors and Director related entities

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

The Hon. Alan Stockdale is a strategic adviser to the CEO of Metro Trains Melbourne Pty Ltd. During the year City West Water paid \$798 (2012-13 \$0) to Metro Trains for site inspections with a further \$1,650 (2012-13 \$0) payable.

Ms Anne Barker is Chair of the not-for-profit organisation Whitelion Incorporated and Open Family Australia Ltd. During the year City West Water paid \$15,350 (2012-13 \$16,948) to Whitelion and Open Family in donations and for services rendered.

Ms Anne Barker is a director of the Water Services Association of Australia (WSAA). During the year City West Water paid \$205,290 (2012-13 \$247,956) to WSAA, with a further \$4,400 (2012-13 \$0) outstanding and the organisation received \$17,171 (2012-13 \$39,755) from WSAA.

Ms Anne Barker is a member of the advisory board of the University of Melbourne - Melbourne Sustainable Society Institute. During the year, City West Water paid \$27,500 (2012-13 \$84,312) to the University of Melbourne for various surveys and studies.

Ms Anne Barker was Chair of the Smart Water Fund until the wind-down of the fund commenced on 31 January 2014. During the year, City West Water paid \$0 (2012-13 \$1,000,000) in financial contributions to the fund. In addition, City West Water received \$198,848 (2012-13 \$108,193) for secondment, office rent and incidentals, with a further \$95,153 (2012-13 \$79,601) receivable.

Ms Jan Begg is a member of the Monash University Business and Management Department Advisory Board. In addition, Dr Peter McKeown is a Senior Fellow of the Law Faculty of Monash University. During the year, City West Water paid \$43,635 (2012-13 \$39,632) to Monash University as contributions to various studies being undertaken by the university.

Ms Jan Begg is an independent member of the Department of Education and Early Childhood Development Portfolio

Audit Committee (Vic). During the year, City West Water paid \$0 (2012-13 \$321,194) to the department in developer reimbursements for the Suzanne Corey High School, Werribee.

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

During the year City West Water paid \$63,883 (2012-13 \$61,094) to Spiire with a further \$0 (2012-13 \$16,500) outstanding and payable for asset verification services. In addition, City West Water received \$2,162 (2012-13 \$2,789) for acceptance and connection fees.

During the year, City West Water paid Downer EDI Engineering Electrical Pty Ltd (formerly Corke Instrument Engineering (Aust) Pty Ltd) \$4,684 (2012-13 \$296,744), with a further \$0 (2012-13 \$627) outstanding and payable for design and construction of water main renewals. In addition, City West Water received \$45 (2012-13 \$0) for sewer plots.

During the year City West Water paid Downer EDI Works Pty Ltd \$12,090,251 (2012-13 \$3,635,788) with a further \$0 (2012-13 \$689,752) outstanding and payable for design and construction of water main renewals. In addition, City West Water received \$1,102 (2012-13 \$0) with a further \$0 (2012-13 \$1,997) outstanding and receivable from Downer EDI Works Pty Ltd for chargeable works.

Ms Vivienne Nguyen is a member of the Vietnamese Community in Australia (Vic Chapter) Inc. During the year City West Water paid \$0 (2012-13 \$1,650) in funding to the organisation. In addition, City West Water received \$2,979 (\$2012-13 \$71) in developer related revenues from the organisation.

All Directors make a contribution to Directors' Liability Insurance.

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

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

#### Victorian Government

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

For the year ended 30 June 2014

### Department of Environment and Primary Industries

City West Water bills and collects parks charges on behalf of the Department of Environment and Primary Industries (DEPI). In addition, City West Water is required to make various payments to the Department which are included in expenses.

|  | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|--|------------------------|------------------------|
| <b>Payments</b>                                  |                        |                        |
| Environmental contributions                      | 18,563                 | 10,787                 |
| Parks rates collected on behalf of DEPI          | 39,107                 | 36,790                 |
| Other  | 1                      | 277                    |
| <b>Receipts</b>                                  |                        |                        |
| Billings and collection fee                      | 1,909                  | 1,745                  |
| Water conservation rebates                       | 403                    | 274                    |
| Administration fee on water conservation rebates | 2                      | 1                      |
| Retrofit of dual flush toilets funding           | 79                     | 61                     |
| Behavioural change campaign                      | -                      | 11                     |
| Other  | 12                     | 430                    |
| <b>Payables</b>                                  |                        |                        |
| Parks rates collected on behalf of DEPI          | 31                     | 69                     |
| Other  | 21                     | -                      |
| <b>Receivables</b>                               |                        |                        |
| Billings and collection fee                      | 70                     | 41                     |
| Water conservation rebates                       | 5                      | 17                     |
| Other  | 133                    | -                      |

### Department of Treasury and Finance

The Department of Treasury and Finance, as State representative, approves and monitors implementation of City West Water's Corporate Plan in consultation with DEPI.

|                                    |        |        |
|------------------------------------|--------|--------|
| <b>Payments</b>                    |        |        |
| Dividend                           | 4,700  | 24,800 |
| Income tax equivalent              | 21,290 | 17,741 |
| Financial accommodation levy       | 9,921  | 7,097  |
| Licence fee                        | 475    | 414    |
| <b>Payables</b>                    |        |        |
| Income tax equivalent <sup>1</sup> | 872    | 10,089 |
| Financial accommodation levy       | 2,835  | 2,129  |

<sup>1</sup> Prior year restated. Refer to Note 1(b).

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

For the year ended 30 June 2014

### 28. Related party disclosure (continued)

#### Treasury Corporation of Victoria

As required by the State Government, City West Water's borrowings are sourced solely from the Treasury Corporation of Victoria.

|                                | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|--------------------------------|------------------------|------------------------|
| <b>Payments</b>                |                        |                        |
| Finance costs                  | 46,452                 | 43,525                 |
| Administration fees            | 1,060                  | 928                    |
| Advisory services              | 25                     | 25                     |
| <b>Receipts</b>                |                        |                        |
| Net borrowings during the year | 96,000                 | 177,630                |
| Interest received              | 26                     | 7                      |
| <b>Payables</b>                |                        |                        |
| Finance costs                  | 17,295                 | 15,397                 |
| Administration fees            | 398                    | 322                    |
| Advisory services              | 6                      | 6                      |
| Total borrowings               | 1,023,500              | 927,500                |
| <b>Receivables</b>             |                        |                        |
| Interest receivable            | -                      | 9                      |

#### Melbourne Water Corporation

City West Water sources all its drinking water from Melbourne Water Corporation and the majority of its sewage is treated by Melbourne Water Corporation at the Western Treatment Plant. City West Water also bills and collects the Waterways and Drainage Charge on behalf of Melbourne Water Corporation.

|   |         |         |
|---|---------|---------|
| <b>Payments</b>   |         |         |
| Bulk water and sewage charges                           | 351,141 | 226,441 |
| Goulburn-Murray Water Connections Project contributions | -       | 10,000  |
| Drainage rates collected on behalf of Melbourne Water   | 60,902  | 57,154  |
| Property information statements                         | 190     | 158     |
| Other   | 479     | 164     |
| <b>Receipts</b>   |         |         |
| Billings and collection fees                            | 3,191   | 2,960   |
| Water supply/demand strategy (cost recovery)            | -       | 150     |
| Other   | 1,230   | 579     |
| <b>Payables</b>   |         |         |
| Bulk water and sewage charges                           | 7,339   | 4,777   |
| Drainage rates collected on behalf of Melbourne Water   | 1,509   | 1,134   |
| Property information statements                         | 104     | 83      |
| Other   | 241     | 56      |
| <b>Receivables</b>                                      |         |         |
| Billings and collection fees                            | 70      | 41      |
| Other   | 28      | 7       |



For the year ended 30 June 2014

### State Revenue Office

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

|                    | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|--------------------|------------------------|------------------------|
| <b>Payments</b>    |                        |                        |
| Land tax           | 28                     | -                      |
| Payroll tax        | 1,867                  | 1,900                  |
| Unclaimed monies   | 298                    | 409                    |
| Other              | -                      | 1                      |
| <b>Receipts</b>    |                        |                        |
| Pension rebate     | 483                    | 501                    |
| <b>Payables</b>    |                        |                        |
| Land tax           | 28                     | 25                     |
| Payroll tax        | 165                    | -                      |
| <b>Receivables</b> |                        |                        |
| Pension rebate     | 122                    | 118                    |
| Payroll tax        | -                      | 22                     |

### Department of Health

City West Water provides a number of services to the community, including the administration of the Pension Rebate and Health Care Card schemes on behalf of the Department of Health.

|                                      |        |        |
|--------------------------------------|--------|--------|
| <b>Payments</b>                      |        |        |
| Safe Drinking Water Levy             | 126    | 123    |
| <b>Receipts</b>                      |        |        |
| Pension rebate                       | 21,095 | 19,753 |
| Administration fee on pension rebate | 209    | 199    |
| Dialysis users rebate                | 19     | 16     |
| Utility relief grant                 | 273    | 198    |
| Other                                | 42     | 5      |
| <b>Receivables</b>                   |        |        |
| Pension rebate                       | 2,927  | 749    |
| Administration fee on pension rebate | 21     | 8      |

### Other Victorian Government controlled entities

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

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

For the year ended 30 June 2014

### 29. Economic dependency

The normal trading activities of City West Water depend to a significant extent on services relating to the acquisition of water and disposal of sewage currently supplied by Melbourne Water Corporation. During the financial year 2013-14 all drinking water supplies were sourced through this organisation and the majority of City West Water's sewage disposals were made through the same organisation. As no alternative suppliers currently exist, this dependency is expected to continue into the future.

As required by Victorian legislation, City West Water's borrowings are sourced solely from the Treasury Corporation of Victoria.

### 30. Ex gratia expenses

|                                 | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|---------------------------------|------------------------|------------------------|
| Forgiveness or waiver of debt   | 623                    | 560                    |
| Compensation for economic loss  | -                      | -                      |
| Property damage payments        | 67                     | 79                     |
| <b>Total ex gratia expenses</b> | <b>690</b>             | <b>639</b>             |

Ex gratia expense items greater than \$5,000 are disclosed.

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

Compensation for economic loss will be made in certain circumstances where a customer has been economically disadvantaged due to the actions of City West Water.

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

Ex gratia expenses are included in the Statement of Comprehensive Income as expenses.

### 31. Events after reporting date

On 11 May 2014, the Minister for Water announced the Victorian Government's Fairer Water Bills initiative to deliver more than \$1 billion of savings that will be made across Victoria's urban water sector over the next four years.

As part of this initiative, City West Water residential water using customers are entitled to a bill reduction of \$100 in their first quarter bill for each of the next four years, starting from 2014-15. Based on the conditions of the Victorian Government's Fairer Water Bills \$100 bill reduction, City West Water has not met the provision recognition criteria of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, therefore has not recognised a provision as at 30 June 2014. The cost of this initiative to be recognised in the first quarter of 2014-15 is estimated to be \$38.0m.

Consistent with the Victorian Government's Fairer Water Bills initiative, Melbourne Water has identified efficiency savings that will be provided to City West Water in the form of a return in respect of each discrete financial year to which the efficiencies relate.

Based on the conditions of entitlement of the return by Melbourne Water for the first quarter of 2014-15, City West Water has not met the recognition criteria of AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* and is therefore not entitled to recognise a receivable at 30 June 2014. The value of the return that will be recognised in the first quarter of 2014-15 is estimated to be \$28.5m.

For the year ended 30 June 2014

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

|  | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 |
|--|------------------------|------------------------|
| <b>Profit after income tax expense <sup>1</sup></b>                                      | <b>25,078</b>          | <b>34,139</b>          |
| Non cash movements:  |                        |                        |
| Depreciation and amortisation of assets  | 39,852                 | 37,398                 |
| Impaired receivables   | 3,579                  | 2,583                  |
| Net (gain)/loss on disposal of non-current physical assets                               | (109)                  | 175                    |
| Asset write offs/write downs   | 33                     | 272                    |
| Assets received free of charge   | (13,391)               | (17,454)               |
| Movements in assets and liabilities:   |                        |                        |
| Decrease/(increase) in receivables   | (19,557)               | (4,870)                |
| Decrease/(increase) in prepayments   | (1,186)                | 731                    |
| Decrease/(increase) in defined benefit asset   | (3,575)                | -                      |
| Increase/(decrease) in payables  | 986                    | (4,365)                |
| Increase/(decrease) in current tax liabilities <sup>1</sup>                              | (9,217)                | 2,426                  |
| Increase/(decrease) in provision for employee benefits                                   | 884                    | 1,726                  |
| Increase/(decrease) in other provisions  | (3,431)                | 3,481                  |
| Increase/(decrease) in unearned income   | (256)                  | 909                    |
| Increase/(decrease) in other liabilities   | (3,328)                | -                      |
| Increase/(decrease) in deferred tax liabilities <sup>1</sup>                             | 448                    | (8,291)                |
| Increase/(decrease) in defined benefit superannuation liability <sup>1</sup>             | (979)                  | (4,850)                |
| Increase/(decrease) in assets recognised through Other Comprehensive Income (net of tax) | 3,393                  | 3,576                  |
| <b>Net cash inflow from operating activities</b>   | <b>19,224</b>          | <b>47,586</b>          |

<sup>1</sup> Prior year restated. Refer to Note 1(b).

|   |                |
|---|----------------|
|   | <b>\$'000</b>  |
| Net profit after tax  | 37,138         |
| Adjustment due to change in accounting policy                                   | (2,999)        |
| <b>Adjusted net profit after tax</b>  | <b>34,139</b>  |
| Increase/(decrease) in current tax liabilities                                  | 2,391          |
| Adjustment due to change in accounting policy                                   | 35             |
| <b>Adjusted increase/(decrease) in current tax liabilities</b>                  | <b>2,426</b>   |
| Increase/(decrease) in deferred tax liabilities                                 | (8,553)        |
| Adjustment due to change in accounting policy                                   | 262            |
| <b>Adjusted increase/(decrease) in deferred tax liabilities</b>                 | <b>(8,291)</b> |
| Increase/(decrease) in defined benefit superannuation liability                 | (3,975)        |
| Adjustment due to change in accounting policy (1 July 2012)                     | (882)          |
| Adjustment due to change in accounting policy (30 June 2013)                    | 7              |
| <b>Adjusted increase/(decrease) in defined benefit superannuation liability</b> | <b>(4,850)</b> |

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

For the year ended 30 June 2014

### 33. Financial instruments

#### Interest rate risk

City West Water's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liability is set out below.

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

2012-13

|   | Weighted<br>average<br>interest<br>rate | Floating<br>interest<br>rate<br>\$'000 | Fixed interest maturing in: |                                |                                |                                |                                |                           | Non-<br>interest<br>bearing<br>\$'000 | Total<br>\$'000  |
|---|---|--|-----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------|---------------------------------------|------------------|
|   |   |  | 1 Year<br>or less<br>\$'000 | Over 1 to<br>2 years<br>\$'000 | Over 2 to<br>3 years<br>\$'000 | Over 3 to<br>4 years<br>\$'000 | Over 4 to<br>5 years<br>\$'000 | Over<br>5 years<br>\$'000 |                                       |                  |
| <b>Financial assets</b>                     |   |  |                             |                                |                                |                                |                                |                           |                                       |                  |
| Cash and cash equivalents (Note 8)          | 2.69%                                   | 40,009                                 | -                           | -                              | -                              | -                              | -                              | -                         | -                                     | 40,009           |
| Receivables (Note 9, 11) <sup>1</sup>       |   | -                                      | -                           | -                              | -                              | -                              | -                              | -                         | 71,998                                | 71,998           |
| <b>Total financial assets</b>               |   | <b>40,009</b>                          | <b>-</b>                    | <b>-</b>                       | <b>-</b>                       | <b>-</b>                       | <b>-</b>                       | <b>-</b>                  | <b>71,998</b>                         | <b>112,007</b>   |
| <b>Financial liabilities</b>                |   |  |                             |                                |                                |                                |                                |                           |                                       |                  |
| Payables (Note 14)                          |   | -                                      | -                           | -                              | -                              | -                              | -                              | -                         | 88,270                                | 88,270           |
| Borrowings (Note 15, 20)                    | 5.23%                                   | 60,000                                 | 45,000                      | 60,000                         | 60,000                         | 60,000                         | 80,000                         | 562,500                   | -                                     | 927,500          |
| Advances and deposits (Note 19)             |   | -                                      | -                           | -                              | -                              | -                              | -                              | -                         | 3,936                                 | 3,936            |
| Deferred developer reimbursements (Note 19) |   | -                                      | -                           | -                              | -                              | -                              | -                              | -                         | 8,641                                 | 8,641            |
| <b>Total financial liabilities</b>          |   | <b>60,000</b>                          | <b>45,000</b>               | <b>60,000</b>                  | <b>60,000</b>                  | <b>60,000</b>                  | <b>80,000</b>                  | <b>562,500</b>            | <b>100,847</b>                        | <b>1,028,347</b> |

<sup>1</sup> Does not include statutory taxes (GST)

For the year ended 30 June 2014

2013-14

|  | Weighted<br>average<br>interest<br>rate | Floating<br>interest<br>rate<br>\$'000 | Fixed interest maturing in: |                                |                                |                                |                                |                           | Non-<br>interest<br>bearing<br>\$'000 | Total<br>\$'000  |
|--|---|--|-----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------|---------------------------------------|------------------|
|  |   |  | 1 Year or<br>less<br>\$'000 | Over 1 to<br>2 years<br>\$'000 | Over 2 to<br>3 years<br>\$'000 | Over 3 to<br>4 years<br>\$'000 | Over 4 to<br>5 years<br>\$'000 | Over 5<br>years<br>\$'000 |                                       |                  |
|  |   |  |                             |                                |                                |                                |                                |                           |                                       |                  |
| Financial assets                                     |   |  |                             |                                |                                |                                |                                |                           |                                       |                  |
| Cash and cash<br>equivalents<br>(Note 8)             | 1.07%                                   | 410                                    | -                           | -                              | -                              | -                              | -                              | -                         | -                                     | 410              |
| Receivables<br>(Note 9, 11) <sup>1</sup>             |   | -                                      |                             | -                              | -                              | -                              | -                              | -                         | 88,721                                | 88,721           |
| <b>Total financial<br/>assets</b>                    |   | <b>410</b>                             | <b>-</b>                    | <b>-</b>                       | <b>-</b>                       | <b>-</b>                       | <b>-</b>                       | <b>-</b>                  | <b>88,721</b>                         | <b>89,131</b>    |
| Financial liabilities                                |   |  |                             |                                |                                |                                |                                |                           |                                       |                  |
| Payables (Note<br>14)                                |   | -                                      | -                           | -                              | -                              | -                              | -                              | -                         | 59,041                                | 59,041           |
| Borrowings<br>(Note 15, 20)                          | 4.92%                                   | 111,000                                | 50,000                      | 60,000                         | 60,000                         | 115,000                        | 102,500                        | 525,000                   | -                                     | 1,023,500        |
| Advances and<br>deposits (Note<br>19)                |   | -                                      | -                           | -                              | -                              | -                              | -                              | -                         | 4,113                                 | 4,113            |
| Deferred<br>developer<br>reimbursements<br>(Note 19) |   | -                                      | -                           | -                              | -                              | -                              | -                              | -                         | 4,854                                 | 4,854            |
| Other (Note 19)                                      |   | -                                      | -                           | -                              | -                              | -                              | -                              | -                         | 281                                   | 281              |
| <b>Total financial<br/>liabilities</b>               |   | <b>111,000</b>                         | <b>50,000</b>               | <b>60,000</b>                  | <b>60,000</b>                  | <b>115,000</b>                 | <b>102,500</b>                 | <b>525,000</b>            | <b>68,289</b>                         | <b>1,091,789</b> |

<sup>1</sup> Does not include statutory taxes (GST)

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

For the year ended 30 June 2014

### 33. Financial instruments (continued)

Consistent with its interest rate risk management policy, City West Water entered into a number of forward rate settlements during the year to manage its interest rate risk exposure. There was one outstanding forward rate agreement as at balance date.

#### Credit risk

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

#### Categorisation of financial instruments

##### 2012-13

|   | Contractual<br>financial<br>assets -<br>loans and<br>receivables | Contractual<br>financial<br>liabilities at<br>amortised cost |
|---|--|--|
| <b>Financial assets</b>                     |  |  |
| Cash and cash equivalents (Note 8)          | 40,009   | -  |
| Receivables (Note 9, 11) <sup>1</sup>       | 71,998   | -  |
| <b>Total financial assets</b>               | <b>112,007</b>   | <b>-</b>   |
| <b>Financial liabilities</b>                |  |  |
| Payables (Note 14)                          | -  | 88,270   |
| Borrowings (Note 15, 20)                    | -  | 927,500  |
| Advances and deposits (Note 19)             | -  | 3,936  |
| Deferred developer reimbursements (Note 19) | -  | 8,641  |
| <b>Total financial liabilities</b>          | <b>-</b>   | <b>1,028,347</b>   |

##### 2013-14

|   |               |                  |
|---|---------------|------------------|
| <b>Financial assets</b>                     |               |                  |
| Cash and cash equivalents (Note 8)          | 410           | -                |
| Receivables (Note 9, 11) <sup>1</sup>       | 88,721        | -                |
| <b>Total financial assets</b>               | <b>89,131</b> | <b>-</b>         |
| <b>Financial liabilities</b>                |               |                  |
| Payables (Note 14)                          | -             | 59,041           |
| Borrowings (Note 15, 20)                    | -             | 1,023,500        |
| Advances and deposits (Note 19)             | -             | 4,113            |
| Deferred developer reimbursements (Note 19) | -             | 4,854            |
| Other (Note 19)                             | -             | 281              |
| <b>Total financial liabilities</b>          | <b>-</b>      | <b>1,091,789</b> |

<sup>1</sup> Does not include statutory taxes (GST)

For the year ended 30 June 2014

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

#### 2012-13

|                                       | Government agencies | Other         |
|---------------------------------------|---------------------|---------------|
| Cash and cash equivalents (Note 8)    | 40,009              | -             |
| Receivables (Note 9, 11) <sup>1</sup> | -                   | 71,998        |
| <b>Total</b>                          | <b>40,009</b>       | <b>71,998</b> |

#### 2013-14

|                                       |            |               |
|---------------------------------------|------------|---------------|
| Cash and cash equivalents (Note 8)    | 410        | -             |
| Receivables (Note 9, 11) <sup>1</sup> | -          | 88,721        |
| <b>Total</b>                          | <b>410</b> | <b>88,721</b> |

<sup>1</sup> Does not include statutory taxes (GST)

### Ageing analysis of financial assets

#### 2012-13

|                                   | Carrying amount | Not past due and not impaired | Past due and not impaired |            |                      | Past due and impaired |            |                      |
|-----------------------------------|-----------------|-------------------------------|---------------------------|------------|----------------------|-----------------------|------------|----------------------|
|                                   |                 |                               | 30-59 days                | 60-89 days | Greater than 90 days | 30-59 days            | 60-89 days | Greater than 90 days |
| Receivables (Note 9) <sup>1</sup> | 71,974          | 66,241                        | 2,492                     | 583        | -                    | 336                   | 194        | 2,128                |
| Other receivables (Note 11)       | 24              | -                             | -                         | -          | 24                   | -                     | -          | -                    |
| <b>Total</b>                      | <b>71,998</b>   | <b>66,241</b>                 | <b>2,492</b>              | <b>583</b> | <b>24</b>            | <b>336</b>            | <b>194</b> | <b>2,128</b>         |

#### 2013-14

|                                   |               |               |              |            |            |            |            |              |
|-----------------------------------|---------------|---------------|--------------|------------|------------|------------|------------|--------------|
| Receivables (Note 9) <sup>1</sup> | 88,697        | 79,746        | 3,610        | 750        | 942        | 571        | 250        | 2,828        |
| Other receivables (Note 11)       | 24            | -             | -            | -          | 24         | -          | -          | -            |
| <b>Total</b>                      | <b>88,721</b> | <b>79,746</b> | <b>3,610</b> | <b>750</b> | <b>966</b> | <b>571</b> | <b>250</b> | <b>2,828</b> |

<sup>1</sup> Does not include statutory taxes (GST)

### Ageing analysis of financial liabilities

#### 2012-13

|                    | Carrying amount | Current       |
|--------------------|-----------------|---------------|
| Payables (Note 14) | 88,270          | 88,270        |
| <b>Total</b>       | <b>88,270</b>   | <b>88,270</b> |

#### 2013-14

|                    | Carrying amount | Current       |
|--------------------|-----------------|---------------|
| Payables (Note 14) | 59,041          | 59,041        |
| <b>Total</b>       | <b>59,041</b>   | <b>59,041</b> |

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

For the year ended 30 June 2014

### 33. Financial instruments (continued)

#### Comparison between carrying amount and fair value

| 2012-13                                     | Carrying<br>amount<br>\$'000 | Fair<br>value<br>\$'000 |
|---|------------------------------|-------------------------|
| <b>Financial assets</b>                     |                              |                         |
| Cash and cash equivalents (Note 8)          | 40,009                       | 40,009                  |
| Receivables (Note 9, 11) <sup>1</sup>       | 71,998                       | 71,998                  |
| <b>Total financial assets</b>               | <b>112,007</b>               | <b>112,007</b>          |
| <b>Financial liabilities</b>                |                              |                         |
| Payables (Note 14)                          | 88,270                       | 88,270                  |
| Borrowings (Note 15, 20)                    | 927,500                      | 998,174                 |
| Advances and deposits (Note 19)             | 3,936                        | 3,936                   |
| Deferred developer reimbursements (Note 19) | 8,641                        | 8,641                   |
| <b>Total financial liabilities</b>          | <b>1,028,347</b>             | <b>1,099,021</b>        |
| <b>2013-14</b>                              |                              |                         |
| <b>Financial assets</b>                     |                              |                         |
| Cash and cash equivalents (Note 8)          | 410                          | 410                     |
| Receivables (Note 9, 11) <sup>1</sup>       | 88,721                       | 88,721                  |
| <b>Total financial assets</b>               | <b>89,131</b>                | <b>89,131</b>           |
| <b>Financial liabilities</b>                |                              |                         |
| Payables (Note 14)                          | 59,041                       | 59,041                  |
| Borrowings (Note 15, 20)                    | 1,023,500                    | 1,115,909               |
| Advances and deposits (Note 19)             | 4,113                        | 4,113                   |
| Deferred developer reimbursements (Note 19) | 4,854                        | 4,854                   |
| Other (Note 19)                             | 281                          | 281                     |
| <b>Total financial liabilities</b>          | <b>1,091,789</b>             | <b>1,184,198</b>        |

<sup>1</sup> Does not include statutory taxes (GST)



For the year ended 30 June 2014

### Fair value hierarchy measurements

| 2012-13                                     | Carrying<br>amount | Fair value measurement using: |                      |                      |
|---|--------------------|-------------------------------|----------------------|----------------------|
|   |                    | Level 1 <sup>1</sup>          | Level 2 <sup>2</sup> | Level 3 <sup>3</sup> |
|   | \$'000             | \$'000                        | \$'000               | \$'000               |
| <b>Financial assets</b>                     |                    |                               |                      |                      |
| Cash and cash equivalents (Note 8)          | 40,009             | 40,009                        | -                    | -                    |
| Receivables (Note 9, 11) <sup>4</sup>       | 71,998             | -                             | 71,998               | -                    |
| <b>Total financial assets</b>               | <b>112,007</b>     | <b>40,009</b>                 | <b>71,998</b>        | <b>-</b>             |
| <b>Financial liabilities</b>                |                    |                               |                      |                      |
| Payables (Note 14)                          | 88,270             | -                             | 88,270               | -                    |
| Borrowings (Note 15, 20)                    | 927,500            | 998,174                       | -                    | -                    |
| Advances and deposits (Note 19)             | 3,936              | -                             | 3,936                | -                    |
| Deferred developer reimbursements (Note 19) | 8,641              | -                             | 8,641                | -                    |
| <b>Total financial liabilities</b>          | <b>1,028,347</b>   | <b>998,174</b>                | <b>100,847</b>       | <b>-</b>             |
| <b>2013-14</b>                              |                    |                               |                      |                      |
| <b>Financial assets</b>                     |                    |                               |                      |                      |
| Cash and cash equivalents (Note 8)          | 410                | 410                           | -                    | -                    |
| Receivables (Note 9, 11) <sup>4</sup>       | 88,721             | -                             | 88,721               | -                    |
| <b>Total financial assets</b>               | <b>89,131</b>      | <b>410</b>                    | <b>88,721</b>        | <b>-</b>             |
| <b>Financial liabilities</b>                |                    |                               |                      |                      |
| Payables (Note 14)                          | 59,041             | -                             | 59,041               | -                    |
| Borrowings (Note 15, 20)                    | 1,023,500          | 1,115,909                     | -                    | -                    |
| Advances and deposits (Note 19)             | 4,113              | -                             | 4,113                | -                    |
| Deferred developer reimbursements (Note 19) | 4,854              | -                             | 4,854                | -                    |
| Other (Note 19)                             | 281                | -                             | 281                  | -                    |
| <b>Total financial liabilities</b>          | <b>1,091,789</b>   | <b>1,115,909</b>              | <b>68,289</b>        | <b>-</b>             |

<sup>1</sup> Quoted prices (unadjusted) in active markets for identical assets

<sup>2</sup> Inputs based on observable market data (either directly using prices or indirectly derived from prices)

<sup>3</sup> Inputs not based on observable market data

<sup>4</sup> Does not include statutory taxes (GST)

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

Cash, receivables, accounts payable and deposits are valued at their carrying amounts, as this is considered to be fair value. Borrowings are valued by discounting the expected future cash flows at the yield offered by the Treasury Corporation of Victoria as at 30 June 2014.

There were no transfers between levels during the year.

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

## Statutory Certification

We certify that the attached financial statements for City West Water Corporation (the corporation) have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, and 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 Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes forming part of the financial statements presents fairly the financial transactions during the year ended 30 June 2014 and the financial position of the corporation as at 30 June 2014.

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

This financial report was authorised for release by the Board of Directors on 27 August 2014.



The Hon. Alan Stockdale  
Chairman



Anne Barker  
Managing Director



Sean Crees  
General Manager, Corporate Services

Melbourne  
27 August 2014

# VAGO

Victorian Auditor-General's Office

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## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, City West Water Corporation

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2014 of the City West Water Corporation which comprises the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification has been audited.

#### *The Board Members' Responsibility for the Financial Report*

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

#### *Auditor's Responsibility*

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

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

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

**Independent Auditor's Report (continued)***Independence*

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

*Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the City West Water Corporation as at 30 June 2014 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*.

*Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the City West Water Corporation for the year ended 30 June 2014 included both in the City West Water Corporation's annual report and on the website. The Board Members of the City West Water Corporation are responsible for the integrity of the City West Water Corporation's website. I have not been engaged to report on the integrity of the City West Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
29 August 2014



John Doyle  
Auditor-General

## Appendix 1 - Disclosure Index

City West Water Corporation's 2013-14 Annual Report is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of City West Water's compliance with statutory disclosure requirements.

| Legislation                             | Disclosure Required  | Page          |
|---|--|---------------|
| <b>Report of Operations</b>             |  |               |
| <b>Charter and purpose</b>              |  |               |
| FRD 22E                                 | Manner of establishment and the relevant Minister                        | 83            |
| FRD 22E                                 | Objectives, functions, powers and duties                                 | 6             |
| FRD 22E                                 | Nature and range of services provided                                    | 6             |
| <b>Management and structure</b>         |  |               |
| FRD 22E                                 | Organisational structure   | 7             |
| FRD 22E                                 | Directors of the Board   | 8-10          |
| <b>Financial and other information</b>  |  |               |
| FRD 10                                  | Disclosure Index   | 107-108       |
| FRD 22E                                 | Five-year summary of financial results                                   | 14            |
| FRD 22E                                 | Statement of workforce data  | 13            |
| FRD 22E                                 | Summary of financial results for the year                                | 14            |
| FRD 22E                                 | Significant changes in financial position during the year                | 15            |
| FRD 22E                                 | Operational and budgetary objectives, and performance against objectives | 14            |
| FRD 22E                                 | Major changes or factors affecting performance                           | 14            |
| FRD 22E                                 | Employment and conduct principles  | 13            |
| FRD 22E                                 | Occupational health and safety policy                                    | 12-13         |
| FRD 22E                                 | Subsequent events  | 16            |
| FRD 22E                                 | Application and operation of the <i>Freedom of Information Act 1982</i>  | 16            |
| FRD 22E                                 | Application and operation of the <i>Protected Disclosure Act 2012</i>    | 17            |
| FRD 22E                                 | Statement of National Competition Policy                                 | 17            |
| FRD 22E                                 | Statement of availability of other information                           | 19            |
| FRD 22E                                 | Environmental performance  | 17-18         |
| FRD 22E                                 | Building and maintenance provisions of the <i>Building Act 1993</i>      | 16            |
| FRD 22E                                 | Details of consultancies over \$10,000                                   | 16            |
| FRD 22E                                 | Details of consultancies under \$10,000                                  | 16            |
| FRD 25B                                 | Victorian Industry Participation Policy disclosures                      | 18            |
| FRD 27C                                 | Presentation and reporting of performance information                    | 28-31         |
| FRD 30A                                 | Standard requirements for the design and print of annual reports         | Entire report |
| SD 4.5.5                                | Risk management compliance attestation                                   | 46            |
| SD 4.2 (g)                              | General information requirements   | 6             |
| SD 4.2 (j)                              | Sign-off requirements  | 5             |
| <b>Ministerial reporting directions</b> |  |               |
| MRD 01                                  | Performance reporting  | 28-31         |
| MRD 02                                  | Reporting on water consumption and drought response                      | 19-20         |
| MRD 03                                  | Environmental and social sustainability reporting                        | 21-27         |
| MRD 04                                  | Disclosure of information on bulk entitlements                           | 112-115       |
| MRD 05                                  | Annual reporting of major non residential water users                    | 34-45         |

## Appendix 1 – Disclosure Index (continued)

| Financial statements  |  | Page    |
|---|--|---------|
| <b>Financial statements required under Part 7 of the Financial Management Act 1994</b>              |  |         |
| SD 4.2(b)   | Statement of Comprehensive Income  | 47      |
| SD 4.2(b)   | Balance Sheet  | 48      |
| SD 4.2(a)   | Statement of Changes in Equity   | 49      |
| SD 4.2(b)   | Cash Flow Statement  | 50      |
| SD 4.2(b)   | Notes to and forming part of the Financial Statements  | 51-105  |
| <b>Other requirements under Standing Directions 4.2</b>   |  |         |
| SD 4.2(c)   | Compliance with applicable Australian accounting standards and other authoritative pronouncements  | 51      |
| SD 4.2(c)   | Compliance with Ministerial Directions   | 51      |
| SD 4.2(c)   | Accountable officer's declaration  | 106     |
| SD 4.2(d)   | Rounding of amounts  | 62      |
| <b>Other disclosures required by FRD's in notes to and forming part of the Financial Statements</b> |  |         |
| FRD 3A  | Accounting for dividends   | 62,71   |
| FRD 7A  | Early adoption of authoritative accounting pronouncements  | 52      |
| FRD11A  | Disclosure of ex gratia payments   | 98      |
| FRD 17B   | Wage inflation and discount rates for employee benefits  | 92      |
| FRD 21B   | Disclosures of responsible persons, executive officers and other personnel in the Financial Report | 83-85   |
| FRD 103E  | Non-current physical assets  | 73-77   |
| FRD 105A  | Borrowing costs  | 57      |
| FRD 106   | Impairment of assets   | 58-59   |
| FRD 108A  | Classification of entities as for profit   | 51      |
| FRD 109   | Intangible assets  | 78-79   |
| FRD 110   | Cash flow statements   | 51      |
| FRD 112D  | Defined benefit superannuation obligations   | 88-93   |
| FRD 114A  | Financial instruments - General Government Entities and Public Non-Financial Corporations          | 100-105 |
| FRD 119A  | Transfers through contributed capital  | 81      |
| FRD 120H  | Accounting and reporting pronouncements applicable to the 2013-14 reporting period                 | 52-53   |
| <b>Legislation</b>  |  |         |
| <i>Water Act 1989</i>   |  |         |
| <i>Water Industry Act 1994</i>  |  |         |
| <i>Freedom of Information Act 1982</i>  |  |         |
| <i>Building Act 1993</i>  |  |         |
| <i>Protected Disclosure Act 2012</i>  |  |         |
| <i>Victorian Industry Participation Policy Act 2003</i>   |  |         |
| <i>Financial Management Act 1994</i>  |  |         |

## Appendix 2 - Key Performance Indicators

| Economic targets   |                |                |                 |                |
|--|----------------|----------------|-----------------|----------------|
|  | 2014<br>Actual | 2014<br>Target | Variance<br>(%) | 2013<br>Actual |
| Profit before tax (\$m)  | 36.1           | 22.9           | 57.6            | 44.9           |
| Debt > 90 days overdue (\$m)   | 3.8            | 3.3            | (15.2)          | 2.1            |
| Operating expenditure (\$m) - (excluding depreciation and Environmental Contributions) | 102.7          | 105.6          | 2.7             | 100.2          |
| Capital expenditure (\$m)  | 120.6          | 190.0          | 36.5            | 182.2          |
| Gearing - (debt / (debt + equity))   | 58.3           | 60.1           | 3.0             | 58.1           |

| Social targets  |          |        |        |          |
|---|----------|--------|--------|----------|
| ESC regulated standards   |          |        |        |          |
| Customers receiving more than five unplanned water supply interruptions in a year (No.) | 0        | 72.0   | 100.0  | 0        |
| Customers receiving more than three unplanned sewerage interruptions in a year (No.)    | 0        | 0      | 0.0    | 0        |
| Unplanned water supply interruptions (per 100km)  | 30.1     | 55.1   | 45.4   | 37.6     |
| Water main breaks per 100km of water main (No.)   | 41.3     | 65.8   | 37.2   | 56.6     |
| Average time to rectify a sewer blockage (mins)   | 117.5    | 128.6  | 8.6    | 112.2    |
| Planned water supply interruptions restored within 5 hours (%)                          | 98.8     | 93.5   | 5.7    | 98.8     |
| Average unplanned customer minutes off water supply (minutes)                           | 13.7     | 36.2   | 62.2   | 18.3     |
| Average planned customer minutes off water supply (minutes)                             | 9.4      | 8.5    | (10.6) | 6.2      |
| Average frequency of unplanned water supply interruptions (No.)                         | 0.120    | 0.274  | 56.2   | 0.150    |
| Average frequency of planned water supply interruptions (No.)                           | 0.076    | 0.060  | (26.7) | 0.051    |
| Correspondence answered within 10 working days (%)                                      | 100.0    | 100.0  | 0.0    | 99.9     |
| Average time taken to attend bursts and leaks (priority 1) (minutes)                    | 21.3     | 24.2   | 12.0   | 21.9     |
| Average time taken to attend bursts and leaks (priority 2) (minutes)                    | 32.3     | 35.0   | 7.7    | 31.0     |
| Average time taken to attend bursts and leaks (priority 3) (minutes)                    | 155.0    | 253.4  | 38.8   | 140.2    |
| Average time to rectify water faults (days)   | 0.7      | 1.2    | 41.7   | 1.4      |
| Average duration of planned water supply interruptions (mins)                           | 122.5    | 141.7  | 13.5   | 122.4    |
| Complaints to the Energy and Water Ombudsman Victoria (per 1,000 customers)             | 0.816    | 0.540  | (51.1) | 0.786    |
| Priority 1 bursts responded to within one hour (%)                                      | 100.0    | 100.0  | 0      | 100.0    |
| Sewer spills within a house contained within one hour of notification (%)               | 100.0    | 100.0  | 0      | 100.0    |
| Emergency calls answered within 30 seconds (%)  | 92.4     | 91.3   | 1.2    | 91.7     |
| Account enquiries answered within 30 seconds (%)  | 80.9     | 79.8   | 1.4    | 69.0     |
| Telephone calls to Connections and Metering answered within 30 seconds (%)              | 90.5     | 79.8   | 13.4   | 92.2     |
| Other targets   |          |        |        |          |
| Number of customers receiving three sewer blockages in a year (No.)                     | 1        | 23     | 95.7   | 1        |
| ISO 9001: 2008 (Quality)  | Retained | Retain | -      | Retained |
| <i>E.coli</i> compliance  | 100.0    | 98.0   | 2.0    | 99.9     |
| Safe drinking water standards   | 100.0    | 100.0  | 0.0    | 100.0    |
| Recycled water standards - Class A  | 100.0    | 100.0  | 0.0    | 100.0    |
| Recycled water standards - Class B  | 100.0    | 100.0  | 0.0    | 100.0    |
| Customers receiving five unplanned water supply interruptions in a year (%)             | 0        | 430.0  | 100.0  | 0        |

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



## Appendix 3 - Bulk Water Entitlement Reporting

The three metropolitan retail water corporations (the retail corporations) hold bulk entitlements to the water resources of the Yarra River, Thomson River, Tarago and Bunyip Rivers, Silver and Wallaby Creeks (Goulburn River Basin) and to the Victorian Desalination Project. In addition, the retail corporations hold bulk entitlements in the River Murray and Goulburn system of up to 75,000ML annually of water savings as a result of the retail corporations' investment in the G-MW Connections Project. The entitlements have been established as a collective 'pool', and as such are jointly managed through the Bulk Entitlement Management Committee. On 1 July 2014, the pooled entitlements were unbundled, resulting in each retailer having their own individual bulk entitlement.

| Melbourne retail water corporations' reporting obligation              | Combined Yarra River, Silver and Wallaby Creeks, Thomson River   | Yarra River <sup>3</sup>                 | Silver and Wallaby Creeks <sup>5</sup> | Thomson River <sup>7</sup>               | Tarago and Bunyip Rivers <sup>9</sup>  | Victorian Desalination Project <sup>12</sup> | Goulburn System <sup>16 17</sup>    | River Murray <sup>22 23</sup> |
|--|--|--|--|--|--|--|-------------------------------------|-------------------------------|
| The volume of water taken by the retail corporations in 2013-2014      | Clause 15.1(a)<br>384,881ML  | Clause 15.1(a)<br>250,804ML              | Clause 13.1(a)<br>1,880ML              | Clause 15.1(a)<br>132,197ML              | Clause 14.1(a)<br>4,773ML<br>(Tarago)<br>2,190ML<br>(Bunyip)                             | Clause 11.1(a)<br>OML <sup>13</sup>          | Clause 14.1(b)<br>7ML <sup>18</sup> | OML                           |
| Compliance with the long term average bulk entitlement diversion limit | Clause 15.1(b)<br>403,910ML <sup>1</sup>   | Clause 15.1(b)<br>292,385ML <sup>4</sup> | Clause 13.1(b)<br>4,080ML <sup>6</sup> | Clause 15.1(b)<br>107,251ML <sup>8</sup> | Clause 14.1(f)<br>8,750ML<br>(Tarago) <sup>10</sup><br>2,192ML<br>(Bunyip) <sup>11</sup> | Clause 11.1(e)<br>OML <sup>14</sup>          | Clause 14.1(a)<br>7ML <sup>19</sup> | n/a                           |
| The total annual consumption in 2013-2014                              | 399,489ML  | n/a                                      | n/a                                    | n/a                                      | n/a  | n/a  | n/a                                 | n/a                           |
| The retail corporations' share of flows in 2013-2014                   | n/a  | Clause 15.1(a)<br>300,390ML              | Clause 13.1(a) n/a                     | Clause 15.1(a)<br>154,057ML              | Clause 14.1(a)<br>21,806ML   | Clause 11.1(a)<br>n/a                        | Clause 14.1(c)<br>25,213ML          | Clause 11.1(a)<br>14,313ML    |
| The retail corporations' share of storage volume at 30 June 2014       | n/a  | Clause 15.1(a)<br>432,125ML              | n/a                                    | Clause 15.1(a)<br>777,516ML              | Clause 14.1(a)<br>34,580ML   | n/a  | 25,752ML <sup>20</sup>              | 12,649ML <sup>24</sup>        |
| Volume supplied to primary entitlement holders                         | Melbourne 'pool' <sup>2</sup><br>3,442ML<br>(Western Water)<br>OML<br>(Barwon Water)<br>OML<br>(Westernport Water)<br>OML<br>(South Gippsland Water) | Clause 15.1(a)<br>n/a                    | n/a                                    | n/a                                      | Clause 14.1(a)<br>420ML<br>(Gippsland Water)<br>112ML<br>(Southern Rural Water)          | Clause 11.1(a)<br><sup>15</sup>              | n/a                                 | n/a                           |



|  |     |                       |                    |                       |                       |                       |  |  |
|--|-----|-----------------------|--------------------|-----------------------|-----------------------|-----------------------|--|--|
| Any assignment of water allocation or temporary/permanent transfers of the bulk entitlement                        | n/a | Clause 15.1(c)<br>Nil | Clause 13.1(c) Nil | Clause 15.1(c)<br>Nil | Clause 14.1(b)<br>Nil | Clause 11.1(b)<br>Nil | Clause 14.1(d) <sup>21</sup><br>-25,204ML<br>Clause 14.1(e)<br>Nil | Clause 11.1(b) <sup>25</sup><br>-14,314ML<br>Clause 11.1(c)<br>Nil |
| Any temporary or permanent transfer of the bulk entitlement which may alter the flow in the waterway               | n/a | Clause 15.1(d)<br>Nil | Clause 13.1(d) Nil | Clause 15.1(d)<br>Nil | Clause 14.1(a)<br>Nil | n/a                   | n/a  | n/a  |
| Any amendment to the bulk entitlement  | n/a | Clause 15.1(e)<br>No  | Clause 13.1(e) No  | Clause 15.1(e)<br>No  | Clause 14.1(d)<br>No  | Clause 11.1(c)<br>No  | Clause 14.1(f)<br>No   | Clause 11.1(d)<br>No   |
| Any new bulk entitlement granted to the retailers  | n/a | Clause 15.1(f)<br>Nil | Clause 13.1(f) Nil | Clause 15.1(f)<br>Nil | Clause 14.1(e)<br>Nil | Clause 11.1(d)<br>Nil | Nil  | Nil  |
| Any failures to comply with any provision of the bulk entitlement  | n/a | Clause 15.1(g)<br>Nil | Clause 13.1(g) Nil | Clause 15.1(g)<br>Nil | Clause 14.1(g)<br>Nil | Clause 11.1(f)<br>Nil | Clause 14.1(g)<br>Nil  | Clause 11.1(e)<br>Nil  |
| Any difficulty experienced in complying with the bulk entitlement and if so, any remedial action taken or proposed | n/a | Clause 15.1(h)<br>Nil | Clause 13.1(h) Nil | Clause 15.1(h)<br>Nil | Clause 14.1(h)<br>Nil | Clause 11.1(g)<br>Nil | Clause 14.1(h)<br>Nil  | Clause 11.1(f)<br>Nil  |

## Appendix 3 – Bulk Water Entitlement Reporting (continued)

### Notes for compliance with bulk entitlements

#### Combined Yarra River, Silver and Wallaby Creeks, Thomson River

1. Compliance with the long term average diversion limit of 555,000ML is assessed using a 15 year rolling average annual diversion.

2. The supply of water to Primary Entitlement Holders is obligated under the Victorian Desalination Project bulk entitlements, via water sourced from the Melbourne 'pool' of all Melbourne's bulk entitlement sources. Barwon Water was supplied 111ML in 2013-14 for commissioning of the Melbourne to Geelong Pipeline.

#### Yarra River

3. The retail corporations hold the following bulk entitlements on the Yarra River:

- Bulk Entitlement (Yarra River – Melbourne Water for City West Water Limited) Conversion Order 2006 – BEE049364;
- Bulk Entitlement (Yarra River – Melbourne Water for South East Water Limited) Conversion Order 2006 – BEE049363; and
- Bulk Entitlement (Yarra River – Melbourne Water for Yarra Valley Water Limited) Conversion Order 2006 – BEE049362.

4. Compliance with the long term average diversion limit of 400,000ML is assessed using a 15 year rolling average annual diversion.

#### Silver and Wallaby Creeks (Goulburn Basin)

5. The retail corporations hold the following bulk entitlements on the Silver and Wallaby Creeks:

- Bulk Entitlement (Silver & Wallaby Creeks – Melbourne Water for City West Water Limited) Conversion Order 2006 – BEE049475;
- Bulk Entitlement (Silver & Wallaby Creeks – Melbourne Water for South East Water Limited) Conversion Order 2006 – BEE049474; and
- Bulk Entitlement (Silver & Wallaby Creeks – Melbourne Water for Yarra Valley Water Limited) Conversion Order 2006 – BEE049473.

6. Compliance with the 3-year total diversion limit of 66,000ML is assessed using a 3 year rolling total diversion.

#### Thomson River

7. The retail corporations hold the following bulk entitlements on the Thomson River:

- Transfer of Bulk Entitlement (Thomson River – Melbourne Water Corporation) Conversion Order 2001 to City West Water Limited 2006 – BEE049361;
- Transfer of Bulk Entitlement (Thomson River – Melbourne Water Corporation) Conversion Order 2001 to South East Water Limited 2006 – BEE049360; and

- Transfer of Bulk Entitlement (Thomson River – Melbourne Water Corporation) Conversion Order 2001 to Yarra Valley Water Limited 2006 – BEE049359.

8. Compliance with the long term average diversion limit of 171,800ML is assessed using a 15 year rolling average annual diversion.

#### Tarago and Bunyip Rivers

9. The retail corporations hold the following bulk entitlements on the Tarago and Bunyip Rivers:

- Bulk Entitlement (Tarago and Bunyip Rivers – Melbourne Water for City West Water Limited) Conversion Order 2009 – BEE049358;
- Bulk Entitlement (Tarago and Bunyip Rivers – Melbourne Water for South East Water Limited) Conversion Order 2009 – BEE049357; and
- Bulk Entitlement (Tarago and Bunyip Rivers – Melbourne Water for Yarra Valley Water Limited) Conversion Order 2009 – BEE049356.

10. Compliance with the Tarago River long term average diversion limit of 24,950ML is assessed using a 5 year rolling average annual diversion.

11. Compliance with the Bunyip River long term average diversion limit of 5,560ML is assessed using a 5 year rolling average annual diversion.

#### Victorian Desalination Project

12. The retail corporations hold the following bulk entitlements to the Victorian Desalination Project:

- Bulk Entitlement (Desalinated Water – City West Water Limited) Order 2010 – BEE050814;
- Bulk Entitlement (Desalinated Water – South East Water Limited) Order 2010 – BEE050815; and
- Bulk Entitlement (Desalinated Water – Yarra Valley Water Limited) Order 2010 – BEE050816.

13. On 1 April 2013, the Minister for Water made a zero desalinated water order for the 2013-14 year.

14. Compliance with the desalinated water long term average diversion limit of 150,000ML is assessed using a five year rolling average diversion.

15. As the primary entitlement holders are supplied from the Melbourne 'pool', this is reported under note 2 of the combined Yarra River, Silver and Wallaby Creeks and Thomson River.

#### Goulburn System

16. The retail corporations hold the following bulk entitlements to the Goulburn System:

- Bulk Entitlement (Goulburn System – City West Water) Order 2012 – BEE049478;
- Bulk Entitlement (Goulburn System – South East Water) Order 2012 – BEE049477; and

- Bulk Entitlement (Goulburn System – Yarra Valley Water) Order 2012 – BEE049476.

17. The retail corporations' bulk entitlements in the Goulburn System provide for the progressive annual assignment of entitlement volumes as water saving works and measures from G-MW's Connections Project are completed. The 2013-14 entitlement volume was 28,587.3ML.

18. 6.6ML of water was used to maintain the operational capacity of the North-South Pipeline and keep the pipeline charged for fire fighting purposes, as allowed under clause 9.1(c) of the retail corporations' Statements of Obligations (System Management).

19 Compliance with the annual diversion limit of 75,000ML is assessed using the actual measured annual diversion.

20. The retail corporations had 1,355ML deducted from their 30 June 2013 volumes as a result of carry over rules for water carried over into 2013-14.

21. The retail corporations have in place water management strategies to manage water allocation holdings in the River Murray and Goulburn System to maximise the value of the resources held to their customers and minimise risk of spilling water allocation. These strategies include the transfer of allocations between bulk entitlement allocation accounts and trading allocations.

#### **River Murray**

22. The retail corporations hold the following bulk entitlements to the River Murray:

- Bulk Entitlement (River Murray – City West Water) Order 2012 – BEE049481;
- Bulk Entitlement (River Murray – South East Water) Order 2012 – BEE049480; and
- Bulk Entitlement (River Murray – Yarra Valley Water) Order 2012 – BEE 049479.

23. The retail corporations' bulk entitlements in the River Murray provide for the progressive annual assignment of entitlement volumes as water saving works and measures from G-MW's Connections Project are completed. The 2013-14 entitlement volume was 16,814.7ML.

24. The retail corporations had 666ML deducted from their 30 June 2013 volumes as a result of carry over rules for water carried over into 2013-14.

25. The retail corporations have in place water management strategies to manage water allocations holdings in the River Murray and Goulburn System to maximise the value of the resources held to their customers and minimise risk of spilling water allocation. These strategies include the transfer of allocations between bulk entitlement allocation accounts and trading allocations.



City West Water

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