

Annual Report 2017



ABORIGINAL ACKNOWLEDGEMENT

City West Water respectfully acknowledges the Traditional Owners of the lands and waters upon which we work and operate. We pay our deepest respects to the traditional custodians past, present and future. We acknowledge the continued cultural, social and spiritual connections that Aboriginal people have with the lands and waters, and recognise and value that the Traditional Owner groups have cared for and protected them for thousands of generations. We will further develop our partnership with the Traditional Owner groups to ensure their contributions to the future of the water management landscape and to maintain their cultural and spiritual connection.

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A MESSAGE FROM THE CHAIR AND MANAGING DIRECTOR

David Middleton Chair



David Ryan Managing Director



City West Water is proud to serve the city that has been awarded 'world's most liveable' time and time again. Our continuing focus on our customers and providing high quality, affordable services has seen City West Water achieve a solid financial performance, and improved outcomes for more than one million customers in our service area.

This customer focus was solidified by the launch of our new business strategy, *Customers First, Benefiting Communities*. We realigned our business so we could better support the delivery of our strategy and our vision to be an exceptional service provider that puts customers first and benefits the community. This was a notable achievement for our people as they expressed an appetite for change and played a significant role in shaping our new strategy to one that reflects our current operating environment.

Our customers

Supporting our vision to be an exceptional service provider that puts customers first and benefits the community, we pride ourselves on our service delivery and the quality of our products. One of our goals is to deliver our services to our customers at the lowest possible price and we are proud to have one of the lowest average residential water bills of any of the major water utilities across Australia. We continue to achieve the savings identified under the Government Efficiency Program which provides bill relief for Melbourne households.

During the year, we once again offered a \$100 rebate on bills for our residential customers. We were able to do this by finding savings of some \$39 million through a range of capital and operating efficiency initiatives.

Our new and improved website is making it easier for our customers to interact with us.

Planning for the future and responding to growing demand from our customers, we rolled out our new eBilling solution in February 2017, which allows our customers to quickly and conveniently pay their bills online. To date, 35,000 customers have signed up to eBilling. We anticipate will save up to six million sheets of paper by 2022.

Our customer base grew by 3.7 per cent for the year, and our service area includes some of the fastest growing communities in the country. We continue to work closely with developers to ensure the provision of high quality services on a timely basis to every new customer when they arrive in our service area.

In November 2016 we commenced supply of Class A recycled water to customers in West Wyndham and are now supplying over 4,000 properties with recycled water suitable for gardening, laundry use and toilet flushing.

This year we achieved a strong annual customer satisfaction rating of 89 per cent, which is an improvement from last year's rating of 88 per cent.

Our people

The ability to deliver the vision of our new strategy relies on the collective capability of our people. We continue to build an achievement culture and this year we undertook an important survey which helped us capture our peoples' feedback and provided them with a voice to help shape their workforce. As a result, we are in the process of delivering our cultural program, which includes a leadership program for our frontline leaders. We are committed to providing learning and development opportunities and are investing in programs to attract and retain employees.

During the year we released our Diversity and Inclusion Strategy to foster a workforce that mirrors the wonderfully diverse community we serve. Our people harness differences that create a productive environment where everyone feels valued, where their strengths are being fully utilised and in which organisational challenges are met.

As a business which relies on the ability of our people, providing a safe and healthy workplace is a priority. This year we made considerable progress towards being an organisation that lives and breathes safety and wellbeing as we completed a safety review to drive an improved safety culture and achieved a 60 per cent reduction in Lost Time Injuries.

This year, City West Water developed a second Reconciliation Action Plan (RAP) 2017-19 which was officially endorsed by Reconciliation Australia on the 9 June 2017. Our RAP outlines City West Water's continued vision for a society that celebrates and protects the ongoing cultural and spiritual connections of Aboriginal and Torres Strait Islander people to the surrounding lands and waters, and the work we plan on doing to achieve this.

Our financial performance

City West Water delivered a profit before tax of \$110.3 million, against a budget of \$83.6 million. This result was achieved by a combination of higher than expected revenues from an unprecedented number of property development projects and sewage disposal, along with lower than expected finance charges and bulk water costs, as well as a strong focus on cost management. The result was partly offset by the decision to freeze our prices effective from 1 July 2016. In addition, trade waste revenue was lower than expected due to lower volumes and improved discharge quality.

The year ahead

City West Water is focused on delivering across a number of fronts for the year ahead, including:

- making our pricing submission to the Essential Services Commission on proposed service outcomes and prices that will apply from July 2018 to June 2023
- building on our existing digital capability through interactive web functionality, online chat, optimised search, and better integration with our day to day operations
- proactive notification to our customers of outages and service disruption
- ongoing implementation of the *Greening the West* strategy
- development and implementation of a new strategic direction for safety
- creating an internal climate working group to develop an implementation plan for achieving climate resilience for our assets and operations.

In accordance with the *Financial Management Act 1994*, we are pleased to attest that City West Water's Annual Report for the year ending 30 June 2017 is compliant with all statutory reporting requirements.

On behalf of the Board and Executive Team, we look forward to your continued support as we work towards another successful year in 2018.

David A finddlofn

David Middleton Chair

Jand

David Ryan Managing Director

Melbourne 22 August 2017

WHO WE ARE AND WHERE WE FIT

City West Water is a statutory water authority incorporated under the Water Act 1989. It is one of three retail water corporations in metropolitan Melbourne owned by the State of Victoria. The relevant Minister for City West Water for the period from 1 July 2016 to 30 June 2017 was the Hon. Lisa Neville MP, 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 our Customer Charter. City West Water services approximately 444,000 properties, and over one million customers. The corporation manages \$1.7 billion of infrastructure across a service area of more than 700km².

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 at 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 4I of the Water Industry Act 1994. The statements impose obligations on City

we manage

approximately

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 as required.

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

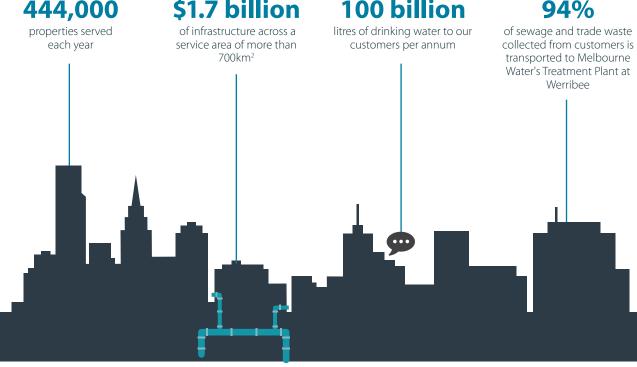
City West Water's drinking water quality is regulated by the Department of Health and Human Services under the Safe Drinking Water Act 2003, and its recycled water quality is regulated by the Environment Protection Authority (EPA) under the Environment Protection Act 1970. The operation of our sewage treatment plant is regulated by the EPA.

we deliver approximately

100 billion

approximately







OUR VISION

To be an exceptional service provider that puts customers first and benefits the community.



Our ambition

Customer value is at the heart of all we do.

We are driven to:

- deliver exceptional services that are affordable, safe and reliable
- be accessible and easy to deal with
- make all decisions in our customers' best interests and with future generations in mind.



We are passionate about community liveability and wellbeing. We are driven to:

- care for, and where possible to enhance, the environment with an eye to the future and the challenges imposed by a changing climate
- be vibrant partners in the life of our community
- anticipate community needs and take the lead within our areas of influence
- provide a fair return to our shareholder, the State Government of Victoria, to support it to meet its objectives to improve the lives of all Victorians.



Our people

Our ambition is enabled by our people.

Our people are:

- agile responsive to customer needs and a changing world
- diverse reflect the community we serve
- trusted make evidence-driven judgements, exercised with integrity.



Successful achievement of our ambition is built on six strong foundations:



KEY INITIATIVES AND PROJECTS

July 2016

Pricing submission program commences and launch of our 'Your Say' web platform

Our 'Your Say' customer engagement website provides our customers with a flexible engagement platform to provide feedback on our strategies, plans and initiatives. It has been utilised throughout the year for our Pricing Submission engagement and consultation.

The corporation will be making a submission to the ESC on proposed service outcomes and prices that will apply from July 2018 to June 2023. See page 17.

Footscray Bulldogs go green for Greening the West

The VFL Footscray Bulldogs added a touch of green to their red, white and blue in Round 15 in 2016 with each player wearing a pair of green socks on the field, to support the Greening the West initiative.

Arrow Program - Release 2 goes live

The Arrow Program's enterprise asset management system for Facilities went live in June. This successful launch was followed by the resolution of some design challenges with the field mobility solution. As a result, the Network Operations and mobility capability is scheduled to go live on 1 August 2017 completing this major release.

O December 2016

Launch of our new strategy

Customers first, benefiting communities sets a clear vision for our organisation to be an exceptional service provider that puts customers first and benefits the community.

See page 7.

Greening the West receives two prestigious awards

The Greening the West Initiative won both the Government Leadership Award at the Urban Development Institute of Australia awards and the Program Innovation Award Category at the Victorian Water Awards. This initiative was also a finalist at the Australian Water Association's national awards.

Best Practice Safety Review

The review set the foundation for change and a critical step towards evolving our safety maturity to build an environment where our people are empowered to make great safety choices.

2016	JULY	SEPTEMBER	NOVEMBER		DECEMBER	2017	FEBRUARY	
		O September 20		 0 No	ovember 2016		O February 2017	
		City West Water Tap' initiative	joins 'Choose		est Wyndham Class A cycled Water Project		Innovation Fund created Aligning with our Strategy,	
		'Choose Tap' is a l community-base	,		flow livery of Class A recycle	ed	our Innovation Fund create an opportunity for our	

promoting tap water as the best hydration choice for the environment, people's health and their hip pocket.

water commenced to over 4,000 properties in Werribee, Wyndham Vale and Manor Lakes. See page 24.

people where innovation is nurtured and recognised.

O March 2017

Launch of Diversity and Inclusion Strategy

The Strategy provides a plan for our organisation to develop a more diverse and inclusive workplace that better reflects the community we serve.

Urban Water Strategy finalised

Our Urban Water Strategy for 2017 sets a long-term direction for managing our water and sewerage services for the next 50 years. This strategy will play a significant role in preparing our service area for a challenging water future, as we seek to navigate the impact of climate change and population growth across the state. **See page 22.**

Voice of the Customer Strategy

We established a new approach to gathering customer insights to help us have meaningful conversations with our customers so we can deliver a better experience to the communities we serve.

Q June 2017

City West Water Diversity and Inclusion Census opened

The census was opened to all employees to help inform and develop future organisational policies and programs relating to diversity and inclusion.

Launch of our Culture Alt Shift program

The program includes the commencement of our 'People First' leadership program for our frontline leaders.

Innovate Reconciliation Action Plan endorsed

This year, City West Water developed a second Reconciliation Action Plan (RAP) 2017-19 which was officially endorsed by Reconciliation Australia on 9 June.

See page 21.

MARCH	APRIL	MAY	JUNE

April 2017

eBilling rollout commences

Our eBilling platform supports quick and convenient bill paying for our customers. See page 15.

May 2017

Organisational realignment

Implemented in May, our new structure has been designed to enable us to better reflect and deliver on our strategic vision of being an exceptional service provider that puts customers first and benefits the community.

Launch of the new website

Our new website enhances the customer experience, putting them first and making interaction with us easy and accessible.

See page 16.

City West Water signs up to *Snap, Send, Solve* app

The app now allows customers to report water faults in the public domain, including bursts, leaks, water quality issues, sewer blockages and spills with the 'snap' of their smart phone camera and the touch of a button.

OUR PEOPLE

At City West Water, our ambition is enabled by our people. They are our most important asset, and deliver exceptional service and value for money. Our employees are selected on the basis of ability, knowledge and skills in fair and open competition that ensures equal opportunity.

Our people are:

AGILE

Our people are responsive to customer needs and expectations within a changing landscape. They are flexible and adaptive, meaning they are open to change and new ways of working.

DIVERSE

Our workforce is a mirror to the wonderfully diverse community we serve. Our differences provide us with opportunities to learn, grow and make our workplace vibrant and respectful.

TRUSTED

Our people are supported through our business processes to make considered decisions that are driven by the best outcomes for our customers. Honesty and integrity are hallmarks of how we relate to one another and it shows.



Emphasis on diversity

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 from accessing goods, services, facilities and employment.

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 opportunity employment and bullying prevention training for 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.

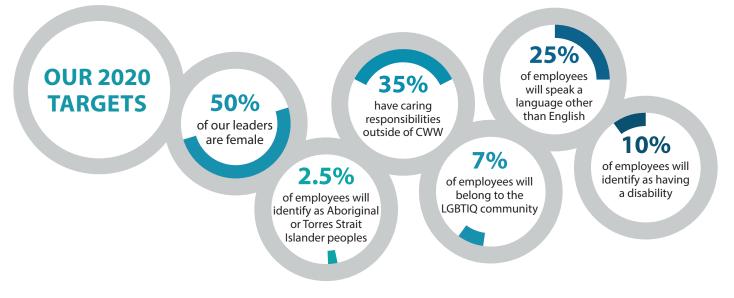
During the year, City West Water released its Diversity and Inclusion Strategy 2016-2020. The objectives of the Strategy are to move beyond compliance and to shift the work environment from one that simply understands and accepts diversity to one that proactively champions it. The Strategy aims to embed inclusive processes into all aspects of the business with a view to creating a workforce that mirrors the wonderfully diverse community that we serve.

One of the goals of the Diversity and Inclusion Strategy 2016-2020 is to achieve a balanced workforce from a gender perspective.

This year City West Water has 44 per cent female representation across the business. Furthermore, 38 per cent of our leaders are female, which has exceeded our 2017 target of 32 per cent.

Our targets

City West Water is committed to bringing our words to life through action. In order to ensure that diversity and inclusion are deeply embedded in our business, we have set a number of workforce targets out to 2020. These include:



Occupational health and safety

City West Water (CWW) is committed to providing healthy and safe workplaces for people (employees, contractors, customers and the community) who access and/or interact with our places of work. We value providing an enjoyable and safe work environment that enables us to deliver great customer experiences.

To meet our commitment to developing a positive safety culture with shared attitudes, values and beliefs, through our Occupational Health and Safety (OHS) policy we strive to:

- enable a positive OHS culture
- provide effective OHS leadership
- continuously improve OHS performance
- engage, coach and up skill our employees and contractors
- comply with the law and role model industry OHS leadership
- audit against and maintain AS 4801:2001 (Occupational Health and Safety Management Systems) certification
- ensure effective management processes for the identification, analysis, assessment, treatment and ongoing monitoring of OHS risks.

The following table outlines City West Water's OHS performance:

Demonstrating our strong commitment to safety this year:

- we engaged Ernst & Young to undertake a best practice safety review which sets the foundation for change and is a critical step towards evolving our safety maturity
- we implemented a contractor safety management system audit. Feedback from our contractors was positive and they are keen to work with City West Water to improve safety outcomes
- we established a gas strike working group with the regulator and key contractors to drive consistency of industry approach and minimise risk of unsafe underground asset location.

Our strategic objective: City West Water creates an environment where people make good choices - we 'live and breathe' safety and wellbeing for our people.

CITY WEST WATER EMPLOYEES	2017	2016	2015
Hazards reported per 100 full time equivalent employees	7.9	2.8	3.6
Incidents per 100 full time equivalent employees	8.8	13.8	7.7
Lost time standard claims per 100 full time equivalent employees	0.00	0.23	0.72
Average cost per claim (includes non lost time claims or medical treatment only)	\$10,065	\$57,739	\$22,314
Serious injury frequency rate per million hours worked	6.7	8.6	7.9





60% Reduction of LTIs (lowering severity)

Increase in hazard reporting (CWW + contractors)

Comparative workforce data

	2017	2016
Full time	361	376
Part time	75	90
Casual/fixed term	12	14
Total employees	448	480
Key management personnel	9	9
Executives	9	11
Administration staff	430	460
Total employees	448	480
Full time equivalent	417.3	435.5
Average age of employees	42.4	41.9
Female representation	197	215
Male representation	251	265
Per cent female	44.0%	44.8%
Per cent male	56.0%	55.2%

OUR CUSTOMERS

1,009,000 PEOPLE

22% of the population of Greater Melbourne



and growing at a rate faster than any other Victorian water business







*Residential and non-residential water use

100 BILLION LITRES WASTEWATER COLLECTED **1.7** MILLION METER READINGS PER YEAR

7,400 TRADE WASTE CUSTOMERS

51% of metropolitan Melbourne's trade waste

The introduction of eBilling

Dedication to both exceptional customer service and a greener future were combined in April 2017, with the rollout of our eBilling solution. Customers can now quickly and conveniently pay their bills online, with the platform able to capture, update and store information automatically. This eliminates the need for manual data entry and by 2022 is expected to save up to six million sheets of paper.

Customer Research conducted by City West Water showed that 55 per cent of customers wanted an eBilling option.

Registered customers will have their bills sent straight to their email address, where they can pay their bill at the click of a button.

John Fawcett, Manager Strategic Business Partnerships, City West Water, said that the success of the rollout was due to City West Water's agile strategy, engagement with customers and strong collaboration between the customer delivery teams.

"The benefits for the environment, the customer experience and overall reduction in cost to serve are clear, making this a valuable solution that we can all be proud of."



3,000,000

– eBILLS BY ·

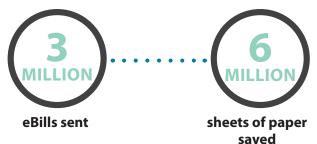
2020

to be delivered to our customers

\$4 MILLION SAVED

By 2022, City West Water will have saved an estimated \$4 million in postage costs, which will be put back into improving affordability of future bills for customers.

IN THE NEXT 5 YEARS



Over 6 million sheets of paper are expected to be saved over the next five years.

John Fawcett, Manager Strategic Business Partnerships, City West Water.

Launch of our new website

After customer consultation, we launched our much anticipated mobile responsive website, allowing customers to easily access information and services on the move, via their smartphone or tablet.

Launched in May 2017, the new website includes a suite of exciting new features enhancing the customer experience. Key design aspects include:

- a range of new 'how-to' videos with transcripts and captions our video library is growing
- **all content has been rewritten** to make it easier for our customers to read and scan pages
- **new page layouts** which have been designed to engage customers, be more visually appealing, display information in more succinct ways and define clear pathways across the website

- **an updated search engine** to yield more accurate results with the addition of new filters and keywords, enabling our customers to quickly find the information they need
- **new customer capabilities** including seven-day payment extension requests and registration for email bills. This offers convenience and new self-service functionality
- Snap, Send, Solve our customers and the general public can now quickly and easily report any water and sewer faults by supplying a location and photo of the fault through the Snap, Send, Solve service. This service can be accessed on the website or via the Snap, Send, Solve app on their own device. Current outage and faults information is also available via Twitter feed on our home page.

CUSTOMER FEEDBACK

"Looks good, is fast with accessibility and responsive features. Nice."



- We have new website menus that have been codesigned and refined through consultation with our customers.
- Customers can browse the website in any of the 12 key languages our service area speaks via a Google translate service on our website.
- The modular design approach means we can showcase multiple promotions and key projects both on our home page and across the website.
- ➔ We have added a facility for our customers to give us feedback on our website pages.

2018 Price Submission

A key focus of this year has been developing our 2018 Price Submission, which outlines the services and service standards we propose to deliver to customers from 1 July 2018, and the proposed prices customers will pay for these.

Over the past year we have been talking to our customers to understand what's most important about the services we deliver and what we can do better to meet their expectations to inform the development of the submission.

"Understanding what matters the most to customers, and what they want and expect from us, has been fundamental in developing our 2018 Price Submission, and will help ensure we're delivering the services that our customers value, now and into the future." – Richard Smith, Business Planning and Regulation Manager, City West Water.

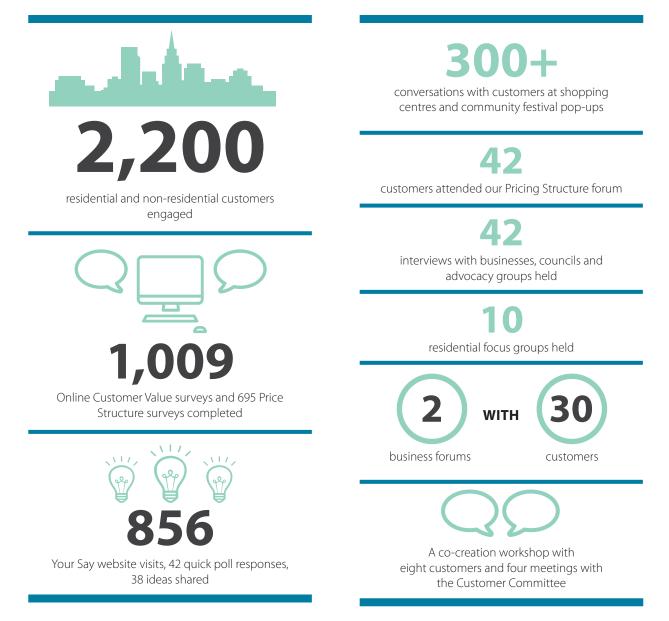
Your Say - City West Water

In July 2016, we launched our online engagement website – Your Say – City West Water – to provide customers with a space to share their ideas and views with us on our strategies, plans and initiatives.

As well as using the platform as an engagement tool for feedback on services and prices for our Price Submission, we have also sought customers' ideas and views through Your Say on:

- customer service through our Voice of the Customer program
- changes to trade waste agreements
- presentation of recycled water usage on the bill.

Visit yoursaycww.com.au



Community involvement and water awareness campaigns

City West Water is actively involved in raising awareness with customers on the water cycle and delivering water services in a way that reflects the diverse needs of our service area. This year, the following community involvement and water awareness campaigns were launched or continued:

- adoption of the Choose Tap initiative to promote tap water as the best choice for our customers' health and the environment
- water wise classroom presentations for primary and secondary school students as well as education programs targeted towards students with English as an Additional Language

- provision of teacher resources to local schools including a lending library of activities and online curriculum resources
- participation in local community festivals through providing our drinking water fountain and sponsorships
- sponsorship and participation in the 2016 Melbourne Water Kids Teaching Kids Conference
- partnering with a number of organisations that directly support and work with communities in our service area.



Water education for newly arrived customers

Customer Service

This year, we had a concerted focus on 'getting it right the first time' when engaging with our customers. We achieved this by:

- a change in work allocation processes, ensuring more customer requests are processed prior to being billed. This has improved the accuracy of bills and associated information. In total, 90 per cent of transactions have been successfully processed prior to being billed
- an employee development program, aimed at upskilling our people and providing them with role variation, was implemented during the year. As a result, we are now more capable of providing assistance at the first point of contact
- leveraging new call recording technology, providing more targeted coaching and highlighting process improvements.

This year we created a new, fast response team to deliver great customer service on technical issues, or when things go wrong, like a burst or a leaking water main. We provide a 24/7 emergency response and work closely with our maintenance partner, Programmed Facility Management, to ensure the safety of our people and customers.

We also help home renovators and plumbers connect to our system safely and efficiently.

Our team has focused our efforts on 'getting it right the first time' when engaging with our customers, and we are already experiencing some fantastic results."

- Sandra Maganas, Manager Customer Operations, City West Water.



customer contact inquiries responded to by Customer Operations

Supporting our vulnerable customers

Community Service Obligations

City West Water provided the following community service obligations during the current and prior financial years.

	2017 (\$′000)	2016 (\$'000)
Rebates paid to not for profit organisations under the water and sewerage rebate scheme	527	529
Provision of concessions to customers	21,924	22,903
Water concessions to those on life support machines (haemodialysis)	21	16
Utility relief grant scheme	335	325

Rebates paid to non-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, health or nursing care, religious worship, charity, outdoor sporting or recreation activities or war veterans' organisations. These organisations are entitled to receive an annual rebate on the service charge portion of their bill. City West Water invoices the SRO for the value of those rebates.

Provision of concessions to customers

Customers who hold a pension concession card, a Department of Veterans' Affairs gold card, or a health care card are entitled to a 50 per cent concession on water and sewerage charges, up to an annual maximum. The 2017 maximum was \$305.50. If a customer is receiving one service only, they are entitled to a concession of up to half the annual maximum. City West Water invoices the Department of Health and Human Services for the value of those concessions.

Water concessions to those on life support machines (haemodialysis)

Residential customers requiring in home haemodialysis are entitled to a rebate on water usage and sewage disposal charges. The Department of Health and Human Services determines the rebate amount based on the average annual water usage of an in home haemodialysis machine of 168,000 litres a year. The rebate is in addition to any other pension or concession to which a customer may be entitled. Customers who hold a pension concession card, a Department of Veterans' Affairs gold card or a health care card are entitled to the rebate. City West Water invoices the Department of Health and Human Services for the value of those concessions.

Utility Relief Grant Scheme

The Utility Relief Grant Scheme provides assistance to residential customers who are unable to pay their utility bills as a result of a temporary financial crisis. Assistance is provided to low income households which, as the result of a short term (within the last the 12 months) financial crisis, are unable to pay for a current account and are at risk of restriction of supply. A grant is 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'. Applicants must meet certain criteria to demonstrate that unexpected financial hardship has left them unable to meet their water bill obligations. City West Water invoices the Department of Health and Human Services for the value of those concessions.

Reconciliation Action Plan

This year, City West Water developed a second Reconciliation Action Plan (RAP) 2017-19 which was officially endorsed by Reconciliation Australia (RA) on the 9 June.

This RAP builds on the work done as part of our 2014 Reflect RAP, which focused on developing relationships both internally and externally, while raising awareness with our stakeholders to ensure there was a shared understanding of the commitments outlined.

What is included in the RAP 2017-19?

The RAP 2017-19 outlines our vision for a society that celebrates and protects the ongoing cultural and spiritual connections of Aboriginal and Torres Strait Islander peoples to the lands and waters within our service area.

It takes steps towards achieving our strategic vision of being an exceptional service provider that puts customers first and benefits the community.

It aligns with the State Government's Water for Victoria policy, which seeks inclusion of Aboriginal values and traditional

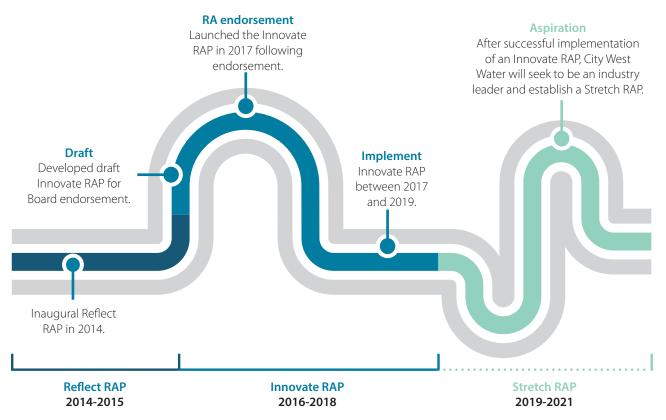
ecological knowledge in water planning. Through this RAP, City West Water commits to meaningfully implement Water for Victoria's vision for Aboriginal engagement.

We look forward to working with our people, our customers and our community, including members of the Aboriginal and Torres Strait Islander community, to implement the actions outlined in this RAP.

City West Water's development of the Innovate RAP demonstrates our readiness to create and test innovative approaches to reconciliation and champion reconciliation at every level.

- David Ryan, Managing Director, City West Water.

City West Water's commitment to Aboriginal and Torres Strait Islander engagement & inclusion



SUSTAINABLE WATER USE

Urban Water Strategy

In March 2017, City West Water completed our *Urban Water Strategy* which sets a long-term direction for managing our water and sewerage services for the next 50 years.

Why?

Required as part of the State Government's *Water for Victoria* plan, the strategy will play a significant role in preparing our service area for a challenging water future, as we seek to navigate the impacts of climate change and population growth across the state.

Water for Victoria is the strategic plan for management of our water resources, now and into the future to ensure we manage water to support a healthy environment, a prosperous economy and thriving communities.

Key service area features:

- Melbourne CBD is a nationally significant economic hub.
- we service multinational companies, hospitals, universities and major sporting venues.
- our service area has the greatest concentration of industrial customers in Victoria.
- our service area has less rainfall than other parts of Melbourne.

How?

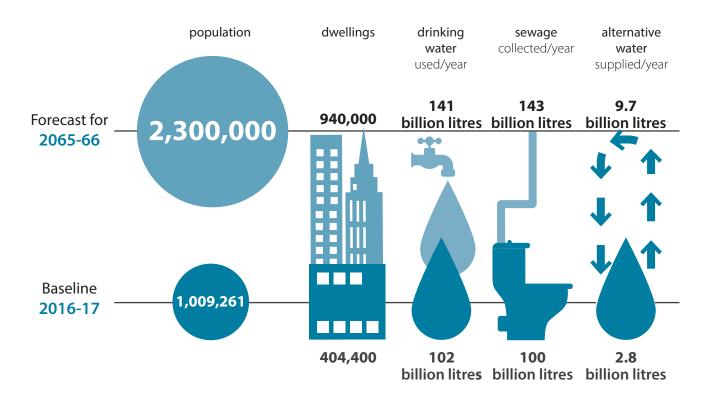
The Urban Water Strategy was developed with community input through consultation forums, stakeholder workshops and online qualitative and quantitative surveys. In parallel, there has been significant collaboration across all metropolitan Melbourne water authorities to determine the appropriate response to address the challenges facing Victoria's water future.

The *Urban Water Strategy* aligns with our business vision, and provides a clear and achievable plan of action, to deliver assurance of water supply and sewerage services for our customers and communities.



OF MELBURNIANS

surveyed said that they were extremely concerned about the future of their water supply



Agility is Key

Through implementation of the Urban Water Strategy, City West Water will be:

PROACTIVE

in pinpointing the latest trends in demand and supply and make sensible decisions based on these trends.

OPEN COMMUNICATORS

by engaging with the community, keeping them informed of changes, as well as listening to their views via our Your Say platform.

INNOVATIVE

in our use of stormwater, recycled water and rainwater. There is potential to deliver up to 9.7 billion litres per year of alternative water to our western growth areas by 2065, and we will seek further opportunities to save drinking water with use of alternative water in our established areas.

COLLABORATIVE

in achieving our management objectives, by working closely with other water corporations, councils and stakeholders to develop meaningful partnerships.

ACCOUNTABLE

for water losses through our network, and will work closely with our customers to reduce and eventually eliminate inefficient water usage.

ENVIRONMENTALLY FOCUSED

in order to minimise harmful contaminants in our Port Phillip discharge and to maximise opportunities to re-use wastewater.

RESPONSIBLE

for ensuring our investment decisions incorporate long-term costs and benefits to customers.

Enhancing community liveability and wellbeing

Our customers are at the very centre of what we do, and active engagement with our community will form the basis of our decision making. As outlined in our *Urban Water Strategy*, City West Water will work in partnership with our local communities and Traditional Owners to build meaningful relationships that enable the co-design, development and management of our water resources.

City West Water's *Urban Water Strategy* sets a benchmark for our service provision for now and into the future, and will aid us in understanding, adapting, and providing for the growing demand for water. The strategy is a clear example of the way in which our business strives to put our customers first, ultimately benefiting the entire community.

Water Resource Management

City West Water is a member of the metropolitan Water Resource Management (WRM) Group. The purpose of the WRM Group is to provide timely advice and recommendations on matters relating to short and long term water security for Melbourne.

The WRM Group is in place to:

- prepare, monitor, and oversee the delivery and review of long term strategic responses as outlined in Urban Water Strategies, the Melbourne Water System Strategy and their successors
- co-ordinate implementation of timely and efficient actions to achieve water security objectives in a manner that sustains the health, liveability and prosperity of Melburnians
- ensure preparedness to proactively manage any periods of water shortage.

Integrated Water Management

Integrated Water Management involves the consideration of the entire water cycle, and the multiple services it provides, when planning, delivering and operating infrastructure. One way in which City West Water will undertake this is by optimising our water supply system through utilisation of drinking water resources and other alternative water resources for fit-for-purpose end uses. As outlined in the Victorian Government's *Water for Victoria*, City West Water will also participate in Integrated Water Management forums and lead the development of place-based Integrated Water Management Plans. These initiatives will provide the opportunity for City West Water to work with our stakeholders such as Melbourne Water and local councils to explore innovative integrated water management systems with the potential to provide enhanced services to our customers and the community.

Alternative water schemes

Alternative water supply projects progressed during 2017 to advance integrated water cycle management and engage the community. These include:

Western growth corridor servicing

City West Water's service district encompasses a significant portion of Melbourne's western growth corridor, extending from the City of Wyndham in the south, to the City of Melton in the north. This region is expected to experience growth of between 370,000 to 430,000 people in the next 35 years, many of whom will be City West Water customers. City West Water's Western Growth Corridor Servicing Strategy outlines our approach for the supply of water and alternative water and the management of sewage for customers across the Western Growth Corridor. The approach has been developed in line with our business strategy and Integrated Water Cycle Management Strategy to deliver optimised and cost effective water cycle services.

The servicing strategy aims to increase the resilience and cost effectiveness of the water cycle management system above that of the traditional servicing of drinking water supply and centralised sewage treatment and disposal. The strategy is developed around the West Wyndham Recycled Water Project and the dual reticulation network, with potential interfaces with the drainage system. Integration is aimed at achieving sustainable water management, to meet government policy objectives and to deliver overall improved outcomes for our customers.

West Wyndham Class A Recycled Water Project

In November 2016, City West Water began supply to over 4,000 properties in Wyndham Vale and Manor Lakes with Class A recycled water.

Class A recycled water is supplied to customers through a separate purple meter and purple pipes, giving them access to recycled water.

Class A recycled water is an environmentally sustainable water source customers can use to flush their toilet, water their garden and wash their clothes. It's also suitable for open space irrigation and a range of commercial purposes.

The project will ultimately supply around 30,000 homes in the growing West Werribee area with Class A recycled water as well as commercial customers and open spaces.

Although Melbourne is not currently experiencing drought conditions, recycled water will help to meet the challenges of a changing climate and growing population.

At capacity the West Wyndham Recycled Water project will save around 3.5 billion litres per year of drinking water being currently used to flush toilets, irrigate open spaces and for commercial purposes.

Aquifer Storage and Recovery

The West Werribee Aquifer Storage and Recovery (ASR) project was commissioned in 2016. Operational trials on the ASR commenced in July 2017 using Class A recycled water supply from the Werribee recycled water plant. Injection trials are expected to be completed by June 2018.

If the injection trials prove the viability of the ASR, then the full scheme will be designed and a business case will be prepared for approval to proceed to construction. The West Werribee ASR Project will receive excess water produced in low demand periods from the Western Treatment Plant followed by the Ravenhall Alternative Water Production Facility as customer demand increases.

Black Forest Road Stormwater Harvesting project

The Black Forest Road Stormwater Harvesting project is a regional scale stormwater harvesting initiative being explored to optimise the City West Water Western Growth Corridor Servicing Strategy. Stormwater will be harvested from the Lollypop Creek Catchment, which is subject to significant urban development, and supplied through the Western Growth Corridor recycled water network. Up to 2.8 billion litres of stormwater could be harvested per year at full development, which can potentially defer future augmentation of the Western Treatment Plant's Class A supply.

Stormwater harvesting projects

City West Water has been partnering with councils within our service area to deliver stormwater harvesting projects to irrigate public open space. In the City of Melton, the Lake Caroline stormwater harvesting project was completed in March 2016. This project involves diversion of about 52 million litres of stormwater per year from the existing lake. The water will be used to irrigate sports grounds.

The City of Brimbank, in partnership with City West Water, obtained \$210,000 in funding from Melbourne Water for the upgrade of a stormwater harvesting project in Keilor which will be completed by February 2018.

The costs of servicing City West Water's customers with alternative water projects are funded by the beneficiaries of these schemes or by government contributions.

Case Study: Irrigation Innovation

Stormwater Harvesting

The Lake Caroline Stormwater Harvesting Project is a fantastic example of our commitment to benefiting communities by supporting thriving community spaces.

Lake Caroline is part of the Stony Hill Creek catchment area which spans from Melton Highway in Hillside to Caroline Springs Boulevard in Caroline Springs.

Throughout 2017, we have worked closely with the City of Melton to help the area of Caroline Springs reduce its reliance on using drinking water for irrigation, while improving the quality of Melbourne's waterways.

The project involved the construction of a wet well extraction system within Lake Caroline and a reticulation pipeline for the irrigation of Caroline Springs Town Centre Recreation Reserve and Catholic Regional College.

Now installed, the system also provides irrigation to lawns and gardens surrounding the Caroline Springs Leisure Centre and Caroline Springs Civic Centre/Library. According to Brock Tunnicliffe, Customer Compliance Officer, City West Water, the project is an environmentally sensitive stormwater harvesting solution that now provides the Caroline Springs community with a useable recreational space regardless of climatic conditions.

"The energy efficient pump chosen for this project does not have to run continuously to operate effectively. When switched to 'Auto' mode, the pump will only activate when there is demand for water," said Mr Tunnicliffe.

The project also includes a water sensitive urban design, which is in line with our commitment to the government's *Water for Victoria* initiative.

Water is delivered via 1,100m of reticulation pipes connected to the extraction system, and the project is estimated to save up to 52 million litres of precious drinking water per year.

"The system will continue to operate no matter the climatic conditions, and will provide our customers with a communal space that they can enjoy all year round," said Mr Tunnicliffe.

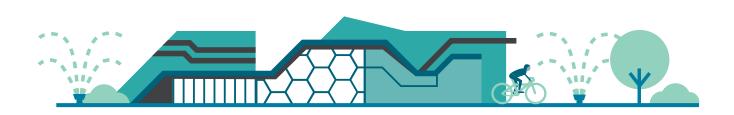
52 MILLION LITRES

of drinking water saved per year, enough to fill 21 Olympic size swimming pools

1,100 METRES

of reticulation pipes were required to transfer the water to open spaces **8** HECTARES

of open spaces irrigated by the project



Water consumption

Water consumption in City West Water's service area in 2017:

ML = million litres

			TOTAL
Residential customers	Drinking water	Number (No)	404,410
		Volume (ML)	59,537
	Recycled wastewater	Number (No)	4,290
		Volume (ML)	123
	Recycled stormwater	Number (No)	-
		Volume (ML)	-
Non-residential customers	Drinking water	Number (No)	40,271
		Volume (ML)	43,063
	Recycled wastewater	Number (No)	59
		Volume (ML)	2,627
	Recycled stormwater	Number (No)	7
		Volume (ML)	91
Total customers		Number (No)	444,747
Total drinking water volume		Volume (ML)	102,600
Total recycled water volume		Volume (ML)	2,841
Total consumption		Volume (ML)	105,441
Average annual consumption ¹		Volume (ML)	97,676
Weekly residential drinking water consumption		Volume (ML)	1,186
Non-revenue water	Leakage ²	Volume (ML)	7,855
	Firefighting ³	Volume (ML)	556
	Other ⁴	Volume (ML)	2,165
Total non-revenue water		Volume (ML)	10,586
Total water all sources		Volume (ML)	116,027
Average per capita daily residential drinking water	litres/person/day	167	

1. Average annual consumption calculated between the 2013 and 2017 reporting periods.

2. Balance of non-revenue water, known as real losses, which includes bursts, leaks and background losses.

3. Firefighting is part of a category called Authorised Unbilled Usage which includes firefighting, fire service usage, water haulers' usage, water main flushing, and sewer cleaning.

4. Other non-revenue water is known as apparent losses which includes unauthorised usage such as theft, misuse, illegal tampering, and incorrect meter reads.

Drought response reporting

Metropolitan water retailers are required to prepare a Drought Preparedness Plan to manage the event of water shortage. Permanent water use rules are in place for metropolitan Melbourne as at 30 June 2017.

In accordance with our Drought Preparedness 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
- regularly provide information regarding the balance of supply and demand, and any actions being undertaken by the water utilities.

The performance of Melbourne's water supply is evaluated according to storage levels on 30 November each year relative to three zones:

- high zone optimising supplies to secure our water supply
- medium zone take action to reduce demand and improve supply
- low zone emergency actions required to maintain our water supply.

The most recent Water Outlook released on 1 December 2016 assessed that Melbourne's water availability is secure for the near future.

Water restrictions are not currently required as Melbourne's water storages are in the high zone and are likely to remain there for the next 12 months. This means the existing water supply system which includes the Victorian Desalination Plant has enough water for coming years without storages entering the low zone under a range of modelled climate and demand scenarios.

Permanent Water Use Rules are in place for Metropolitan Melbourne. The Target 155 voluntary water efficiency program has been launched to encourage Melburnians to continue to use water efficiently.

On 1 December 2016, the Water Outlook outlined a number of individual and joint industry short and medium term actions to improve future drought response. A summary of the agreed actions are:

- continue to inform the community about the common sense rules that ensure the wise use of water at all times
- continue to deliver the Victorian Government's Target 155 voluntary water efficiency program
- assist the Department of Environment, Land, Water and

Planning to deliver the Government's *Water for Victoria* policy

- continue the development and completion of an *Urban Water Strategy*
- continue the development of our Drought Preparedness Plan
- continue to work with local councils to identify priority green spaces to be watered during droughts
- annually review the level of water availability and provide advice to the Minister for Water on the need for a desalinated water order
- review the Water Outlook to account for changes in patterns of demand
- partner with local government to deliver stormwater harvesting projects for irrigation
- continue to support *Greening the West* a preventative health initiative which links sustainable water supply and urban greening with enabling healthy communities
- continue to work with non-residential customers to deliver water efficiency projects. Focus on sector specific targeting for the toilet replacement program, irrigation best practice guidelines and cooling tower efficiency calculator
- undertake active leak detection, reticulation mains renewals, pressure management, intelligent network technologies and rapid response to bursts and leaks
- provide 'fit for purpose' alternative water supply to service new urban development and public open spaces via the West Wyndham dual supply project
- use aquifers where appropriate to store alternative water
- develop a servicing strategy for the East Werribee employment precinct using an integrated water management approach.

Drought Preparedness Plan and By-Law

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

Under Permanent Water Use Rules, playing fields and other open spaces are able to be watered all year round. The water restrictions schedule (which is contained in the City West Water Corporation Water Restrictions By-law 001/2012 as enacted by the Drought Preparedness 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 open spaces and playing fields so as to be available all year round.

Corporate water consumption

2017	2016
Water consumed 1,369kL	Water consumed 1,540kL
3.26kL per full time equivalent employee	3.29kL per full time equivalent employee
222.01 litres per m ² of office space	249.74 litres per m^2 of office space

SUSTAINABLE AND RESILIENT WATER SERVICES

Greening The West

Greening the West is a regional 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, Melbourne Water, Parks Victoria, the Department of Environment, Land, Water and Planning, the Department of Health and Human Services, VicRoads, and community and industry representatives. The initiative's vision is to enable sustainable, liveable, healthy communities though urban greening. In order to achieve this, the steering committee has adopted a regional approach that fosters projects and activities that will increase vegetation and encourage greater public interaction with green space.

Case study: Stony Creek Naturalisation

In line with the *Greening the West* initiative, the Stony Creek Naturalisation Project is a joint initiative between City West Water, Melbourne Water, Brimbank City Council, Development Victoria and Greenfleet.

The state and federal government have also provided some funding towards the project.

The project involves removing the cement channel of Stony Creek between Furlong and Gilmour Roads in Sunshine North and constructing a natural looking creek and wetlands, including a stormwater harvesting system. Design is nearing completion and the works are expected to be completed by June 2019.



Urban greening for community liveability

Case Study: 1 Million Trees Initiative

City West Water is committed to making our service area a beautiful place to live. Urban greening for a healthier and more climate change-resilient west through the *Greening the West* initiative has been central to our operations since 2015 and has seen impressive results over the past financial year.

What is the 1 Million Tree project?

An ambitious plan to plant an extra one million trees across Melbourne's west as part of the 20 Million Trees and National Landcare Program by the Federal Government.

Greening The West secured \$5m funding in partnership with our project partners.

Who's involved?

The project steering group includes representatives from:

- Port Phillip & Westernport Catchment Management Authority (lead coordinator)
- LeadWest
- Brimbank, Hobsons Bay, Maribyrnong, Melton, Moonee Valley, Wyndham, Hume, Moorabool councils
- Melbourne Water, City West Water, Western Water
- VicRoads
- Friends of Lower Kororoit Creek
- Parks Victoria.



So far, 953,000 trees have been planted, and one million is expected to be reached by June 2018



City West Water will have planted 8,000 trees as part of the program.

Greening the West projects received two awards for innovation and leadership in 2016.



Victorian AWA program Innovation award

UDIA Award for Government Leadership in Urban Development

UDIA



Case Study: Greening the Pipeline

On Saturday 29 April, we celebrated the launch of the *Greening the Pipeline* pilot park in Williams Landing. The *Greening the Pipeline* project is designed to revitalise the entire 27 kilometre pipeline reserve, from Millers Road in Brooklyn to the Western Treatment Plant in Werribee, into a natural and vibrant space that will connect communities and provide a unique place for neighbours to meet, play and relax.

Greening the Pipeline is a joint endeavour between Melbourne Water, City West Water, Wyndham City Council and VicRoads, and is supported by *Greening the West*. Including general play areas, bike racks, an exercise station and walking tracks, the 100m parkland pilot showcases the potential of the Federation Trail and Main Outfall Sewer reserve to be transformed into a green linear parkland that:

- improves local amenity
- enhances community connections and sense of place
- contributes to urban cooling
- enhances active transport opportunities
- provides alternative water uses.

WITH GREEN URBAN ENVIRONMENTS:



Greener urban environments can offer **low-cost**, **preventative strategies** to improve community health, reduce heat stress, increase amenity and foster social cohesion.

Urban greening can reduce load on utilities by lowering temperatures by up to **12 degrees**.

WITHOUT GREEN URBAN ENVIRONMENTS:



Almost 60 per cent of Australians aged 15 and over do not do enough physical activity to benefit their health.

Obesity costs the nation around **\$58 billion** per year.

The annual number of days **above 35 degrees** is projected to increase from 9 to 21 days by 2070.

The pilot site launch was a major success for all of our partners, from the perspectives of health, the environment and the economy. It was also a good example of working collaboratively that delivered a great outcome for the communities we serve.

"The pilot park has paved the way for future revitalisation of the sewer, with multiple projects already on the horizon" says Darren Coughlan, Operations - Healthy Urban Habitats, City West Water.

300 PEOPLE ATTENDED THE LAUNCH

OUR ENVIRONMENT

"This year, we have focussed our efforts on re-aligning our goals with the new business strategy, to ensure environmental management is better embedded in the way we operate. We can be proud of the objectives that we have put in place, and look forward to seeing each of these grow and develop," Sean Hanrahan, Environment Team Coordinator, City West Water.

City West Water's vision is built upon streamlined delivery, great partnerships and purposeful leadership. We are driven to care for, and where possible, enhance the environment, with an eye to the future and the challenges imposed by a changing climate. In 2017 we have re-aligned our goals to meet the corporation's strategic objectives:

- the environment is protected
- standards of water quality, environmental protection and customer service are met or exceeded
- develop partnerships in climate change mitigation
- lead the way in climate adaptation.

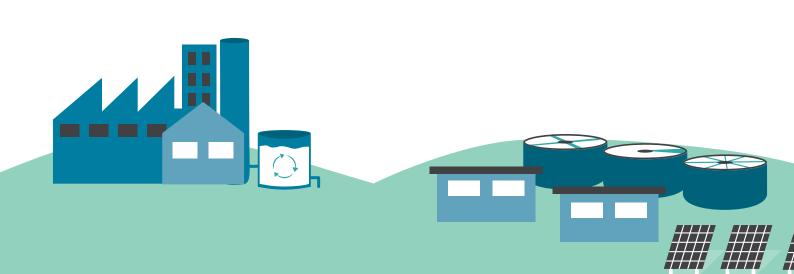
In 2017 we made a pledge to reduce our greenhouse gas emissions by 80 per cent by 2025. We are investing in renewable energy generation and energy efficiency to reduce our greenhouse gas emissions.

10% IMPROVEMENT

We will increase energy efficiency by 10 per cent over the next four years



We will source 10 per cent of our electricity needs from renewable sources in 2018





Environmental policy

City West Water's environmental policy provides guidance on meeting our environmental obligations and strategic objectives to protect the environment and drive continual improvement.

The policy outlines the following environmental measures:

- maintaining an ISO14001 certified Environment Management System to manage environmental aspects and impacts
- aligning environmental strategic objectives with targets and actions through our Environmental Sustainability Plan (ESP) to address these significant risks and continually improve our environmental performance
- taking actions necessary to respond to the challenges of climate change
- review of targets and actions set out in the ESP at regular intervals
- reporting progress against targets and actions set out in the ESP to the City West Water Board
- publicly reporting on environmental performance via our Annual Report and the City West Water website.

Environmental Management System

City West Water's Environmental Management System (EMS) provides the framework to ensure the we manage environmental risks and impacts on the environment in a coordinated and effective manner. The EMS follows the 'plan, check, do and act' cycle outlined in the ISO14001 Environmental Management System standard. EMS certification was retained for the system in 2017.

The EMS has an Aspects and Impacts Register which ensures the organisation has in place appropriate controls to manage environmental risks and meet statutory obligations. In addition, the EMS also provides a framework for City West Water to contribute to broader environmental outcomes through the delivery of the corporation's Environmental Sustainability Plan.

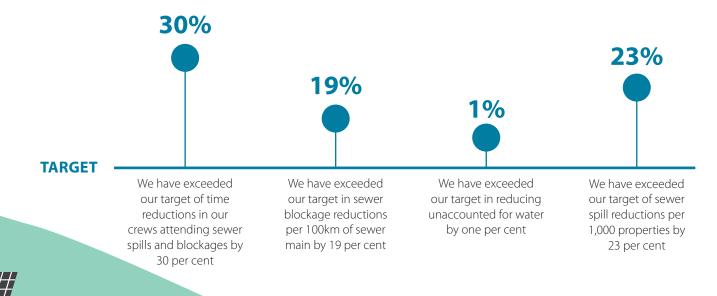
Investing in renewable energy generation

This year, we took a lead role in the VicWater Intelligent Water Network's Large Scale Renewable Energy Feasibility Study. This ongoing project is examining the potential for Victorian water corporations to jointly invest in renewable energy generation to reduce carbon emissions and ensure maximum value for money for our customers.

Collaboration

We also continued our participation in the *Melbourne Water Industry Climate Change Committee*. This group facilitates collaboration across the metropolitan water corporations regarding climate change risks and best practice.

We have a real commitment to ensuring environmental management is top priority during day-to-day operations. The illustration below demonstrates how we are tracking on some of our environmental measures.



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

ENVIRONMENTAL TARGETS				
ESC regulated standards	2017 Actual	2017 Target	Variance (%)	2016 Actual
Sewer blockages per 100km of sewer main (no.)	20.4	25.1	18.7	21.8
Interruptions to sewerage services restored within five hours (%)	96.9	97.2	(0.3)	98.0
Unaccounted for water (%)	9.3	9.4	1.1	9.4
Average time to attend sewer spills and blockages (minutes)	31.3	45.0	30.4	30.9
Sewer spills per 1,000 properties (no.)	0.9	1.2	23.4	0.7
Other targets				
Response to sewer spills within 1 hour (%)	95.8	100.0	(4.2)	99.0
Spills due to pump station equipment failure (no.)	0	0	0.0	0
Non-food waste customers non-compliant with trade waste agreements (%)	0.9	≤ 2.0	54.0	1.0
Compliance with EPA licence for discharge quality limits from Altona Treatment Plant (%)	100.0	100.0	0.0	100.0
ISO 14001: 2004 (Environmental Management)	Retained	Retain	-	Retained
ISO 22000: 2005 (Sewage quality)	Retained	Retain	-	Retained
HACCP (Water Quality)	Retained	Retain	-	Retained

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.

Corporate energy performance 2017¹

	2017	2016		
		SSIONS CO²-e)	VARIANCE	COMMENT
Water treatment and pumping ²	464	395	14.9%	Small variance in absolute terms, so not material.
Wastewater treatment ³	11,608	11,099	4.4%	Variance is not material.
Waste disposal	267	306	-14.6%	Small variance in absolute terms, so not material.
Energy use (non-fleet)	1,007	1,251	-24.2%	Office energy efficiency measures addressing server room and automated computer hibernation.
Motor vehicles	1,058	1,024	3.2%	Variance is not material
Other	26	26	0.0%	Zero variance.
Verified carbon offsets	-2,940	-	100.0%	Variance due to purchase of carbon offsets in 2017.
Net greenhouse gas emissions	11,490	14,101	-22.7%	
Water treatment and pumping kWh/ML	3.76	3.16	16.0%	Small variance in absolute terms, so not material.
Wastewater treatment kWh/ML	1,515	1,776	1.6%	Variance is not material.

1. 2017 emissions includes only Scope 1 and Scope 2 emissions, except for Scope 3 emissions from waste. This is designed to meet the requirements of Ministerial Directions to align reporting with ESC indicators which include only Scope 1 and Scope 2 emissions.

2. Water treatment and pumping includes energy expended from stormwater harvesting schemes.

3. 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.

Historical performance information

	2016	2015	2014	2013		
Emissions (tCO ₂ -e)						
Water treatment and pumping	395	313	290	312		
Wastewater treatment	11,099	7,787	7,424	9,693		
Waste disposal	306	703	618	617		
Energy use (non-fleet)	1,251	1,846	1,747	2,115		
Motor vehicles	1,024	1,131	1,124	1,374		
Other	26	25	125	213		
Total emissions	14,101	11,805	11,328	14,324		
		Offsets (tCO ₂ -e)				
Verified carbon offsets	-	-	(400)	-		
Renewable energy certificates	-	-	-	(2,360)		
Total offsets	-	-	(400)	(2,360)		
Net greenhouse gas emissions	14,101	11,805	10,928	11,964		
Water treatment and pumping kWh/ML						
Wastewater treatment kWh/ML	3.16	2.46	2.31	2.47		
	1,775.513	1,109.371	1,062.498	1,371.460		

Trade Waste

Commercial customers

We have continued to strengthen links with local councils within our service area through our Commercial Trade Waste Compliance program.

The program was first developed in 2015 with the aim of ensuring that all commercial food businesses who require a trade waste agreement, have one in place. This also includes ensuring that all food businesses have a grease trap installed and that they keep them maintained to ensure that greasy waste is not released into our sewers.

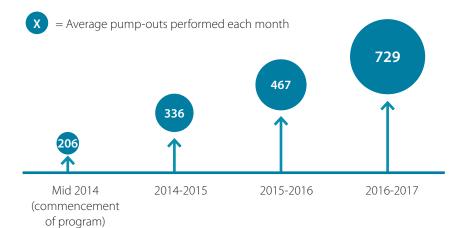
Since initiation of the program, councils have assisted us in identifying new customers (referring customers to us as part of their approval processes for new businesses) and have also assisted when customers refuse to enter an agreement or pump-out their grease trap.

In return City West Water trade waste officers have assisted council officers with troubleshooting:

- illegal discharges of greasy waste to stormwater which pollute waterways and rivers
- incorrect connections and grease trap installations that can lead to localised odour complaints
- providing technical advice on best practice for trade waste disposal.

Pump-out compliance

The following graph shows the number of pump-outs recorded in our system. Pump-outs are performed by our trade waste agreement holders, in order for them to achieve and maintain compliance.





12 per cent increase in commercial food trade waste customers over the past two years.



Grease trap being pumped out



Grease trap with City West Water barcode

Industrial customers

As trusted advisors, we have continued to support customers in understanding what they need to do in order to discharge trade waste safely into our system.

New OHS Acceptance Criteria for trade waste customers

This year, we have been working with the other metropolitan retailers and Melbourne Water to introduce trade waste acceptance criteria that are more reflective of the occupational health and safety risks in our sewerage system. There is now greater transparency in how we calculate our criteria for discharge of trade waste. These improved acceptance criteria will eliminate the need for some customers to apply for an exception.

Western Treatment Plant Co-digestion Trial

Another key project undertaken this year has been the development of a co-digestion trial at the Western Treatment Plant (WTP) in collaboration with Melbourne Water. Co-digestion involves adding high strength organic waste to the treatment process at WTP resulting in increased energy production through the creation of biogas. The trial is now underway, and the facility is receiving up to three trucks of waste a week from a major abattoir.

The 18-month trial will provide valuable data to help assess future commercial opportunities for co-digestion. The ultimate goal of exploring this opportunity is to enhance community value derived from sewage treatment assets through providing our customers with a low cost sustainable means for disposing of their organic wastes.

This consistent approach benefits our customers and our teams, reducing administration costs across the board and making it easier for customers to understand their limits.

- Nathan Bennett, Manager Business Customer Services, City West Water.



Sludge being discharged upstream of the WTP's digesters.

Victorian Biodiversity Strategy

In 2017 the State Government released its updated strategy Protecting Victoria's Environment - Biodiversity 2037. This is supported by reviewing the *Flora and Fauna Guarantee Act 1988* and native vegetation clearing regulations. City West Water remains committed to meeting its statutory biodiversity requirements and working with stakeholders to value and improve biodiversity.

Biodiversity management is one of eight focus areas of City West Water's Environmental Sustainability Plan. To ensure we deliver positive outcomes for this key focus area, City West Water is developing a biodiversity strategy that will align with both state and federal biodiversity strategies. Implementing the strategy will improve the effectiveness with which we manage our statutory obligations and deliver improved environmental outcomes for Melbourne's west.

City West Water has created a native vegetation offset site on our land in Ballan Road, Wyndham Vale. The site is actively managed to offset native vegetation removed to construct water supply assets. City West Water will actively restore and improve the site over a 10 year period, prior to maintaining it in perpetuity. Projects undertaken regularly at the site to improve habitat value include:

- management of weeds and pests
- maintenance of fencing and security
- assessment of the habitat
- conducting ecological burning.

The Ballan Road tank site has rich biodiversity. Current inhabitants include a number of threatened and endangered species such as the fat tailed dunnart and the striped legless lizard. A number of spiny rice flowers also populate the site. The site allows for research into effective methods to restore degraded grasslands, which are not well understood.

Waterway management

The Victorian Waterway Management Strategy emphasises the proactive minimisation of impacts on waterways by water corporations and catchment management authorities. City West Water continues to work with Melbourne Water and local councils to maximise the use of water sources such as stormwater and recycled water while balancing use from traditional catchments and dams by implementing integrated water cycle management projects as detailed in the alternative water schemes section of this report. **See page 24.**

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 operates a sewage treatment plant at Altona which has an effluent discharge licence from the Environment Protection Authority (EPA). The corporation has complied with its water discharge licence conditions, minimising impacts to the protected beneficial uses of Port Phillip Bay. A summary of Altona Treatment Plant performance is reported to EPA Victoria on an annual basis. Additionally, water quality and flow data is reported to the Essential Services Commission and the National Pollutant Inventory.

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

- asset renewal and preventative maintenance to minimise spills and seepage of wastewater through sewer overflows, leakages and collapses
- compliance with the EPA's guidelines on environmental management for managing wastewater reuse and recycling
- ensuring that beneficial uses are met outside the licensed mixing zone, as verified by monitoring in accordance with an EPA approved monitoring program
- entering into trade waste agreements to divert contaminated stormwater to sewer.

Hydraulic models have been developed for each of City West Water's 24 sewerage catchments. Similar to the other Melbourne metropolitan water retailers, each model is updated on an on-going basis, reviewed and used for various purposes including identifying locations where sewerage network spills are non-compliant for storms up to and including the one in five year average recurrence interval wet weather flow containment standard.

Where non-compliance is identified, options are developed to address deficiencies and submitted for approval. City West Water is working together with Melbourne Water to identify engineering solutions for addressing issues with the Taylors Creek sewerage catchment.



FINANCIAL OVERVIEW

Financial highlights

Profit before tax for the year was \$110.3m compared to budget from our Corporate Plan of \$83.6m and was 68 per cent above the previous year. The favourable result was achieved through a combination of higher than budgeted developer revenues, lower than budgeted depreciation and a strong focus on cost management. Gross margin was slightly above budget for the year as higher water demand and associated sewage disposal charges were partly offset by the decision to freeze our prices effective from 1 July 2016. In addition, trade waste revenue was lower than expected due to lower volumes and improved discharge quality.

During 2017 City West Water made total dividend payments of \$13.0m relating to the 2016 financial year. City West Water paid income tax equivalent to the Victorian Government of \$29.6m.

Total borrowings increased by \$11.8m for the year. The increase in borrowings was primarily for the purpose of funding the required capital expenditure to support growth in our service area as well as continued investment in network and Information and Communications Technology (ICT) assets. Capital expenditure for the year was \$90.6m.

Return on equity was 9.3 per cent (2016 5.9 per cent) while cash interest cover was 2.6 times (2016 2.3 times).

Gearing, as measured by total debt/total assets, decreased to 48.3 per cent (2016 50.4 per cent).



Capital expenditure



Income tax equivalent paid to the Victorian Government





Summary of financial results

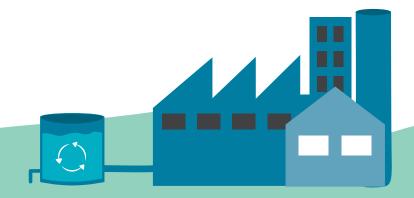
	2017 (\$′000)	2016 (\$'000)	2015 (\$'000)	2014 (\$′000)	2013 (\$′000)
Sales revenue	589,349	581,755	533,128	561,707	422,912
Developer contributions	67,981	61,536	39,637	29,164	33,388
Other revenue	27,186	26,802	26,269	19,466	17,349
Total revenue	684,516	670,093	599,034	610,337	473,649
Bulk charges	337,035	355,062	323,595	353,408	227,223
Environmental contribution	18,563	18,563	18,563	18,563	10,787
Employee benefits	42,464	40,442	37,829	37,439	34,319
Depreciation and amortisation	47,856	47,336	41,982	39,852	37,398
Asset write-offs, write-downs and impairments	2,073	11,977	1,155	272	335
Finance expenses	63,457	63,344	62,892	60,266	52,422
Other operating expenses	62,775	67,632	65,728	64,392	66,302
Total expenses	574,223	604,356	551,744	574,192	428,786
Profit before tax	110,293	65,737	47,290	36,145	44,863



Total dividend payments relating to 2016 financial year



Profit before tax





Summary of financial position

	2017 (\$'000)	2016 (\$'000)	2015 (\$'000)	2014 (\$'000)	2013 (\$'000)
Current assets	119,881	113,479	108,082	93,638	116,073
Non-current assets	2,163,344	2,050,298	2,051,552	1,988,309	1,837,812
Total assets	2,283,225	2,163,777	2,159,634	2,081,947	1,953,885
Current liabilities	101,325	105,702	152,296	186,511	173,439
Non-current liabilities	1,342,102	1,315,358	1,267,436	1,164,073	1,110,234
Total liabilities	1,443,427	1,421,060	1,419,732	1,350,584	1,283,673
Net assets	839,798	742,717	739,902	731,363	670,212
Net cash flows from operating activities	73,877	64,416	63,505	19,224	47,586
Payments for property, plant, equipment and intangibles	83,383	82,859	81,713	150,873	163,987

Summary of capital expenditure

	2017	2016	2015	2014	2013
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
City West Water funded capital expenditure	90,593	88,271	77,209	120,590	182,217

City West Water manages a number of capital projects. For information on recent capital projects undertaken by City West Water and the broader Victorian public sector, refer to the most recent Budget Paper 4 State Capital Program (BP 4) available via the Department of Treasury and Finance's website. This publication also contains information on the asset investment program of the Department of Treasury and Finance and its related portfolio agencies. No projects with a total estimated investment of \$10m or greater were completed during the year.

Summary of financial performance

	2017	2016	2015	2014	2013
Cash interest cover (times)	2.6	2.3	2.2	1.7	2.3
Gearing ratio (%) (total debt (including finance leases) / total assets)	48.3	50.4	48.9	49.2	47.5
Internal financing ratio (%)	73.0	57.9	58.6	9.6	13.9
Current ratio (times)	1.3	1.2	0.8	0.5	0.7
Return on assets (%)	7.8	6.0	5.2	4.8	4.9
Return on equity (%) (net profit after tax / average total equity)	9.3	5.9	5.0	3.6	4.5
EBITDA margin % (EBITDA/total revenue)	32.4	26.4	25.6	22.3	28.5

Further information on current year financial performance can be found in the Performance Report section of this report. **See page 53.**

Information and Communication Technology expenditure

During the 2017 reporting period, City West Water had a total Information and Communication Technology (ICT) expenditure of \$26.5m, as per details shown below.

TOTAL ICT EXPENDITURE	ICT EXPENDITURE RELATED TO PROJECTS TO CREATE OR ENHANCE ICT CAPABILITIES					
BUSINESS AS USUAL (BAU) ICT EXPENDITURE (\$'000)	NON BAU ICT EXPENDITURE (\$'000)	OPERATING EXPENDITURE (OPEX) (\$'000)	CAPITAL EXPENDITURE (CAPEX) (\$'000)			
16,698	9,772	1	9,771			

ICT expenditure refers to the corporation's costs in providing business enabling ICT services. It comprises Business as Usual (BAU) ICT expenditure and Non Business as Usual (Non BAU) ICT expenditure. Non BAU ICT expenditure relates to extending or enhancing City West Water's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure which relates primarily to ongoing activities to operate and maintain current ICT capability.

Matters subsequent to the end of the financial year

No further matter or circumstance has arisen since 30 June 2017 which has significantly affected, or may significantly affect:

- the corporation's operations
- the results of those operations
- the corporation's state of affairs in the financial year subsequent to 30 June 2017.

Consultancies

During 2017 City West Water engaged four consultants on various engagements where the total fees payable to each consultant was less than \$10,000 (GST exclusive). Total expenditure incurred during the 2017 reporting period in relation to these consultancies was \$27,109 (GST exclusive).

During 2017 City West Water engaged nine consultants on various consultancies where the total fees payable to each consultant was \$10,000 or greater (GST exclusive). Total expenditure during 2017 in relation to these consultancies was \$347,002 (GST exclusive). Details of individual consultancies can be viewed at 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 City West Water.

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

Other information

Freedom of Information

City West Water is subject to the *Freedom of Information Act 1982* (the Act). The Act allows the public a right of access to documents held by City West Water.

During 2017 City West Water received 19 requests for access to documents under the Act.

REQUEST	NO.
Access in full	7
Access in part	7
Access denied	0
Other - withdrawn	0
Not finalised	5
Total	19

Access to documents may be obtained by writing to the Freedom of Information Officer. The application must:

- be in writing. An application form can be found at citywestwater.com.au
- · identify clearly which document is being requested
- include the application fee of \$27.90 (the fee is \$28.40 from 1 July 2017). The fee may be waived in some circumstances.

Requests for documents in the possession of City West Water should be addressed to:

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

Access charges such as photocopying and search charges may also apply.

General enquiries relating to Freedom of Information can be made by contacting the Freedom of Information Officer on (03) 9313 8647.

Further information can be found at citywestwater.com.au.

Building Act 1993

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

Protected Disclosure Act 2012

Compliance with the Protected Disclosure Act 2012

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

City West Water does not tolerate improper conduct by employees or the taking of reprisals against those who come forward to disclose such conduct. City West Water is committed to ensuring transparency and accountability in its administrative and management practices, and the corporation supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources or conduct involving a substantial risk to public health and safety or the environment.

City West Water will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. City West Water will also afford natural justice to the person who is the subject of the disclosure to the extent that it is legally possible.

Reporting procedures

City West Water is not able to receive protected disclosures.

Disclosure of improper conduct or detrimental action by City West Water or any of its employees and/or officers may be made directly to the Independent Broad-based Anticorruption Commission.

Independent Broad-based Anti-corruption Commission (IBAC) Victoria

Level 1, North Tower, 459 Collins Street Melbourne VIC 3000

Phone: 1300 735 135

Internet: ibac.vic.gov.au

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

National Competition Policy

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

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

Competitive neutrality requires government businesses to ensure that where services compete or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if they are not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency of the provision of services.

City West Water has an independent Board of Directors with independent and objective performance monitoring. The corporation pays income tax equivalent and dividends to the Victorian Government, and pays a Financial Accommodation Levy to the Victorian Government for its borrowings through Treasury Corporation of Victoria. 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 it 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 prices took effect from 1 July 2013. City West Water's processes continue to be consistent with the objectives of National Competition Policy agreements and the requirements of the Competitive Neutrality Policy Victoria policy statement. These principles apply generally to Government Business Enterprises throughout Australia.

Local Jobs First - Victorian Industry Participation Policy

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

During 2017 City West Water commenced and/or completed three contracts totalling \$23,435,000 for which a Local Jobs First - VIPP plan or Local Industry Development Plan (LIDP) was required.

During 2017 City West Water commenced four contracts with a total of 87.5 per cent estimated to be of local content for which a Local Jobs First - VIPP plan or LIDP was not required as the procurement activity was local by nature.

During 2017 one small to medium sized business working with City West Water prepared a Local Jobs First - VIPP plan.

During 2017 three contracts commenced and/or completed for which a Local Jobs First - VIPP plan was required occurred in metropolitan Melbourne, representing 70.3 per cent of estimated local content.

The total Local Jobs First - VIPP plan or LIDP commitments achieved as a result of contracts commenced include:

- local content of 85.5 per cent of the total value of the contracts
- one new job and 20 retained jobs (AEE)
- one new apprenticeship/traineeship and one retained apprenticeship/traineeship.

The total Local Jobs First - VIPP plan or LIDP commitments achieved as a result of contracts completed include:

- local content of 40 per cent of the total value of the contracts
- seven new jobs and six retained jobs (AEE)
- three new apprenticeships/traineeships and one retained apprenticeship/traineeship.

Government advertising expenditure

City West Water did not incur any expenditure on government advertising campaigns during either the current or previous reporting periods.

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 on request by the Minister, Members of Parliament, and the general public.

Other information available on request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by City West Water and are available on request, subject to the provisions of 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 corporation 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

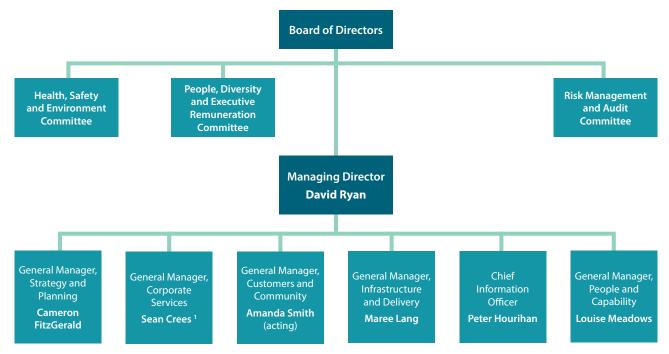
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by City West Water to develop community awareness of the corporation and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within the corporation 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:
- consultants and contractors engaged
- services provided, and
- expenditure committed to for each engagement.

Requests for documents in the possession of City West Water should be addressed to:

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



ORGANISATIONAL STRUCTURE



* Organisational structure following June 2017 realignment

¹ City West Water appointed Michael Wootten as Chief Financial Officer on 2 August 2017, which incorporates the role of General Manager, Corporate Services.

The Hon. Lisa Neville MP was appointed as the Minister for Environment, Climate Change and Water in December 2014, then as Minister for Water on 23 May 2016. As Minister for Water the Hon. Lisa Neville is responsible for urban water, irrigation water, groundwater, water corporations and governance, allocation and trading, permanent water use 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 for ensuring that risk is appropriately managed.

The Board met 11 times in 2017. It is committed to performing its role in accordance with the highest standards of corporate governance. There were three committees of the Board for 2017. The Risk Management and Audit Committee met five times in 2017 and the Health, Safety and Environment Committee met four times in 2017. The People, Diversity and Executive Remuneration Committee met five times in 2017.

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

The Board comprises eight 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 the Treasurer of Victoria on the outcomes of these reviews.

MEMBERS OF THE BOARD

David Middleton Chair

B. Eng, M. Eng, MBA, GAICD

Mr Middleton was appointed to the Board on 1 October 2015.

Mr Middleton was a Director at Yarra Valley Water (YVW) from October 2011 to September 2015. He was appointed Deputy Chair in 2013 at YVW and also served on all three Board Committees. Mr Middleton has held various roles at CH2M HILL and is currently Managing Director for Australia and New Zealand. He is currently Chair at CH2M Beca Limited, and serves on both CH2M Hill Australia Pty Ltd and Halcrow Pacific Pty Ltd Boards. Mr Middleton has extensive international experience in the Water Industry and brings a network which includes leadership in the major water utilities in Australia, Asia and the UK. He has previously held operational roles with Melbourne Water, Western Water and Goulburn Valley Water. Mr Middleton has a Bachelor of Engineering (Civil), Master of Engineering (Environmental) and Master of Business Administration (Technology Management).

Committee Membership:

People Diversity and Executive Remuneration Committee Health, Safety and Environment Committee Ex-officio member of all other Board committees.

David Ryan Managing Director

B.Env.Sc, MBA, MCorp Env & Sus Mgt, GAICD

David Ryan was appointed as Managing Director on 14 June 2016.

Prior to joining City West Water, David was the Executive General Manager, Service Delivery at Melbourne Water and has over 14 years of experience in the water sector. As a graduate of Deakin University, Monash University and the London Business School, David is passionate about workplace culture, capability and leadership development, diversity, innovation and safety. He brings a challenging and unique perspective to the role which has been evident in the development of the new City West Water Strategy which focuses on exceptional service for our customers and the broader community. David also has strong experience in leading change and implementing technology innovations which are critical skills for the ever-changing, uncertain but exciting future we face. David is a graduate of the Australian Institute of Company Directors and is the current President of the Institute of Water Administration.

Committee Membership:

Health, Safety and Environment Committee

Elizabeth Parkin Director

B. Bus. Studies, Grad. Dip, ACA, F.Fin

Ms Parkin was appointed to the Board on 1 October 2015, is Deputy Chair of the Board and Chair of the Risk Management and Audit Committee.

Ms Parkin is currently Group Manager - Business & Organisational Performance at Dairy Australia and has held a number of executive management roles. She is Deputy Chair of First Samuel, a director of The Longevity Group and a Trustee of the Northcote Trust Fund. She was previously a Director at Yarra Valley Water and North East Region Water Authority. Ms Parkin has a Bachelor of Business Studies and a Graduate Diploma in Finance.

Committee Membership:

Risk Management and Audit Committee (Chair) People Diversity and Executive Remuneration Committee

Mary Beth Bauer Director

BA, FAICD, ACA, CPA(US)

Ms Bauer was appointed to the Board on 1 October 2015. She Chairs the People, Diversity & Executive Remuneration Committee and is a member of the Risk Management & Audit Committee.

Mary Beth is an active board member with more than 18 years' experience as Chairman, Chair of Remuneration and Audit & Risk Committees. She has also had more than 20 years' experience as a senior executive, advising CEOs and boards across Australia in a diverse range of industries. She is one of Australia's leading experts on Stakeholder Engagement.

Mary Beth has a very strong focus on Governance, and her professional experience includes finance, audit and risk, business strategy development, financial markets, mergers and acquisitions, and all aspects of investor and stakeholder relations and strategic communications. She also serves on the Victorian Farmer's Federation, Fisher Leadership and Emergency Management Victoria Boards.

Committee Membership:

Risk Management and Audit Committee People Diversity and Executive Remuneration Committee (Chair)

Phil Clark Director

B. Eng, MBA, MAICD, MAusIMM

Mr Clark was appointed a Director to City West Water on 1 October 2013.

He is a private business advisor with Phil Clark and Associates and a Director of ATEC International, a social enterprise providing bio-digesters to rural Cambodia and African Energy Resources Limited and Chairs these Audit & Risk and Remuneration Committees.

He was previously the Vice President, Resource Development and Vice President Health, Safety & Environment for BHP Billiton Coal and had an extensive career with BHP spanning over 30 years. Also he was Chair of Engineers Without Borders Australia for six years and the Chair of Australasian Institute of Mining & Metallurgy, Melbourne Branch.

Committee Membership:

Health Safety and Environment Committee

Constantina Dertimanis Director

Grad Dip. International Studies, BA

Ms Dertimanis was appointed to the Board on 28 April 2016.

Ms Constantina Dertimanis is a public policy professional who has extensive experience as a senior advisor to State and Federal Ministers. She is a passionate advocate for cultural diversity, human rights and dignity for the disabled. She has worked on high profile United Nations projects advocating in partnership with global NGOs. Ms Dertimanis's wide-ranging experience in community engagement ensures that she gives voice to culturally diverse communities at the Board table. She is also a Director of the Queen Victoria Women's Trust Centre where she provides advice to the Minister on the impact of issues that affect women in the community.

Over a career spanning more than 20 years across the corporate, Government and non-Government sectors she has a strong track record of driving change to assist marginalised communities. She has a Graduate Diploma in International Studies and a Bachelor of Arts – Majoring in Government, Philosophy and Economics.

Committee Membership:

Health, Safety and Environment Committee People Diversity and Executive Remuneration Committee

Bruce Cohen Director

B.Comm, LLB, M.Comm, Ph.D (Pub. Pol.)

Dr Cohen was appointed to the Board on 1 October 2015.

Dr Cohen is the principal at BKE Consulting. During his career he has been a Director at Melbourne Water, Snowy Hydro Ltd and Victorian Energy Networks Corporation, as well as the Chair of the Victorian Commission for Gambling and Liquor Regulation and VicTrack. He has a Bachelor of Commerce, a Bachelor of Laws, a Master of Commerce and a Doctor of Philosophy.

Committee Membership:

Risk Management and Audit Committee

Bill Jaboor Director

MBA , BA , Grad.Dip Local Government Management, Assoc.Dip. Business Studies

Mr Jaboor was appointed to the Board on 1 October 2015.

Bill Jaboor has over 45 years of experience working in different roles within local government across Victoria and Queensland. Over the last 20 years he has been CEO at the Cities of Brimbank, Hobsons Bay, Greater Shepparton and Benalla.

He is currently Chair of the Western Melbourne Regional Development Australia Committee, Chair of Alpine Resorts Coordinating Council and Board Member of Community Chef and City West Water.

His qualifications include an Associate Diploma of Business Studies (RMIT), a Bachelor of Arts Degree (University of Queensland) and a MBA (Deakin University). He has completed a short course for State and Local Government Executives at Harvard University and became a Williamson Leadership Fellow in 1996.

Committee Membership:

Health, Safety and Environment Committee People Diversity and Executive Remuneration Committee

Kim McAliney Director

FCPA, GAICD, Adv Dip Public Safety (E. Mgt), JP, BJ

Ms McAliney was appointed to the Board on 1 October 2015 and is the Chair of the Health Safety and Environment Committee.

Ms McAliney currently is the Deputy Mayor of Wyndham City Council holding the Safer Communities Portfolio. Ms McAliney sits on several boards including the Greater Metropolitan Cemeteries Trust, The Victorian Veterans Council and the Salvation Army - State Social Command Advisory Board as Chair. Kim has a wide range of board and committee experience including seven years as a Local Councillor and Mayor of the City of Wyndham in 2007/8 and 2011/12.

A career spanning over 25 years including accountancy firms, aged care, a multi-national company to most recently working for a National Crisis Counselling service. Her professional memberships include CPA Australia, Australian Institute of Company Directors and Royal Victorian Association of Honorary Justices.

Committee Membership:

Health, Safety and Environment Committee (Chair) Risk Management and Audit 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 of, and direction to City West Water's internal control systems, legal and regulatory compliance processes, auditing and reporting processes, and risk management systems. All members of the Risk Management and Audit Committee are independent.

The Risk Management and Audit Committee consists of the following members:

Elizabeth Parkin (Chair) Mary Beth Bauer Bruce Cohen Kim McAliney independent member independent member independent member independent member

Health, Safety and Environment Committee

The Health, Safety and Environment Committee assists the Board in fulfilling its corporate governance responsibilities in relation to workplace health and safety and environment issues. It does this by providing oversight of, and direction to City West Water's occupational health and safety and environment 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 and the environment. The Health, Safety and Environment Committee consists of the following members:

Kim McAliney (Chair) David Middleton David Ryan Phil Clark Constantina Dertimanis Bill Jaboor

People, Diversity and Executive Remuneration Committee

The People, Diversity and Executive Remuneration Committee is responsible for setting City West Water's policy on executive remuneration and individual remuneration packages for senior executives. The committee is also responsible for oversight of City West Water's Diversity Action Plan, reviewing the effectiveness of the corporation's organisational structure and monitoring the effectiveness of the corporation's people management activities.

The People, Diversity and Executive Remuneration Committee consists of the following members:

Mary Beth Bauer (Chair) David Middleton Elizabeth Parkin Constantina Dertimanis Bill Jaboor

	BOARD OF DIRECTORS MEETINGS		RISK MANAGEMENT AND AUDIT COMMITTEE MEETINGS		HEALTH, SAFETY AND ENVIRONMENT COMMITTEE MEETINGS		PEOPLE, DIVERSITY AND EXECUTIVE REMUNERATION COMMITTEE MEETINGS	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
David Middleton	11	10	n/a	n/a	4	3	5	5
Elizabeth Parkin	11	11	5	5	n/a	n/a	5	5
David Ryan	11	11	n/a	5	4	3	n/a	5
Philip Clark	11	11	n/a	n/a	4	4	n/a	n/a
Mary Beth Bauer	11	11	5	5	n/a	n/a	5	5
Bruce Cohen	11	11	5	5	n/a	n/a	n/a	n/a
Bill Jaboor	11	10	n/a	n/a	4	3	5	5
Kim McAliney	11	10	5	5	4	4	n/a	n/a
Constantina Dertimanis	11	9	n/a	n/a	4	4	5	4

Attendance at Board and committee meetings

MAJOR NON-RESIDENTIAL WATER USERS

We service some of the largest businesses in Victoria and we continue to look for ways to provide great customer service. City West Water has Key Customer Liaisons and experts who work with customers to help them reduce their water usage and bills through voluntary Water Management Action Plans (WaterMAPs).

Customers by volume range

VOLUMETRIC RANGE – ML* PER YEAR	NUMBER OF CUSTOMERS
Equal to or greater than 100ML and less than 200ML	23
Equal to or greater than 200ML and less than 300ML	8
Equal to or greater than 300ML and less than 400ML	3
Equal to or greater than 400ML and less than 500ML	0
Equal to or greater than 500ML and less than 750ML	2
Equal to or greater than 750ML and less than 1,000ML	2
Greater than 1,000ML	3
Total number of customers	41

*ML= million litres

Names of major customers and their participation in Water Management Action Plans

NAME OF CUSTOMER	WATERMAP STATUS
AMP Capital Investors	Yes, WaterMAP developed
Asahi Premium Beverages Pty Ltd	Yes, WaterMAP developed
Baiada Poultry	Yes, WaterMAP developed
Campari Australia Pty Ltd	Yes, WaterMAP developed
Carlton & United Breweries Ltd	Yes, WaterMAP developed
Choldame Nominees	Yes, WaterMAP developed
CSF Proteins Proprietary Limited	Yes, WaterMAP developed
CSR Building Products Limited	Yes, WaterMAP developed
Diamond Valley Pork Pty Ltd	Yes, WaterMAP developed
Essendon Fields	Yes, WaterMAP developed
Flicker's Australia Pty Ltd	Yes, WaterMAP developed
G H Operations Pty Ltd	Yes, WaterMAP developed
GPT Property Management Pty Ltd	Yes, WaterMAP developed
GrainCorp Foods Pty Ltd	Yes, WaterMAP developed
Ixom Operations Pty Ltd	Yes, WaterMAP developed
JBS Australia Pty Ltd	Yes, WaterMAP developed
Jeskan Nominees Pty Ltd	Yes, WaterMAP developed
Melbourne & Olympic Parks Trust	Yes, WaterMAP developed
Melbourne Airport	Yes, WaterMAP developed
Melbourne Central Pty Ltd	Yes, WaterMAP developed
Melbourne Health	Yes, WaterMAP developed
Melbourne Water - Brooklyn Pumping Station	Yes, WaterMAP developed
Melbourne Water - Hoppers Crossing Pumping Station 1	Yes, WaterMAP developed

NAME OF CUSTOMER WATERMAP STATUS Mobil Refining Australia Pty Ltd Yes, WaterMAP developed Mr P C Song Yes, WaterMAP developed Nufarm Australia Limited Yes, WaterMAP developed One Steel Limited Yes, WaterMAP developed Peerless Holdings Pty Ltd Yes, WaterMAP developed Port Phillip Prison Yes, WaterMAP developed Qenos Pty Ltd ¹ Yes, WaterMAP developed Schweppes Australia Pty Ltd Yes, WaterMAP developed Seqirus Pty Ltd Yes, WaterMAP developed Spotless Linen Services Yes, WaterMAP developed St Vincents Hospital Melbourne Yes, WaterMAP developed Sugar Australia Pty Ltd & Acn 081 245 169 Yes, WaterMAP developed The Royal Children's Hospital Yes, WaterMAP developed Toyota Motor Corporation Yes, WaterMAP developed University Of Melbourne Yes, WaterMAP developed Victoria Wool Processors (Aust) P/L Yes, WaterMAP developed Western Health Yes, WaterMAP developed Zoos Victoria - Melbourne Zoo Yes, WaterMAP developed Victoria Racing Club Yes, WaterMAP developed

1. Includes recycled water use.

PERFORMANCE REPORT

As part of their annual reporting obligations, metropolitan water corporations are required to include a consolidated performance report comprising both financial and non-financial performance indicators. The objective of the report is to provide a consistent view on the current and ongoing performance of the corporation.

FINANCI	AL PERFORMANCE INDICATORS							
KPI Number	Key performance indicator	2016 Result	2017 Result	2017 Target	% Variance to prior year	Notes	% Variance to target	Notes
F1	Cash interest cover Net operating cash flows before net interest and tax / net interest payments	2.3	2.6	2.7	13.0%	1	-3.7%	
F2	Gearing ratio Total debt (including finance leases) / total assets *100	50.4%	48.3%	49.0%	-4.2%		-1.4%	
F3	Internal financing ratio Net operating cash flow less dividends / net capital expenditure * 100	57.9%	73.0%	49.1%	26.1%	2	48.7%	3
F4	Current ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	1.2	1.3	1.0	8.3%		30.0%	4
F5	Return on assets Earnings before net interest and tax / average assets * 100	6.0%	7.8%	6.6%	30.0%	5	18.2%	6
F6	Return on equity Net profit after tax / average total equity *100	5.9%	9.3%	6.9%	57.6%	7	34.8%	8
F7	EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue *100	26.4%	32.4%	30.4%	22.7%	9	6.6%	

 Cash interest cover was higher than 2016 mainly as a result of higher net operating cash flows arising from increased water sales, growth in the corporation's customer base, increased developer contributions and lower bulk charges reflecting the Essential Services Commission's price determination on Melbourne Water's prices.

- The internal financing ratio was higher than 2016 mainly due to the improvement in cash from operations (higher receipts from debtors and lower bulk charges) as well as the impact of the proceeds from the sale of City West Water's former head office in St Albans Road Sunshine.
- 3. The internal financing ratio was higher than target due to higher than expected receipts from customers (developer contributions) and lower than expected capital expenditure.
- 4. The current ratio was higher than target mainly due to higher than expected current receivables from higher water sales and timing associated with the corporation's billing cycle.
- 5. Return on assets was higher than 2016 mainly as a result of higher earnings before net interest and tax. Earnings before net interest and tax were higher mainly due to increased water sales, growth in the corporation's customer base, increased developer related revenues, lower operating costs and lower bulk charges.
- 6. Return on assets was higher than expected in 2017 mainly due to higher than expected earnings before net interest and tax and lower

than expected average asset value. Higher than expected developer related revenues and miscellaneous fees and charges and lower than expected operating costs and depreciation all contributed to the result. Asset value was lower than expected as the budget did not take into account an opening balance adjustment to the corporation's fair value of infrastructure assets as part of the 2016 year end process.

- Return on equity was higher than 2016 as a result of higher net profit after tax. Net profit after tax was higher mainly as a result of increased water sales, growth in the corporation's customer base, increased developer related revenues, lower operating costs and lower bulk charges.
- 8. Return on equity was higher than expected in 2017 due to higher than expected net profit after tax. Net profit after tax was higher than expected due to higher than expected water sales, growth in the corporation's customer base and higher than expected developer related revenues and miscellaneous fees and charges, as well as lower than expected operating costs, depreciation and finance charges.
- 9. EBITDA margin was higher than 2016 mainly due to higher water sales, growth in the corporation's customer base, higher developer related revenues, lower operating costs and lower bulk charges.

WATER A	ND SEWERAGE SERVICE PERFORM	ANCE IND	CATORS					
KPI Number	Key performance indicator	2016 Result	2017 Result	2017 Target	% Variance to prior year	Notes	% Variance to target	Notes
WS1	Unplanned water supply interruptions Number of customers receiving five unplanned water supply interruptions in the year / total number of water (domestic and non-domestic) customers *100	0.0%	0.0%	0.1%	0.0%		-100%	1
WS2	Interruption time Average duration of unplanned water supply interruptions (minutes)	119.7	124.3	130.8	3.8%		-5.0%	
WS3	Restoration of unplanned water supply interruptions Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions *100	95.8%	95.2%	95.5%	-0.6%		-0.3%	
SS1	Containment of sewer spills Sewer spills from reticulation and branch sewers contained within five hours / total sewer spills from reticulation and branch sewers *100	100.0%	100.0%	100.0%	0.0%		0.0%	
SS2	Sewer spills interruptions Number of residential sewerage customers affected by sewerage interruptions restored within 5 hours	98.1%	96.6%	97.2%	-1.5%		-0.6%	

1. During 2017 no customers received five unplanned water supply interruptions. The target of 0.1 per cent was based on the long term average for this indicator.

CUSTOM	CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS										
KPI Number	Key performance indicator	2016 Result	2017 Result	2017 Target	% Variance to prior year	Notes	% Variance to target	Notes			
CR1	Water quality complaints Number of complaints per 100 customers	0.059	0.098	0.107	66.1%	1	-8.4%	2			
CR2	Sewerage service quality complaints Number of complaints per 100 customers	0.004	0.007	0.055	75.0%	3	-87.3%	4			
CR3	Sewage odour complaints Number of complaints per 100 customers	0.022	0.021	0.055	-4.5%		-61.8%	5			
CR4	Billing complaints Number of complaints per 100 customers	0.091	0.100	0.130	9.9%	6	-23.1%	7			

- The water quality complaint procedure has been clarified with staff during the year. The recording of all calls, inclusive of initial calls and subsequent calls once a customer has flushed their line to confirm that water quality is still affected are now counted as separate complaints. This recording process has increased the number of records where, for example, one burst has impacted a number of customers and all calls by affected customers are now logged. The unfavourable year on year variance will reduce in the coming year due to consistency around the recording of complaints.
- 2. The target for water quality complaints is set using a long term average. In 2017 City West Water outperformed the long term average.
- 3. Because the absolute number of sewerage service quality complaints is so low (19 complaints in 2016 and 29 in 2017), a small rise in the number of complaints has lead to a significant year on year increase in this indicator. In 2016 the result for this indicator was recorded as 0.003. This has been corrected to 0.004. The error occurred as a result of the under-reporting of complaints. The number of complaints was incorrectly recorded as 12 and has now been corrected to 19. While the 2017 result of 29 complaints is very low, continuing efforts in preventative maintenance aim to reduce this further in the coming year.

- 4. Continued efforts in active condition monitoring and renewal programs have had better than expected success in reducing the number of sewerage service quality complaints during the year. This has led to a favourable result against target.
- 5. Continued efforts in active condition monitoring and renewal programs have had better than expected success in reducing the number of sewage odour complaints during the year. This has led to a favourable result against target.
- 6. The 9.9 per cent increase in comparison to last year can be attributed to the temporary stabilisation period related to the introduction of eBilling. Continuing efforts to support our customers during the eBilling rollout will see billing complaints fall in the coming year.
- 7. A key focus for 2017 was 'getting it right the first time' for the customer. This focus drove a number of initiatives, including changes to work allocation process, new approaches to resource allocation, targeted resource flexibility programs and continued focus on first contact resolution through our Quality Monitoring Program. As a result, performance against target was 23.1 per cent favourable for the year.

ENVIRONMENTAL PERFORMANCE INDICATORS								
KPI Number	Key performance indicator	2016 Result	2017 Result	2017 Target	% Variance to prior year	Notes	% Variance to target	Notes
E1	Effluent reuse volume (end use) Effluent reuse volume (%)	42.0%	38.6%	47.0%	-8.1%	1	-17.9%	1
E2	Total net CO₂ emissions Net tonnes CO ₂ equivalent	14,101.0	11,490	15,300.0	-18.5%	2	-24.9%	2

1. During the last quarter of the year, there was lower than expected demand from City West Water's irrigation customers due mainly to an unusually high rainfall event in the month of April 2017. As a result, effluent reuse volume for the year was lower than target and lower than prior year. While demand from customers is beyond our control, it is expected that a return to average weather conditions will result in increased demand and a subsequent improvement in year on year variance..

 Net CO₂ equivalent emissions were lower than prior year and lower than target in 2017 due to the purchase of 2,940 tonnes of offsets in 2017. Offsets were purchased in 2017 in line with the commitment outlined in City West Water's 2017 Corporate Plan to reduce emissions by 20 per cent in 2017.

CERTIFICATION OF PERFORMANCE REPORT

We certify that the accompanying Performance Report of City West Water Corporation in respect of the 2017 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 corporation's 2017 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 between the actual results of 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.

at histop

David Middleton Chair

Melbourne 22 August 2017

David Ryan Managing Director

Michael Wootten Chief Financial Officer



Independent Auditor's Report

To the Board of the City West Water Corporation

Opinion	I have audited the accompanying performance report for the year ended 30 June 2017 of the City West Water Corporation (the corporation) which comprises the:
	 financial performance indicators water and sewerage service performance indicators customer responsiveness performance indicators environmental performance indicators certification of performance report.
	In my opinion, the performance report of the corporation in respect of the year ended 30 June 2017 presents fairly, in all material respects, in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i> .
Basis for Opinion	I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. My responsibilities under the Act are further described in the <i>Auditor's responsibilities for the audit of the performance report</i> section of my report.
	My independence is established by the <i>Constitution Act 1975</i> . I and my staff are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Australia and have also fulfilled our other ethical responsibilities in accordance with the Code.
	I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Board's responsibilities for the performance report	The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i> and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

Auditor's
responsibilities for the
audit of the
performance report

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

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

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

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

MELBOURNE 29 August 2017

Roberta Skliros as delegate for the Auditor-General of Victoria

RISK MANAGEMENT ATTESTATION

I, David Middleton, certify that City West Water Corporation has complied with Ministerial Standing Direction 3.7.1 - Risk Management Framework and Processes. This has been verified by City West Water's Risk Management and Audit Committee.

David A finddlot

David Middleton Chair

Melbourne 22 August 2017

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COMPREHENSIVE OPERATING STATEMENT

For the year ended 30 June 2017

	Note	2017	2016
		\$'000	\$′000
Income			
Sale of goods and services revenue	2.2	589,349	581,755
Developer contributions	2.3	67,981	61,536
Other income	2.4	27,186	26,802
Total income		684,516	670,093
Expenses			
Bulk charges	3.2	(337,035)	(355,062)
Environmental Contribution	4.5.1	(18,563)	(18,563)
Employee benefits	3.3.1	(42,464)	(40,442)
Depreciation	5.2	(38,536)	(38,606)
Amortisation	5.6	(9,320)	(8,730)
Physical asset write-offs, write-downs and impairments	5.3	(273)	(402)
Intangible asset write-offs, write-downs and impairments	5.7	(1,800)	(11,575)
Finance expenses	7.1.2	(63,457)	(63,344)
Other operating expenses	3.5	(62,775)	(67,632)
Total expenses		(574,223)	(604,356)
Profit before income tax expense	-	110,293	65,737
Income tax expense	4.1	(36,692)	(21,948)
Profit after income tax expense		73,601	43,789
Other Comprehensive Income/(Expense)			
Items that will not be reclassified to profit or loss			
Change in physical asset revaluation surplus due to revaluation of assets	5.1	38,372	(64,031)
Actuarial gain/(loss) on defined benefit superannuation plan	3.3.3	3,532	(1,839)
Deferred income tax relating to components of Other Comprehensive Income	4.1	(5,424)	41,296
Other Comprehensive Income after tax		36,480	(24,574)
Total comprehensive income after tax	-	110,081	19,215

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

BALANCE SHEET

As at 30 June 2017

	Note	30 June 2017	30 June 2016
		\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	7.2	6,850	54
Receivables	6.1	110,304	112,067
Inventory	6.3	1,142	-
Other non-financial assets	6.4	1,585	1,358
Total current assets		119,881	113,479
Non-current assets			
Receivables	6.1	20	23
Infrastructure, property, plant and equipment	5.1	1,992,324	1,878,520
Intangible assets	5.5	168,750	171,755
Defined benefit superannuation asset	3.3.3	2,250	-
Total non-current assets		2,163,344	2,050,298
TOTAL ASSETS		2,283,225	2,163,777
LIABILITIES			
Current liabilities			
Bank Overdraft	7.2	946	-
Payables	6.2	70,204	72,053
Borrowings	7.1	-	8,200
Current tax liability	4.3	15,511	8,579
Provision for employee benefits	3.3.2	13,028	13,049
Other provisions	6.5	1,636	3,821
Total current liabilities		101,325	105,702
Non-current liabilities			
Borrowings	7.1	1,102,500	1,082,500
Deferred tax liabilities	4.2.2	237,702	230,454
Defined benefit superannuation liability	3.3.3	-	358
Provision for employee benefits	3.3.2	1,900	2,046
Total non-current liabilities		1,342,102	1,315,358
TOTAL LIABILITIES		1,443,427	1,421,060
NET ASSETS		839,798	742,717
EQUITY			
Contributed equity	9.3.1	211,008	211,008
Physical asset revaluation surplus	9.3.2	191,906	157,898
Retained profits	9.3.3	436,884	373,811
TOTAL EQUITY		839,798	742,717
Commitments for expenditure	3.6, 4.5.2, 5.4, 5.8, 6.4.1		
Contingent assets and contingent liabilities	8.2		
The Balance Sheet should be read in conjunction with the accompa	nvina notes		

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Note	Contributed equity	Physical asset revaluation surplus	Retained profits	Total equity ¹
		\$′000	\$′000	\$′000	\$′000
Opening balance at 1 July 2015		217,608	191,771	330,523	739,902
Comprehensive income for the year					
Profit after income tax expense	9.3.3	-	-	43,789	43,789
Other comprehensive income after tax	9.3.2, 9.3.3	-	(23,287)	(1,287)	(24,574)
Transfer to retained profits on derecognition of assets	9.3.2, 9.3.3	-	(10,586)	10,586	-
Total comprehensive income after tax		-	(33,873)	53,088	19,215
Transactions with the State in its capacity as owner					
Dividends paid	4.4	-	-	(9,800)	(9,800)
Capital repatriation	9.3.1	(6,600)	-	-	(6,600)
Total transactions with the State in its capacity as owner		(6,600)	-	(9,800)	(16,400)
Closing balance at 30 June 2016		211,008	157,898	373,811	742,717
Opening balance at 1 July 2016		211,008	157,898	373,811	742,717
Comprehensive income for the year					
Profit after income tax expense	9.3.3	-		73,601	73,601
Other comprehensive income after tax	9.3.2, 9.3.3	-	34,008	2,472	36,480
Total comprehensive income after tax		-	34,008	76,073	110,081
Transactions with the State in its capacity as owner					
Dividends paid	4.4	-	-	(13,000)	(13,000)
Total transactions with the State in its capacity as owner		-	-	(13,000)	(13,000)
Closing balance at 30 June 2017		211,008	191,906	436,884	839,798

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Note	2017	2016
		\$'000	\$'000
Cash flows from operating activities			
Receipts			
Receipts from customers, developers and others		672,590	665,251
Goods and Services Tax refunded by the Australian Tax Office $^{\rm 1}$		12,525	12,340
Interest received		43	25
Payments			
Payments to suppliers and employees		(460,089)	(494,500)
Interest and other finance costs paid		(63,865)	(62,899)
Income tax paid		(29,599)	(16,310)
Environmental Contribution paid		(18,563)	(18,563)
Government Water Rebate paid ²		(39,165)	(20,928)
Net cash provided by/(used in) operating activities	7.2.1	73,877	64,416
Cash flows from investing activities			
Payments for infrastructure, property, plant, equipment and intangibles		(83,383)	(82,859)
Proceeds from sale of infrastructure, property, plant, equipment and intangibles		16,556	371
Net cash provided by/(used in) investing activities	_	(66,827)	(82,488)
Cash flows from financing activities			
Proceeds from borrowings (new and refinanced)		131,800	94,000
Repayment of borrowings (paid down and refinanced)		(120,000)	(60,000)
Dividends paid		(13,000)	(9,800)
Capital repatriation paid		-	(6,600)
Net cash provided by/(used in) financing activities	_	(1,200)	17,600
Net increase/(decrease) in cash and cash equivalents		5,850	(472)
Cash and cash equivalents at the beginning of the financial year		54	526
Cash and cash equivalents at the end of the financial year	7.2	5,904	54

1. Goods and Services Tax refunded from the Australian Tax Office is presented on a net basis.

2. As a result of an efficiency review of Victoria's urban water corporations, City West Water returned a total of \$39.2m (2016 \$37.7m) to its residential customers with a water usage charge through a \$100 rebate during the financial year. Melbourne Water's share of the rebate was \$0m (2016 \$16.8m). The two rebates are presented on a net basis.

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

1 About this report

City West Water is a statutory water authority incorporated under the *Water Act 1989*.

The principal address of the corporation is:

City West Water Corporation 1 McNab Avenue Footscray 3011

1.1 Basis of preparation

These financial statements are presented in Australian dollars. The historical cost convention is used unless a different measurement basis is specifically disclosed for the relevant item. All amounts in the financial statements have been rounded to the nearest \$1,000 (2016 \$1,000) unless otherwise stated.

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

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in section 8 of this report. 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 that can materially impact the financial statements include:

- fair valuation of infrastructure, property, plant and equipment
- actuarial assumptions used to determine the assets and liabilities of City West Water's defined benefit superannuation fund
- estimated useful lives of assets
- impairment of assets
- provisions
- income tax
- unearned income
- accrued revenue (unbilled charges)
- deferred tax recognition.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

These financial statements cover City West Water as an individual reporting entity.

1.2 Compliance information

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards, which include Interpretations issued by the Australian Accounting Standards Board.

Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

These annual financial statements were authorised for issue by the Board of Directors of City West Water on 22 August 2017.

1.3 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. During the current and previous financial years all drinking water supplies were sourced through Melbourne Water and the majority of City West Water's sewage disposals were made through Melbourne Water. As no alternative suppliers currently exist this dependency is expected to continue into the future.

As required by the *Borrowing and Investment Powers Act 1987*, City West Water's borrowings are sourced solely from the Treasury Corporation of Victoria. Notes to and forming part of the Financial Statements - For the year ended 30 June 2017 **66**

2 Funding delivery of services

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 corporation's Customer Charter. City West Water collects revenue from residential and non-residential customers, developers and others in order to fulfil its vision to be an exceptional service provider that puts customers first and benefits the community.

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 the future economic benefits will flow to the corporation, and specific criteria have been met for each of the corporation's activities.

Structure

- 2.1 Summary of income that funds the delivery of services
- 2.2 Sales of goods and services revenue
- 2.3 Developer contributions
- 2.4 Other income

2.1 Summary of income that funds the delivery of services

		2017	2016
	Note	\$′000	\$'000
Sale of goods and services revenue	2.2	589,349	581,755
Developer contributions	2.3	67,981	61,536
Other income	2.4	27,186	26,802
Total income		684,516	670,093

2.2 Sales of goods and services revenue

	2017	2016
	\$′000	\$'000
Service charges - water	98,926	95,901
Usage charges - water	266,572	259,868
Service charges - sewerage	111,848	108,088
Disposal charges - sewage	114,499	111,348
Trade waste charges	29,744	35,509
Recycled water charges	6,416	6,188
Water trading revenue	509	2,566
Government Water Rebate provided to customers	(39,165)	(37,713)
Total sales of goods and services revenue	589,349	581,755

2 Funding delivery of services (continued)

Water and sewage service charges are billed quarterly in advance and recognised evenly throughout the financial year to reflect the pattern of revenue earned. Service charges represent charges for access to water and sewerage services.

Water usage charges, sewerage disposal charges, trade waste charges, recycled water charges and water trading revenue are all recognised as income when the service has been provided.

As a result of an efficiency review of Victoria's urban water corporations, City West Water returned a total of \$39.2m (2016 \$37.7m) to its residential customers with a water usage charge through a \$100 rebate during the financial year. The Government Water Rebate is recognised as a rebate against revenue when the associated revenue is billed.

2.3 Developer contributions

Total developer contributions	67,981	61,536
Developer contributions	32.407	26,933
Developer contributed assets	35,574	34,603
	\$'000	\$'000
	2017	2016

Developer contributed assets 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 developer contributed assets. 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 corporation.

Developer 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 sewerage 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.

2 Funding delivery of services (continued)

2.4 Other income

	2017	2016
	\$′000	\$'000
Miscellaneous fees and charges	16,300	16,476
Works and services provided to third parties	7,123	6,681
Lease income	171	207
Net gain on sale of non-current physical assets	260	217
Grants	14	2,442
Interest income	42	30
Other	3,276	749
Total other income	27,186	26,802

Miscellaneous fees and charges are recognised as income when the service has been provided. They represent a variety of services provided by City West Water such as processing of application fees and making new connections or alterations to the corporation's network. City West Water uses pricing principles to calculate the price of individual services rather than direct regulation by the Essential Services Commission.

Income from works and services provided to third parties is recognised when the service has been provided. Income represents charges for services to third parties such as the collection of drainage and parks rates on behalf of Melbourne Water and the Department of Environment, Land, Water and Planning respectively.

Lease income is billed in advance and recognised when the income has been earned.

A gain on sale of non-current physical assets is recognised on disposal of an asset. It is measured as income from the sale of an asset less the asset's book value and costs of disposal. Grants relating to costs are deferred and recognised in the Comprehensive Operating Statement 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 corporation has complied with any attached conditions.

Interest income includes interest received on bank deposits and 11am (short term) deposits with the Treasury Corporation of Victoria . Interest income is recognised using the effective interest method which allocates interest over the relevant period.

Other income items are recognised on an accrual basis. Other income consists mainly of administration fees and one-off charges for services provided. Other income includes and amount of \$0.8m in recognition of City West Water transferring its share of change to eight billion litres of water entitlement to the Victorian Environmental Water Holder to support improved environmental outcomes in the Thomson River.

3 Cost of delivering services

This section provides an account of the expenses incurred by City West Water in delivering services and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

Structure

- 3.1 Summary of cost of delivering services
- 3.2 Bulk charges
- 3.3 Employee benefits
- 3.4 Remuneration of auditor
- 3.5 Other operating expenses
- 3.6 Commitments for operating expenditure

3.1 Summary of cost of delivering services

		2017	2016
	Note	\$′000	\$′000
Bulk charges	3.2	337,035	355,062
Employee benefits in the Comprehensive Operating Statement	3.3.1	42,464	40,442
Other operating expenses	3.5	62,775	67,497
Total cost of delivering services		442,274	463,001

3.2 Bulk charges

	2017	2016
	\$′000	\$'000
Bulk water and sewerage charges	337,035	371,847
Rebates received from Melbourne Water		(16,785)
Total bulk charges	337,035	355,062

Bulk water and sewer charges are levied by Melbourne Water 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.

As a result of an efficiency review of Victoria's urban water corporations, City West Water received a rebate from Melbourne Water on bulk water and sewerage charges during the 2016 year of \$16.8m. From 2017 onwards no such rebate will be received as the rebate has been incorporated into Melbourne Water's bulk water and sewerage prices.

3 Cost of delivering services (continued)

3.3 Employee benefits

3.3.1 Employee benefits in the Comprehensive Operating Statement

	2017	2016
	\$'000	\$'000
Defined benefit superannuation expense	924	839
Defined contribution superannuation expense	3,443	3,477
Termination benefits	879	297
Salaries and wages, annual leave and long service leave	37,218	35,829
Total employee benefits in the comprehensive operating statement	42,464	40,442

Employee benefits 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. Any employee benefits outstanding at year end are accrued. A portion of employee benefits directly attributable to capital projects is capitalised and depreciated so as to apportion the cost of a capital project over the life of the project.

The amount recognised in the Comprehensive Operating Statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. Contributions to defined contribution superannuation funds are made in accordance with the Superannuation Guarantee (Administration) Act 1992.

3.3.2 Employee benefits in the Balance Sheet

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when City West Water is demonstrably committed to 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.

2017

2016

	2017	2010
	\$′000	\$'000
Current		
Annual leave unconditional and expected to be paid within 12 months	2,111	2,171
Annual leave unconditional and expected to be paid after 12 months	370	372
Long service leave unconditional and expected to be paid within 12 months	583	575
Long service leave unconditional and expected to be paid after 12 months	5,939	6,037
On costs unconditional and expected to be paid within 12 months	399	405
On costs unconditional and expected to be paid after 12 months	958	969
Other employee benefits	2,668	2,520
Provision for employee benefits - current	13,028	13,049
Non-current		
Long service leave conditional	1,649	1,777
On costs conditional	251	269
Provision for employee benefits - non-current	1,900	2,046
Total provision for employee benefits	14,928	15,095

3 Cost of delivering services (continued)

Reconciliation of movement in provision for employee benefits

Opening balance	15,095
Additional provisions recognised	6,717
Additions due to transfers in	111
Reductions arising from payments/other sacrifices of economic benefits	(6,995)
Closing balance	14,928

Provision is made for benefits accruing to employees in respect of annual leave, long service leave (LSL), on-costs, termination benefits and bonuses for services rendered to reporting date.

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

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

- nominal value the component that the corporation expects to settle wholly within 12 months, and
- present value the component that the corporation does not expect to settle wholly within 12 months.

Unconditional LSL is disclosed as a current liability even where the corporation does not expect to wholly 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 LSL liability are measured at:

- nominal value the component that the corporation expects to settle wholly within 12 months, and
- present value the component that the corporation 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.

Performance bonuses are an element of 'Other employee benefits'. Performance bonuses for the corporation'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.

3 Cost of delivering services (continued)

3.3.3 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.

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

Defined benefit fund

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 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, future estimated cash outflows. Changes in the net defined benefit superannuation liability or asset are recognised in profit before tax in the period during which they occur, except for changes resulting from actuarial gains or losses, which are recognised in other comprehensive income during the period in which they occur.

Defined benefit fund members receive lump sum benefits on retirement, death, disablement or withdrawal from the fund. The defined benefit section of the plan is closed to new members. All new members receive accumulation only benefits.

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 variation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions, unless an exemption has been obtained.

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 in accordance with the plan rules
- management and investment of the plan assets
- compliance with superannuation law and other applicable regulations.

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

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

- investment risk the risk that investment returns will be lower than assumed and the corporation 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
- legislative risk the risk that legislative changes could be made which increase the cost of providing the defined benefits
- pension risk the risk is firstly that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period. Secondly, that a greater proportion of eligible members will elect to take a pension benefit, which is generally more valuable than the corresponding lump sum benefit.

City West Water's plan assets are invested by the trustee in a pool of assets with assets from other employers' plans. 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.

	2017	2016
	\$'000	\$'000
Reconciliation of the net defined benefit liability/(asset)		
Net defined benefit liability/(asset) at the start of the year	358	(2,286)
Current service cost	919	902
Past service cost/curtailments	-	-
(Gain)/loss on settlements	-	-
Net interest	5	(63)
Actuarial return on plan assets less interest income	(2,829)	226
Actuarial (gains)/losses arising from changes in demographic assumptions	(5)	-
Actuarial (gains)/losses arising from changes in financial assumptions	(547)	2,647
Actuarial (gains)/losses arising from liability experience	(151)	(1,034)
Adjustment for effect of asset ceiling	-	-
Employer contributions	-	(34)
Net defined benefit liability/(asset) at end of year	(2,250)	358

	2017	2016
	\$'000	\$'000
Reconciliation of the fair value of plan assets		
Fair value of plan assets at beginning of the year	29,878	30,799
Interest income	627	933
Actual return on plan assets less interest income	2,829	(226)
Employer contributions	-	34
Contributions by plan participants	268	300
Benefits paid	(2,402)	(1,782)
Taxes, premiums and expenses paid	(179)	(180)
Transfers in	-	-
Contributions to accumulation section	-	-
Settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of the year	31,021	29,878

	2017	2016
	\$′000	\$'000
Reconciliation of the defined benefit obligation		
Present value of defined benefit obligation at beginning of the year	30,236	28,513
Current service cost	919	902
Past service cost/curtailments	-	-
Gain/loss on settlements	-	-
Interest expense	632	870
Contributions by plan participants	268	300
Actuarial (gains)/losses arising from changes in demographic assumptions	(5)	-
Actuarial (gains)/losses arising from changes in financial assumptions	(547)	2,647
Actuarial (gains)/losses arising from liability experience	(151)	(1,034)
Benefits paid	(2,402)	(1,782)
Taxes, premiums and expenses paid	(179)	(180)
Transfers in	-	-
Contributions to accumulation section	-	-
Settlements	-	-
Exchange rate changes	-	-
Present value of defined benefit obligation at end of the year	28,771	30,236

The asset ceiling is the present value of any economic benefits available to City West Water in the form of refunds from the plan or reductions in future contributions to the plan. The asset ceiling has no impact on the defined benefit liability/(asset).

Expenses recognised in profit or loss

	2017	2016
	\$'000	\$'000
Service cost	919	902
Net interest	5	(63)
Total defined benefit superannuation expense	924	839

Actuarial gain/(loss) recognised in other comprehensive income

	2017	2016
	\$'000	\$'000
Actuarial gain/(loss) on defined benefit superannuation plan	703	(1,613)
Actuarial return on plan assets less interest income	2,829	(226)
Actuarial gain/(loss) on defined benefit superannuation plan (before tax)	3,532	(1,839)
Actuarial gain/(loss) on defined benefit superannuation plan (after tax)	2,472	(1,287)

Fair value of plan assets

As at 30 June 2017	Total	Level 1 ¹	Level 2 ²	Level 3 ³
	\$′000	\$′000	\$′000	\$′000
Cash and cash equivalents	-	-	-	-
Equity instruments	-	-	-	-
Debt instruments	-	-	-	-
Derivatives	-	-	-	-
Real estate	-	-	-	-
Investment funds	31,021	-	31,021	-
Asset backed securities	-	-	-	-
Structured debt	-	-	-	-
Total	31,021	-	31,021	-

1. Quoted prices (unadjusted) in active markets for identical assets.

2. Inputs based on observable market data (either directly using prices or indirectly derived from prices).

3. Inputs not based on observable market data.

	2017	2016
The percentage invested in each asset class at reporting date is:		
Australian equity	24%	30%
International equity	19%	21%
Fixed income	11%	13%
Property	9%	9%
Growth alternatives	15%	9%
Defensive alternatives	11%	11%
Cash	11%	7%
Total	100%	100%

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

• any of City West Water's own financial instruments

• any property occupied by, or other assets used by, City West Water.

Significant actuarial assumptions at reporting date

	2017	2016
Assumptions to determine defined benefit cost		
Discount rate	2.2% p.a.	3.1% p.a.
Expected salary increase rate	4.0% p.a.	4.0% p.a.
Expected pension increase rate	nil	nil
Assumptions to determine defined benefit obligation		
Discount rate	2.4% p.a.	2.2% p.a.
Expected salary increase rate	4.0% p.a.	4.0% p.a.
Expected pension increase rate	nil	nil

3 Cost of delivering services (continued)

Sensitivity analysis

The defined benefit obligation as at 30 June 2017 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. discount rate	+0.5% p.a. discount rate	-0.5% p.a. salary increase rate	+0.5% p.a. salary increase rate
Discount rate	2.4% p.a.	1.9% p.a.	2.9% p.a.	2.4% p.a.	2.4% 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 ¹ (\$'000)	28,771	30,162	27,467	27,588	30,016

1. includes contributions tax provision.

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

No asset and liability matching strategies have been 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 target funding ratio of 105 per cent.

The target funding ratio reflects the proportion of salary related benefits and the allocation to 'growth' assets for the plan. 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 target 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 the target funding ratio over five years.

In the most recent review of the financial position as at 31 December 2016 Equipsuper recommended a contribution rate of nil. The next review of the financial position and contribution rate is due as at 30 June 2017.

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

Expected contributions

City West Water does not expect to make any employer contributions for the year ending 30 June 2018.

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 30 June 2017 is eight years (30 June 2016, nine years).

Expected benefit payments for the financial year ending on:

	(\$'000)
30 June 2018	1,716
30 June 2019	2,061
30 June 2020	2,249
30 June 2021	2,300
30 June 2022	2,464
Following five years	12,624

3.4 Remuneration of auditor

	2017	2016
	\$′000	\$′000
Amounts received, or due and receivable by the auditor of City West Water for the audit of the financial report:		
Victorian Auditor-General's Office	138	135
Total auditor's remuneration	138	135

3.5 Other operating expenses

Other operating expenses are recognised as incurred if they can be reliably measured. Costs are measured at nominal value.

	2017	2016
	\$'000	\$'000
Operating contracts	29,997	31,870
Information technology	6,369	6,403
Licence fees	703	506
Billing and collection	7,189	7,062
Operating leases	3,283	3,255
Grants and water conservation initiatives	851	830
Facilities maintenance	1,803	2,032
Insurance	1,317	1,180
Energy	1,486	1,690
Impaired receivables	1,240	1,496
Other	8,537	11,308
Total other operating expenses	62,775	67,632

Other operating expenses generally represent the day to day running costs incurred in normal operations. It also includes impaired receivables expense. Other operating expenses are recognised on an accrual basis in the reporting period in which they are incurred.

Operating contracts are expenses related to City West Water's maintenance contractor and the field work performed by them.

Information technology expenditure relates to all operating expenses, maintenance contracts, licence fees and other costs associated with operating the information technology environment of the corporation. Billing and collection costs are all costs relating to the issuing of bills and the collection of debt.

Operating lease payments are recognised on a straight line basis over the lease term. They relate to the lease of City West Water's head office and two depots.

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.

3.6 Commitments for operating expenditure

City West Water has operating lease commitments for its head office in Footscray as well as two maintenance depots in Brooklyn and South Kensington. These commitments are not recognised in the Balance Sheet. They are disclosed below at their nominal value inclusive of GST payable.

	2017	2016
	\$'000	\$'000
Not later than one year	4,550	3,970
Later than one year but not later than five years	24,954	17,298
Later than five years	61,965	66,760
Total lease commitments	91,469	88,028

4 Statutory obligations

This section provides an account of the statutory obligations of City West Water.

Structure

- 4.1 Income tax expense
- 4.2 Deferred tax assets and deferred tax liabilities
- 4.3 Current tax liability
- 4.4 Dividends
- 4.5 Environmental Contribution

4.1 Income tax expense

	2017	2016
	\$'000	\$'000
Income tax expense		
Current tax	34,867	23,099
Deferred tax relating to temporary differences	1,825	(1,151)
Total income tax expense	36,692	21,948
Income tax expense is attributable to:		
Profit from continuing operations	36,692	21,948
Total income tax expense	36,692	21,948
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	457	(209)
Increase/(decrease) in deferred tax liabilities	1,368	(942)
Total deferred income tax expense/(benefit)	1,825	(1,151)
Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	110,293	65,737
Tax at the Australian tax rate of 30 per cent (2016 30 per cent)	33,088	19,721
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	257	1,023
Non-deductible depreciation	886	886
Additional deductible expenses/non-assessable income	2,461	318
Total income tax expense	36,692	21,948
Deferred income tax recognised in Other Comprehensive Income		
Gain/(loss) on revaluation of infrastructure	4,211	(32,796)
Gain/(loss) on revaluation of land and buildings	153	(7,948)
Actuarial gain/(loss) on defined benefit superannuation plan	1,060	(552)
Total deferred income tax recognised in Other Comprehensive Income	5,424	(41,296)

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 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.

4 Statutory obligations (continued)

4.2 Deferred tax assets and deferred tax liabilities

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.

4.2.1 Deferred tax assets

	2017	2016
	\$′000	\$′000
The balance of deferred tax assets comprises temporary differences attributable to:		
Amounts recognised in the Comprehensive Operating Statement		
Accrued expenses	17	17
Provisions	5,946	6,829
Amortisation of intellectual property	15	17
Business related costs	60	75
Prepayments	4	6
Defined benefit superannuation fund liability	-	(445)
Amounts recognised in equity		
Actuarial loss on defined benefit superannuation fund	-	552
Total deferred tax assets	6,042	7,051
Movements:		
Opening balance at the start of financial year	7,051	6,290
Credited/(charged) to the Comprehensive Operating Statement	(457)	209
Credited/(charged) to equity	(552)	552
Closing balance at the end of financial year	6,042	7,051
Deferred tax assets expected to be recovered within 12 months	4,443	6,260
Deferred tax assets expected to be recovered after more than 12 months	1,599	791
Total deferred tax assets	6,042	7,051
Set off of deferred tax assets pursuant to set off provisions	(6,042)	(7,051)
Net deferred tax assets	-	-

4 Statutory obligations (continued)

4.2.2 Deferred tax liabilities

	2017	2016
	\$'000	\$'000
The balance of deferred tax liabilities comprises temporary differences attributable to:		
Amounts recognised in the Comprehensive Operating Statement		
Fixed assets - depreciation	92,413	90,331
Developer contributed assets	60,599	61,485
Defined benefit superannuation fund asset	167	-
Amounts recognised in equity		
Defined benefits actuarial gain	508	-
Land and buildings revaluation	2,240	2,083
Infrastructure assets revaluation	87,817	83,606
Total deferred tax liabilities	243,744	237,505
Movements:		
Opening balance at the start of the financial year	237,505	279,190
(Credited)/charged to the Comprehensive Operating Statement	1,368	(942)
(Credited)/charged to equity	4,871	(40,743)
Closing balance at the end of financial year	243,744	237,505
Deferred tax liabilities expected to be settled within 12 months	-	-
Deferred tax liabilities expected to be settled after more than 12 months	243,744	237,505
Total deferred tax liabilities	243,744	237,505
Set off of deferred tax assets pursuant to set off provisions	(6,042)	(7,051)
Net deferred tax liabilities	237,702	230,454

4.3 Current tax liability

	2017	2016
	\$′000	\$'000
Current tax liability	15,511	8,579
Total current tax liability	15,511	8,579

City West Water's current tax liability is tax payable based on the current financial year's taxable income less any instalments paid during the year.

4 Statutory obligations (continued)

4.4 Dividends

	2017	2016
	\$'000	\$'000
Final dividend paid during 2017 in respect of 2016	(13,000)	-
Final dividend paid during 2016 in respect of 2015	-	(9,800)
Total dividends paid	(13,000)	(9,800)

Under the *Water Act 1989* City West Water is required to pay a dividend to the State of Victoria in accordance with a determination by the Treasurer of Victoria. 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.

No interim dividend was called during 2017. As the 2017 final dividend has not been determined by the Treasurer, it has not been provided for at reporting date. The Board's preliminary estimate of the 2017 final dividend is \$36.8m. This estimate is based on a calculation of 65 per cent of profit before tax less current tax (refer Note 4.1).

4.5 Environmental Contribution

Section 193 of the *Water Industry (Environmental Contributions) Act 2004* (the Act) establishes an obligation for water corporations to pay into the consolidated fund environmental contributions in accordance with an Order issued by the Minister for Water. The *Environmental Contributions Order 2016 to 2020* establishes a schedule of amounts payable by each corporation for the reporting periods 2017 to 2020.

The purpose of the Environmental Contribution is set out in the Act. 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 2016 to 2020* made under Section 193 of the *Water Industry Act 1994*, City West Water pays an Environmental Contribution to the Victorian Government. These contributions are recognised as expenses when they occur.

4.5.1 Environmental Contribution expense

	2017	2016
	\$'000	\$'000
Environmental Contribution expense	18,563	18,563
Total Environmental Contribution expense	18,563	18,563

4.5.2 Environmental Contribution commitment

Environmental Contribution expenditure commitments at balance date not provided for in the Balance Sheet:

	2017	2016
	\$′000	\$'000
Not later than one year	18,563	18,563
Later than one year but not later than five years	52,914	71,477
Total Environmental Contribution commitment	71,477	90,040

Consistent with the requirements of the *Water Industry Act 1994*, City West Water has a commitment to pay an Environmental contribution of \$18.6m for the next year followed by \$26.5m for the next two years to the Department of Environment, Land, Water and Planning.

5 Assets available to support the provision of services

City West Water controls infrastructure and other assets that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that are owned by City West Water for use in the delivery of services. Where the assets included in this section are carried at fair value, additional information is disclosed in section 8 of this report regarding how fair value is determined.

Structure

- 5.1 Infrastructure, property, plant and equipment
- 5.2 Depreciation of infrastructure, property, plant and equipment
- 5.3 Infrastructure, property, plant and equipment asset write-offs, write-downs and impairments
- 5.4 Commitments for capital expenditure on infrastructure, property, plant and equipment
- 5.5 Intangible assets
- 5.6 Amortisation of intangible assets
- 5.7 Intangible asset write offs, write-downs and impairments
- 5.8 Commitments for capital expenditure on intangible assets

5.1 Infrastructure, property, plant and equipment

	2017	2016
	\$'000	\$'000
Specialised land at fair value	31,317	29,335
Non-specialised land at fair value	1,003	497
Total land	32,320	29,832
Non-specialised buildings at fairvalue	5,010	4,188
Non-specialised buildings at fair value		4,100
less accumulated depreciation	(638)	-
Total buildings	4,372	4,188
Infrastructure assets at fair value	1,749,032	1,656,984
Total infrastructure	1,749,032	1,656,984
Plant and equipment at fair value	35,871	32,430
less accumulated depreciation	(27,831)	(23,775)
Total plant and equipment	8,040	8,655
Motor vehicles at fair value	4,190	4,206
less accumulated depreciation	(1,659)	(1,967)
Total motor vehicles	2,531	2,239
Leasehold improvements at fair value	6,967	6,189
less accumulated amortisation	(1,122)	(626)
Total leasehold improvements	5,845	5,563
Works in progress at cost	190,184	171,059
Total infrastructure, property, plant and equipment	1,992,324	1,878,520

Reconciliations of the carrying amounts of each class of infrastructure, property, plant and equipment at the beginning and end of the current and prior financial years are set out below.

	Specialised land \$'000	Non- specialised land \$'000	Non-specialised Buildings \$'000	Infrastructure Assets \$'000	Plant & equipment \$'000	Motor Vehicles \$,000	Leasehold improvements \$,000	Works in progress \$'000	Total \$'000
2016									
Opening balance at 1 July 2015	20,848	3,742	3,008	1,638,207	6,169	2,656	5,762	191,276	1,871,668
Additions	-	-	-	-	-	-	-	110,916	110,916
Developer contributed assets	-	-	-	34,640	-	-	-	(34,640)	-
Transfers ¹	3,742	(3,245)	502	86,966	6,794	691	198	(96,164)	(516)
Revaluation (decrement)/ increment recognised in other comprehensive income	4,894	-	802	(69,727)	-	-	-	-	(64,031)
Revaluation (decrement)/ increment recognised in profit or loss	(149)	-	-	-	-	-	-	-	(149)
Disposals	-	-	(18)	-	(92)	(314)	-	(85)	(509)
Impairment	-	-	-	-	(9)	-	-	(244)	(253)
Depreciation expense	-	-	(106)	(33,102)	(4,207)	(794)	(397)	-	(38,606)
Closing balance at 30 June 2016	29,335	497	4,188	1,656,984	8,655	2,239	5,563	171,059	1,878,520
2017									
Opening balance at 1 July 2016	29,335	497	4,188	1,656,984	8,655	2,239	5,563	171,059	1,878,520
Additions	-	-	-	-	-	-	-	114,613	114,613
Developer contributed assets	-	-	-	35,651	-	-	-	(35,651)	-
Transfers ¹	-	482	474	54,563	3,561	1,675	491	(61,097)	149
Revaluation (decrement)/ increment recognised in other comprehensive income	1,917	24	-	36,431	-	-	-	-	38,372
Revaluation (decrement)/ increment recognised in profit or loss	65	-	-	-	-	-	-	-	65
Adjustments	-	-	(8)	(1,278)	-	-	-	1,278	(8)
Disposals	-	-	-	-	-	(578)	-	-	(578)
Impairment	-	-	-	(219)	(36)	-	-	(18)	(273)
Depreciation expense	-	-	(282)	(33,100)	(4,140)	(805)	(209)	-	(38,536)
Closing balance at 30 June 2017	31,317	1,003	4,372	1,749,032	8,040	2,531	5,845	190,184	1,992,324

1. Balance represents a transfer of works in progress to/from intangible assets.

Initial recognition

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 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 developer contributed assets where actual cost is not available, cost is calculated using a schedule of rates determined by the corporation 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 the item can be measured reliably. City West Water has a policy of capitalising labour costs which are directly attributable to capital projects.

City West Water has a capitalisation threshold of \$100 (2016 \$100).

Subsequent measurement

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

The carrying amount of a replaced or abandoned asset is written off in the Comprehensive Operating Statement as an element of expenses. As 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.

A full revaluation of land and buildings 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 the 2016 reporting period for the entire portfolio.

Infrastructure assets are revalued each year using 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 increases are credited directly to equity in the physical asset revaluation surplus, except to the extent that a net revaluation increase reverses a net revaluation decrease

in respect of the same class of asset previously recognised as an expense in the net result the increment is recognised as revenue in determining the net result.

Net revaluation decreases are recognised immediately as expenses in the net result, except to the extent that a credit balance exists in the physical asset revaluation surplus in respect of the same asset, then they are debited to the physical asset revaluation surplus.

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

Land and buildings

An independent valuation of land and buildings was undertaken by a Certified Practicing Valuer, Peter Molloy AAPI of Property Dynamics Pty Ltd, on behalf of the Valuer-General Victoria (VGV) as at 30 June 2016. An interim management valuation of land was performed at 30 June 2017 using VGV indices. The interim valuation led to an increment of \$1.9m which was recognised in the accounts at 30 June 2017.

The historical carrying amount of land and buildings was \$2.7m (2016 \$2.2m) and \$3.6m (2016 \$8.9m) respectively.

Infrastructure

The valuation of infrastructure assets has been determined in accordance with an independent valuation. KPMG was engaged by City West Water as experts for this purpose. The valuation is at fair value based on the income approach (discounted cash flow method). For the purpose of the opinion provided, 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.

The historical carrying amount of infrastructure was \$1,534.1m (2016 \$1,475.4m).

Plant and equipment, motor vehicles and leasehold improvements

Plant and equipment, motor vehicles and leasehold improvements are measured 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.

5.2 Depreciation of infrastructure, property, plant and equipment

	2017	2016
	\$'000	\$'000
Non-specialised buildings	282	106
Infrastructure assets	33,100	33,102
Plant and equipment	4,140	4,207
Motor vehicles	805	794
Leasehold improvements	209	397
Total depreciation	38,536	38,606

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

Depreciation is 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.

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.

Useful lives

The estimated useful lives of infrastructure, property plant and equipment are listed below. They are consistent with prior years.

ASSET TYPE	RANGE
Buildings	5 - 90 years
Infrastructure assets	4 - 100 years
Plant and equipment	3 - 50 years
Motor vehicles	5 - 15 years
Leasehold improvements	7 - 20 years

5.3 Infrastructure, property, plant and equipment asset write-offs, write-downs and impairments

	2017	2016
	\$′000	\$'000
Asset write offs/write-downs	273	253
Impairment of assets	-	149
Total write-offs, write-downs and impairments	273	402

Infrastructure, property plant and equipment is assessed annually for indicators of impairment.

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 Comprehensive Operating Statement, 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 for 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 surplus. However, to the extent that an impairment loss on the same class of asset was previously recognised in the Comprehensive Operating Statement, a reversal of that impairment loss is also recognised in the Comprehensive Operating Statement.

5.4 Commitments for capital expenditure on infrastructure, property, plant and equipment

	2017	2016
	\$′000	\$'000
Not later than one year	3,786	6,865
Later than one year but not later than five years	17,147	133
Total capital commitments	20,933	6,998

Commitments for future expenditure include capital commitments arising from contracts. These commitments are not recognised in the Balance Sheet. They are disclosed at nominal value inclusive of GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

5.5 Intangible assets

	2017	2016
	\$'000	\$'000
Software at cost	96,004	89,132
less accumulated amortisation	(56,969)	(47,718)
Total software	39,035	41,414
Water entitlements at cost Total water entitlements	96,916 	96,916 96,916
Other intangible assets at cost	-	765
less accumulated amortisation	-	(75)
Total other intangible assets	_	690
Works in progress at cost	32,799	32,735
Total intangible assets	168,750	171,755

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	Water entitlements ¹	Other intangible assets	Works in progress	Total
	\$′000	\$'000	\$′000	\$'000	\$′000
2016					
Opening balance at 1 July 2015	48,461	96,916	757	31,441	177,575
Additions	-	-	-	11,969	11,969
Transfers ²	1,608	-	8	(1,100)	516
Impairment ³	-	-	-	(9,575)	(9,575)
Amortisation expense	(8,655)	-	(75)	-	(8,730)
Closing balance at 30 June 2016	41,414	96,916	690	32,735	171,755
2017					
Opening balance at 1 July 2016	41,414	96,916	690	32,735	171,755
Additions	-	-	-	10,338	10,338
Transfers ²	6,872	-	(621)	(6,400)	(149)
Disposals	-	-	-	(2,074)	(2,074)
Impairment ⁴	-	-	-	(1,800)	(1,800)
Amortisation expense	(9,251)	-	(69)	-	(9,320)
Closing balance at 30 June 2017	39,035	96,916	-	32,799	168,750

 Water entitlements represents 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 corporations with access to Melbourne's pooled entitlement.

- 2. Balance represents a transfer of works in progress to/from infrastructure, property, plant and equipment.
- 3. This relates to the impairment of intangible assets associated with the Field Mobility Solution of the Arrow Program.
- This impairment relates to two work in progress IT projects (MABAL (\$878k) and Myaccount (\$922k)) as part of our annual assessment of indicators of impairment.

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

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 as they are held in perpetuity. As such they 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. Testing at balance date found no indication of impairment of water entitlements.

Other intangible assets

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

Impairment of intangible assets

Intangible assets with indefinite useful lives are tested annually for indicators of impairment.

5.6 Amortisation of intangible assets

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

The recoverable amount for most intangible 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 intangible asset is credited directly to equity within Physical Asset Revaluation Surplus. However, to the extent that an impairment loss on the same class of asset was previously recognised in the Comprehensive Operating Statement, a reversal of that impairment loss is also recognised in the Comprehensive Operating Statement.

	2017	2016
	\$′000	\$'000
Software	9,251	8,655
Other intangible assets	69	75
Total amortisation	9,320	8,730

All intangible assets with a useful life are amortised.

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.

Amortisation of new software and other intangible assets begins in the month following commissioning.

5 Assets available to support the provision of services (continued)

Useful lives

The estimated useful lives of intangible assets are listed below and are consistent with prior years.

ASSET TYPE	RANGE
Software	3 - 10 years
Water entitlements	Indefinite
Other intangible assets	10 - 20 years

5.7 Intangible asset write offs, write-downs and impairments

	2017	2016
	\$'000	\$'000
Asset write offs/write-downs	-	-
Impairment	1,800	11,575
Total intangible asset write offs, write-downs and impairments	1,800	11,575

5.8 Commitments for capital expenditure on intangible assets

	2017	2016
	\$′000	\$'000
Not later than one year	22	-
Later than one year but not later than five years	68	-
Total capital commitments	90	-

Commitments for future expenditure include capital commitments arising from contracts. These commitments are not recognised in the Balance Sheet. They are disclosed at nominal value inclusive of GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

6 Other assets and liabilities

This section sets out the assets and liabilities that arose from City West Water's operations.

Structure

- 6.1 Receivables
- 6.1.1 Movements in the provision for impaired receivables
- 6.1.2 Ageing analysis of contractual receivables
- 6.2 Payables
- 6.2.1 Maturity analysis of contractual payables
- 6.3 Inventory
- 6.4 Other non-financial assets
- 6.4.1 Smart Water Fund commitment
- 6.5 Other provisions

6.1 Receivables

	2017	2016
	\$′000	\$'000
Contractual		
Unbilled receivables	69,548	61,051
Trade receivables	42,317	53,141
Less: Provision for impaired receivables	(3,260)	(3,846)
Other receivables	20	23
Total contractual receivables	108,625	110,369
Statutory		
Trade receivables	1,699	1,721
Total statutory receivables	1,699	1,721
Total receivables	110,324	112,090
Represented by		
Current receivables	110,304	112,067
Non-current receivables	20	23

Contractual receivables are classified as financial instruments and categorised as loans and receivables. They are initially recognised at fair value and subsequently at amortised cost less provision for impairment.

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

Unbilled receivables are recognised for water and sewage usage as well as other works and services that have been rendered to balance date but not yet invoiced. An accrual is done to account for water and sewage services not billed at the end of the period. This is calculated using the volume of water purchased from Melbourne Water to the end of the period less the volume of water already billed. Trade receivables are due for settlement no later than 14 days from the date of recognition.

Trade receivables are due for settlement no later than 14 days from the date of recognition.

6.1.1 Movements in the provision for impaired receivables

	2017	2016
	\$′000	\$′000
Opening balance at the start of the year	(3,846)	(4,013)
Provision for impaired receivables recognised during the year	(2,147)	(2,357)
Contractual receivables written off during the year as uncollectible	2,733	2,524
Closing balance at the end of the year	(3,260)	(3,846)

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

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

6.1.2 Ageing analysis of contractual receivables

	Past due and not impaired			red	
	Carrying amount	Not past due and not impaired	30-59 days	60-89 days	Greater than 90 days
2016	\$'000	\$′000	\$′000	\$′000	\$′000
Receivables	110,369	104,349	3,587	1,312	1,121
Total	110,369	104,349	3,587	1,312	1,121
2017					
Receivables ¹	108,625	101,398	3,642	921	2,664
Total	108,625	101,398	3,642	921	2,664

1. Unimpaired debt greater than 90 days is higher in 2017 due to the increasing effect of these receivables being secured against properties (lien).

6.2 Payables

	2017	2016
	\$'000	\$′000
Contractual		
Trade payables	33,339	36,186
Other payables	17,649	18,247
Unearned income	589	2,321
Advances and deposits	5,969	4,948
Deferred developer reimbursements	8,756	6,167
Sundry liabilities	51	407
Total contractual payables	66,353	68,276
Statutory		
Trade payables	398	514
Trade payables Other payables	398 3,453	514 3,263
Other payables	3,453	3,263
Other payables Total statutory payables	3,453 3,851	3,263 3,777

Contractual payables are classified as financial instruments. They are measured at amortised cost and recognised on an accrual basis in the period in which they are incurred. Trade payables represent liabilities for goods and services provided to City West Water prior to the end of the financial year that are unpaid at the end of the financial year. Other payables represents accrued loan interest. Unearned income represents income received in advance of the corporation performing obligations required to recognise the income in the Comprehensive Operating Statement. Advances and deposits represent deposits received as security for capital works. Deferred developer reimbursements represents a liability to reimburse developers for all or part of their costs incurred in constructing water, sewerage and/or recycled water assets.

Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and are not included in the category of financial liabilities as they do not arise from contracts.

6.2.1 Maturity analysis of contractual payables

	Carrying amount	Nominal amount	1 Year or less	Over 1 Year	Total
2016	\$′000	\$′000	\$′000	\$′000	\$′000
Payables	68,276	68,276	68,276	-	68,276
Total contractual payables	68,276	68,276	68,276	-	68,276

Total contractual payables	66,353	66,353	66,353	-	66,353
Payables	66,353	66,353	66,353	-	66,353
2017					

It is City West Water's policy to settle all payables within 30 days of receipt of invoice, or in the event of a dispute, within 30 days of the resolution of the dispute.

6.3 Inventory

	2017	2016
	\$'000	\$'000
Inventory - facility (at cost)	159	-
Inventory - network (at cost)	984	-
Total inventory	1,142	-

Inventory represents stock on hand at the end of the reporting period. Inventory is primarily used for the repair and maintenance of existing assets. Inventory is valued as the lower of cost and net realisable value. Inventory was recognised for the first time in the 2017 reporting period due to a change in the structure of the contract between City West Water and its maintenance contractor.

6.4 Other non-financial assets

	2017	2016
	\$′000	\$'000
General prepayments - current	1,538	1,242
Smart Water Fund prepayments - current	47	116
Total other assets	1,585	1,358

Prepayments represents payments made 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. Amounts are recognised as an asset upon payment and subsequently expensed over the period the payment covers.

6.4.1 Smart Water Fund commitment

Smart Water Fund commitment (inclusive of GST) at balance date not provided for in the Balance Sheet:

	2017	2016
	\$'000	\$'000
Not later than one year	-	132
Total Smart Water Fund commitment	-	132

The Smart Water Fund is a joint operation between City West 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 \$8.5m (2016 \$8.4m). At period end City West Water's share of unspent contributions to the fund amounts to \$0.1m (2016 \$0.1m). The Smart Water Fund is expected to wind up during the 2018 reporting period, therefore City West Water does not expect to contribute any further over the next year to fund research and research related activities.

6.5 Other provisions

	2017	2016
	\$′000	\$′000
Current		
Insurance provision	699	523
Biosolids management and desludging of ATP lagoon	126	200
Other sundry provisions	811	3,098
Total other provisions - current	1,636	3,821

6. Reconciliation of movements in other provisions

	Insurance	Biosolids/desludge	Other	Total
	\$'000	\$′000	\$'000	\$′000
Carrying amount as at 1 July 2016	523	200	3,098	3,821
Additional provisions recognised	796	(74)	339	1,061
Payments/other sacrifices of economic benefit	(620)	-	(2,626)	(3,246)
Carrying amount as at 30 June 2017	699	126	811	1,636

Other provisions are recognised when the corporation has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and the risks specific to the provision.

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

7 Financing our operations

This section provides information on the sources of finance used by City West Water during its operations as well as interest expense (the cost of borrowings) and other information related to the financing activities of the corporation.

Structure

- 7.1 Borrowings
- 7.2 Cash flow information and balances

7.1 Borrowings

	2017	2016
	\$	\$
Treasury Corporation of Victoria - current	-	8,200
Treasury Corporation of Victoria - non-current	1,102,500	1,082,500
Total borrowings	1,102,500	1,090,700

Borrowings refers to interest bearing liabilities mainly raised from public borrowings through the Treasury Corporation of Victoria

Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost. Borrowings includes overnight (11am) borrowings, floating rate notes, fixed rate loans and flexi loans. Borrowings are used to meet working capital requirements and fund capital expenditure.

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

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

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

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

During the current and prior year there were no defaults or breaches of any loan.

7.1.1 Maturity analysis of borrowings

	Weighted average Interest rate	Carrying amount	Nominal amount	1 year or less	Over 1 year	Total
2016		\$'000	\$′000	\$'000	\$′000	\$′000
Borrowings - fixed	4.65%	1,022,500	1,022,500	-	1,022,500	1,022,500
Borrowings - floating	2.43%	68,200	68,200	8,200	60,000	68,200
Total borrowings	-	1,090,700	1,090,700	8,200	1,082,500	1,090,700
2017						
Borrowings - fixed	4.49%	1,052,500	1,052,500	-	1,052,500	1,052,500
Borrowings - floating	2.09%	50,000	50,000	-	50,000	50,000
Total borrowings	-	1,102,500	1,102,500	-	1,102,500	1,102,500

7 Financing our operations (continued)

7.1.2 Finance expenses

	2017	2016
Finance expenses	\$'000	\$'000
Interest on borrowings	49,377	50,290
Financial accommodation levy	14,074	13,047
Bank charges	6	7
Total finance expenses	63,457	63,344

Finance charges are recognised in the period in which they are incurred. All qualifying assets (being assets that necessarily take a substantial period of time to get ready for their intended use or sale) are measured at fair value. Any finance costs directly attributable to the acquisition, construction or production of these qualifying assets are not required to be capitalised and are expensed in the period in which they are incurred.

7.2 Cash flow information and balances

	2017	2016
	\$'000	\$′000
Cash and cash equivalents		
Cash at bank/(bank overdraft)	(946)	20
Deposits at call	6,850	34
Total cash and cash equivalents	5,904	54

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

For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as current borrowings on the balance sheet.

7 Financing our operations (continued)

7.2.1 Reconciliation of profit after income tax to net cash inflow from operating activities

	2017	2016
	\$′000	\$′000
Profit after income tax expense	73,601	43,789
Non-cash movements:		
Depreciation and amortisation of assets	47,856	47,336
Impaired receivables	2,147	2,357
Defined benefit superannuation fund expense	924	839
Net (gain)/loss on disposal of non-current physical assets	(260)	(217)
Asset impairments	2,073	11,977
Asset revaluation increment	(65)	-
Developer contributed assets	(35,574)	(34,603)
Movements in assets and liabilities:		
Decrease/(increase) in receivables	(16,082)	(8,117)
Decrease/(increase) in prepayments	(228)	267
Decrease/(increase) in inventories	(1,142)	-
Increase/(decrease) in payables	(5,777)	(4,098)
Increase/(decrease) in current tax liability	6,932	5,125
Increase/(decrease) in provision for employee benefits	(167)	1,525
Increase/(decrease) in defined benefit superannuation	-	(34)
Increase/(decrease) in other provisions	(2,185)	(580)
Increase/(decrease) in deferred tax liabilities	1,824	(1,150)
Net cash provided by operating activities	73,877	64,416

8 Risks, contingencies and valuation judgements

City West Water is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements.

Structure

- 8.1 Financial instruments specific disclosures
- 8.1.1 Categorisation of financial instruments
- 8.1.2 Financial risk management objectives and policies
- 8.1.2.1 Financial instruments credit risk
- 8.1.2.2 Financial instruments liquidity risk
- 8.1.2.3 Financial instruments market risk
- 8.2 Contingent assets and contingent liabilities
- 8.3 Fair value determination
- 8.3.1 Fair value determination of financial assets and liabilities
- 8.3.2 Fair value determination of non-financial physical assets

8.1 Financial instruments specific disclosures

Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of City West Water's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example, taxes, dividends and the Environmental Contribution). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 - *Financial Instruments: Presentation*.

Categories of financial instruments

Receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an

active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, receivables are measured at amortised cost less provision for impairment.

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

- payables (excluding statutory payables)
- borrowings.

Financial instrument assets and liabilities are offset and the net amount presented in the balance sheet when the corporation has a right to offset the amounts and intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired.

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

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

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

8 Risks, contingencies and valuation judgements (continued)

8.1.1 Categorisation of financial instruments

20165'0005'000Financial assets7254-Receivables'110,369Total financial assets110,423Financial liabilities110,423Payables '62-68,276Borrowings - fixed7.1.1-68,276Borrowings - fixed7.1.1-68,276Borrowings - fixed7.1.1-68,200Total financial liabilities-1,125,8976Construction of the second		Note	Contractual financial assets - loans and receivables	Contractual financial liabilities at amortised cost
Cash and cash equivalents 7.2 54 - Receivables! 6.1 110,369 - Total financial assets - - - Financial liabilities - 68.276 - 68.276 Borrowings - fixed 7.1.1 - 1,022,500 - 68.200 Borrowings - fixed 7.1.1 - 1,022,500 - 68.200 Total financial liabilities - 1,022,500 - 68.200 - 1,022,500 - - 1,022,500 - - 68.200 - 1,022,500 - - - 1,022,500 - - - 1,022,500 - - - 1,022,500 - - - 1,022,500 -	2016		\$'000	\$′000
Receivables! 6.1 110,369 . Total financial assets 110,423 . Financial liabilities . . . Payables ! 6.2 . . . Borrowings - fixed 7.1.1 Borrowings - fixed 7.1.1 . <th>Financial assets</th> <th></th> <th></th> <th></th>	Financial assets			
Total financial assets110,423Financial liabilitiesPayables 16.2Borrowings - fixed7.1.1Borrowings - floating7.1.1Total financial liabilities68,200Total financial liabilities68,200Total financial liabilities1,158,976Cash and cash equivalents7.25,904Receivables 1108,625Total financial assets1103,625-Financial assets1103,625-Foral financial assets6.2Foral financial assets1Payables 16.26,3336.3Borrowings - fixed7.1.1Payables 16.26,3537.1.1Borrowings - fixed7.1.1103,52,50050,000	Cash and cash equivalents	7.2	54	-
Financial liabilities Payables 1 6.2 - 68,276 Borrowings - fixed 7.1.1 - 1,022,500 Borrowings - floating 7.1.1 - 68,200 Total financial liabilities - 1,022,500 2017 - - 1,158,976 Financial assets - 1,158,976 Cash and cash equivalents 7.2 5,904 - Receivables1 6.1 108,625 - Total financial assets - 114,529 - Financial liabilities - 66,333 - Payables 1 6.2 - 66,353 Borrowings - fixed 7.1.1 - 1,052,500 Borrowings - fixed 7.1.1 - 50,000	Receivables ¹	6.1	110,369	-
Payables 1 6.2 - 68,276 Borrowings - fixed 7.1.1 - 1,022,500 Borrowings - floating 7.1.1 - 68,200 Total financial liabilities - 1,158,976 Payables 1 - 1,158,976 Cash and cash equivalents 7.2 5,904 - Receivables ¹ 6.1 108,625 - Total financial assets 7.2 5,904 - Financial assets 7.2 5,904 - Fortul financial assets 7.2 5,904 - Total financial assets 7.2 5,904 - Financial liabilities - - 66,353 Payables 1 6.2 - - Payables 1 6.2 - - Borrowings - fixed 7.1.1 - 1,052,500 Borrowings - fixed 7.1.1 - 5,000	Total financial assets	-	110,423	-
Borrowings - fixed 7.1.1 - 1,022,00 Borrowings - floating 7.1.1 - 68,200 Total financial liabilities - 1,158,976 2017 Financial assets 7.2 5,904 - Cash and cash equivalents 7.2 5,904 - Receivables ¹ 6.1 108,625 - Total financial assets - 114,529 - Financial liabilities - 66,353 - Payables ¹ 6.2 - 66,353 Borrowings - fixed 7.1.1 - 1,052,500 Borrowings - floating 7.1.1 - 5,000	Financial liabilities			
Borrowings - floating 7.1.1 - 68,200 Total financial liabilities - 1,158,976 2017 - - Financial assets - - Cash and cash equivalents 7.2 5,904 - Receivables ¹ 6.1 108,625 - Total financial assets - 114,529 - Financial liabilities - - 66,353 Payables ¹ 6.2 - 66,353 Borrowings - fixed 7.1.1 - 1,052,500 Borrowings - floating 7.1.1 - 50,000	Payables 1	6.2	-	68,276
Total financial liabilities-1,158,9762017Financial assetsCash and cash equivalents7.25,904-Receivables16.1108,625-Total financial assets114,529-Financial liabilities-66,353Payables 16.2-66,353Borrowings - fixed7.1.1-1,052,500Borrowings - floating7.1.1-50,000	Borrowings - fixed	7.1.1	-	1,022,500
2017 Financial assets Cash and cash equivalents 7.2 5,904 - Receivables ¹ 6.1 108,625 - Total financial assets 114,529 - Financial liabilities - 66,353 Payables ¹ 6.2 - 66,353 Borrowings - fixed 7.1.1 - 1,052,500 Borrowings - floating 7.1.1 - 50,000	Borrowings - floating	7.1.1	-	68,200
Financial assetsCash and cash equivalents7.25,904-Receivables'6.1108,625-Total financial assets114,529-Financial liabilitiesPayables '6.2-Borrowings - fixed7.1.1-Borrowings - floating7.1.1-	Total financial liabilities		-	1,158,976
Financial assetsCash and cash equivalents7.25,904-Receivables'6.1108,625-Total financial assets114,529-Financial liabilitiesPayables '6.2-Borrowings - fixed7.1.1-Borrowings - floating7.1.1-				
Cash and cash equivalents 7.2 5,904 - Receivables1 6.1 108,625 - Total financial assets 114,529 - Financial liabilities - - Payables1 6.2 - - Borrowings - fixed 7.11 - 1,052,500 Borrowings - floating 7.11 - 50,000	2017			
Receivables'6.1108,625-Total financial assets114,529-Financial liabilities-6.2-Payables 16.2-66,353Borrowings - fixed7.1.1-1,052,500Borrowings - floating7.1.1-50,000	Financial assets			
Total financial assets114,529-Financial liabilitiesPayables 1Borrowings - fixed7.1.1Borrowings - floating7.1.1-50,000	Cash and cash equivalents	7.2	5,904	-
Financial liabilitiesPayables 1Payables 1Borrowings - fixed7.1.1Borrowings - floating7.1.1-50,000	Receivables ¹	6.1	108,625	-
Payables 1 6.2 - 66,353 Borrowings - fixed 7.1.1 - 1,052,500 Borrowings - floating 7.1.1 - 50,000	Total financial assets	-	114,529	-
Borrowings - fixed 7.1.1 - 1,052,500 Borrowings - floating 7.1.1 - 50,000	Financial liabilities			
Borrowings - floating 7.1.1 50,000	Payables 1	6.2	-	66,353
	Borrowings - fixed	7.1.1	-	1,052,500
Total financial liabilities - 1,168,853	Borrowings - floating	7.1.1	-	50,000
	Total financial liabilities	-	-	1,168,853

1. Does not include statutory receivables or payables.

8 Risks, contingencies and valuation judgements (continued)

8.1.2 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 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)
- 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 and fixed rate loans. They are used to meet working capital requirements and fund capital expenditure. The corporation 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 a range 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 corporation's relevant departments. The main purpose in holding financial instruments is to prudently manage the corporation'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 ageing 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.

City West Water manages its capital by maintaining a prudent level of gearing in order to provide the State with adequate returns and to ensure it can fund its operation 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/total assets) for the year was 48.3 per cent compared to 50.4 per cent in 2016.

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*
- that City West Water, with the exception of a trading account with overdraft facilities, is required to borrow exclusively with TCV pursuant to the *Borrowing and Investment Powers Act 1987*.

8.1.2.1 Financial instruments - credit risk

Credit risk is the risk of financial loss to City West Water as the 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. The corporation'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.

There was no material change to City West Water's credit risk profile during 2017.

8 Risks, contingencies and valuation judgements (continued)

	Note	Government agencies	Financial institutions	Other	
		AAA	AA-	Unrated	
2016		\$'000	\$'000	\$′000	
Cash and cash equivalents	7.2	-	54	-	
Receivables ¹	6.1	-	-	110,369	
Total		-	54	110,369	
2017					
Cash and cash equivalents	7.2	6,850	(946)	-	
Receivables ¹	6.1	-	-	108,625	
Total		6,850	(946)	108,625	

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

1. Does not include statutory receivables.

8.1.2.2 Financial instruments - liquidity risk

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

The carrying amounts of contractual financial liabilities represents the corporation's maximum exposure to liquidity risk.

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and 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 values 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.

8.1.2.3 Financial instruments - 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 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 mixture of fixed and floating rate debt. City West Water's Treasury Risk Management Policy requires the corporation 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.

8 Risks, contingencies and valuation judgements (continued)

Interest rate exposure and maturity analysis of financial instruments

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

2016	Note	Weighted average interest rate	1 Year or less \$'000	Over 1 Year \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets						
Cash and cash equivalents	7.2	0.33%	54	-	-	54
Receivables ¹	6.1		-	-	110,369	110,369
Total financial assets		-	54	-	110,369	110,423
Financial liabilities						
Payables ¹	6.2		-	-	68,276	68,276
Borrowings - fixed	7.1.1	4.65%	-	1,022,500	-	1,022,500
Borrowings - floating	7.1.1	2.43%	8,200	60,000	-	68,200
Total financial liabilities		-	8,200	1,082,500	68,276	1,158,976
2017						
Financial assets						
Cash and cash equivalents	7.2	1.66%	5,904	-	-	5,904
Receivables ¹	6.1	_	-	-	108,625	108,625
Total financial assets		-	5,904	-	108,625	114,529
Financial liabilities						
Payables ¹	6.2		-	-	66,353	66,353
Borrowings - fixed	7.1.1	4.49%	-	1,052,500	-	1,052,500
Borrowings - floating	7.1.1	2.09%	-	50,000	-	50,000
Total financial liabilities		=	-	1,102,500	66,353	1,168,853

1. Does not include statutory receivables or payables.



8 Risks, contingencies and valuation judgements (continued)

Interest rate risk sensitivity

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

			-0.		+0.	5%
	Note	Total	Profit	Equity	Profit	Equity
2016		\$'000	\$′000	\$′000	\$′000	\$′000
Financial assets						
Cash and cash equivalents ¹	7.2	54	(1)	(1)	1	1
Receivables ²	6.1	110,369	-	-	-	-
Total financial assets		110,423	(1)	(1)	1	1
Financial liabilities						
Payables ²	6.2	68,276	-	-	-	-
Borrowings ³	7.1	1,090,700	631	631	(631)	(631)
Total financial liabilities		1,158,976	631	631	(631)	(631)
Total increase/(decrease)			630	630	(630)	(630)
2017						
Financial assets						
Cash and cash equivalents ¹	7.2	5,904	(15)	(15)	15	15
Receivables ²	6.1	108,625	-	-	-	-
Total financial assets		114,529	(15)	(15)	15	15
Financial liabilities						
Payables ²	6.2	66,353	-	-	-	-
Borrowings ³	7.1	1,102,500	680	680	(680)	(680)
Total financial liabilities		1,168,853	680	680	(680)	(680)
Total increase/(decrease)			665	665	(665)	(665)

1. Calculation is based on average cash holdings of \$3.0m (2016 \$0.3m).

2. Does not include statutory receivables and payables.

 Calculation is based on new borrowings, loans refinanced, forward rate agreements struck during the year and average 11am balance during the year.

8.2 Contingent assets and contingent liabilities

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

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the corporation. These are classified as either quantifiable where the potential economic benefit is known or non-quantifiable.

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the corporation, or
- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations, or
 - the amount of the obligations cannot be measured with sufficient reliability.

Quantifiable 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 \$19.1m (2016 \$15.2m) of water supply assets under construction and a further \$19.4m (2016 \$14.4m) of water supply assets committed to for which construction is yet to begin. The value of sewerage assets under construction is approximately \$25.8m (2016 \$21.6m) with a further \$41.9m (2016 \$26.6m) 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.

Quantifiable contingent liabilities

Contingent on the completion of the above assets, City West Water has a liability to reimburse developers an estimated \$12.6m (2016 \$9.9m) for water supply assets and \$42.4m (2016 \$27.7m) 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.

This reimbursement together with future investment for urban growth by City West Water or developers will be recovered through a combination of new customer contributions plus service and usage charges from all customers. This is consistent with the Essential Services Commission's final determination for water and sewerage prices in June 2013 (for the 2018 reporting period).

Non-quantifiable contingent assets and liabilities

City West Water has legal claims pending arising out of a small number of contractual disputes associated with its capital program. Due to the uncertainty inherent in litigation an accurate assessment of any outcome is not possible. City West Water is of the view that further disclosure of these disputes may prejudice the position of the corporation.

8 Risks, contingencies and valuation judgements (continued)

8.3 Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

The following assets and liabilities are carried at fair value:

- land, buildings, infrastructure, property plant and equipment (refer Note 3)
- defined benefit superannuation liability/(asset) (refer Note 5).

In addition, the fair values of other assets and liabilities which are carried at amortised cost need to be determined for disclosure purposes.

Fair value hierarchy

In determining fair value a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. These levels are as follows:

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

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

8.3.1 Fair value determination of financial assets and liabilities

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

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

8 Risks, contingencies and valuation judgements (continued)

Fair value of financial instruments measured at amortised cost

	Note	Carrying amount	Fair value
2016		\$′000	\$′000
Financial assets			
Cash and cash equivalents	7.2	54	54
Receivables ¹	6.1	110,369	110,369
Total financial assets	0.11	110,423	110,423
Financial liabilities			
Payables 1	6.2	68,276	68,276
Borrowings ²	7.1	1,090,700	1,227,145
Total financial liabilities		1,158,976	1,295,421
2017			
Financial assets			
Cash and cash equivalents	7.2	5,904	5,904
Receivables ¹	6.1	108,625	108,625
Total financial assets		114,529	114,529
Financial liabilities			
Payables 1	6.2	66,353	66,353
Borrowings ²	7.1	1,102,500	1,193,066
Total financial liabilities		1,168,853	1,259,419

1. Does not include statutory receivables or payables.

2. Fair value of borrowings is calculated by discounting expected future cash flows at the yield offered by the Treasury Corporation of Victoria as at 30 June each year.



8 Risks, contingencies and valuation judgements (continued)

Fair value hierarchy measurements

	Note		Fair value measurement using:			
		Carrying amount	Level 1 ¹	Level 2 ²	Level 3 ³	
2016		\$′000	\$′000	\$'000	\$′000	
Financial assets						
Cash and cash equivalents	7.2	54	54	-	-	
Receivables ⁴	6.1	110,369	-	110,369	-	
Total financial assets		110,423	54	110,369	-	
Financial liabilities						
Payables ⁴	6.2	68,276	-	68,276	-	
Borrowings	7.1	1,090,700	-	1,227,145	-	
Total financial liabilities		1,158,976	-	1,295,421	-	
2017						
Financial assets						
Cash and cash equivalents	7.2	5,904	5,904	-	-	
Receivables ⁴	6.1	108,625	-	108,625	-	
Total financial assets		114,529	5,904	108,625	-	
Financial liabilities						
Payables ⁴	6.2	66,353	-	66,353	-	
Borrowings	7.1	1,102,500	-	1,193,066	-	
Total financial liabilities		1,168,853	-	1,259,419	-	

1. Quoted prices (unadjusted) in active markets for identical assets.

2. Inputs based on observable market data (either directly using prices or indirectly derived from prices).

- 3. Inputs not based on observable market data.
- 4. Does not include statutory receivables or payables.

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 each year.

There were no transfers between levels during the reporting period.

8 Risks, contingencies and valuation judgements (continued)

8.3.2 Fair value determination of non-financial physical assets

Subsequent valuation of infrastructure, property, plant and equipment is at fair value. As asset's fair value is determined with regard to the property's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset, 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.

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. As nonspecialised land does not contain significant unobservable inputs these assets are classified as Level 2 fair value assets.

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 CSOs 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.

Infrastructure assets are measured using the income approach (discounted cash flow method). This method calculates fair value by discounting estimated future cash flows to their present value and arriving at an enterprise value range. Net debt is deducted from the enterprise value range to obtain an equity value. The valuation of infrastructure assets is derived from the equity value after deducting all other assets and liabilities, and grossing up for deferred tax by applying a 30 per cent tax rate to estimate the value of tax benefits available to a hypothetical purchaser in resetting the tax cost base. In order to assess the reasonableness of the enterprise valuation, cross checks are performed by comparing the earnings before interest, tax and depreciation and regulated asset value multiples implied by the value determined under the income approach against multiples implied by share prices at which comparable organisations are trading and recent transactions in comparable assets have occurred. Such an approach is often referred to as a market approach or a relative value approach. Judgement is applied in selecting the appropriate valuation within the enterprise value range.

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.

The assumptions outlined above are based on City West Water's current long term forecast based on the corporation's 2017 Corporate Plan. City West Water is in the process of finalising its pricing submission to the Essential Services Commission (ESC) in September 2017. This submission will cover the financial years 2019 - 2023. As such, forecast revenue and profitability are subject to review by the ESC. There is a risk of forecast earnings being impacted by this review, with a consequential impact on infrastructure values.

City West Water considers this definition of fair value 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, 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.

The valuation of infrastructure assets is not premised on the existence of a special purchaser.

A full valuation of City West Water's infrastructure assets was performed by KPMG as at 30 June 2017. The valuation process derived a range of values. The valuation adopted by City West Water represents the mid-point of this range.

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 corporation after taking into account the market cost of debt and equity.

The 2017 valuation resulted in an increment of \$36.4m compared to a decrement of \$69.7 in 2016.

Notes to and forming part of the Financial Statements - For the year ended 30 June 2017 **110**

8 Risks, contingencies and valuation judgements (continued)

The sensitivity of the fair value of infrastructure assets to a change in key assumptions is detailed in the table below.

ASSUMPTION	20	2017 2016		16
Terminal year growth rate +/- 50bps	-21.0%	31.7%	-21.6%	31.7%
Terminal year growth rate +/- 25bps	-11.5%	14.1%	-11.7%	14.2%
Discount rate +/- 50bps	-25.8%	39.7%	-25.6%	38.4%
Discount rate +/- 25bps	-11.5%	21.5%	-14.0%	17.1%

Fair value of non-financial physical assets

		Fair value	measurement usir	ng:
	Carrying Amount	Level 1 ¹	Level 2 ²	Level 3 ³
2016	\$'000	\$′000	\$′000	\$′000
Freehold land at fair value	29,832	-	-	-
Non-specialised land		-	497	-
Specialised land		-	-	29,335
Non-specialised buildings at fair value	4,188	-	4,188	-
Infrastructure assets at fair value	1,656,984	-	-	1,656,984
Plant and equipment at fair value	8,655	-	-	8,655
Motor vehicles at fair value	2,239	-	-	2,239
Leasehold improvements at fair value	5,563	-	-	5,563
Total infrastructure, property, plant and equipment	1,707,461	-	4,685	1,702,776
2017				
Freehold land at fair value	32,320	-	-	-
Non-specialised land		-	1,003	-
Specialised land		-	-	31,317
Non-specialised buildings at fair value	4,372	-	4,372	-
Infrastructure assets at fair value	1,749,032	-	-	1,749,032
Plant and equipment at fair value	8,040	-	-	8,040
Motor vehicles at fair value	2,531	-	-	2,531
Leasehold improvements at fair value	5,845	-	-	5,845
Total infrastructure, property, plant and equipment	1,802,140	-	5,375	1,796,765

1. Quoted prices (unadjusted) in active markets for identical assets.

2. Inputs based on observable market data (either directly using prices or indirectly derived from prices).

3. Inputs not based on observable market data.

8 Risks, contingencies and valuation judgements (continued)

Reconciliation of Level 3 fair value movements

	Specialised land	Infrastructure Assets ¹	Plant and equipment	Motor vehicles	Leasehold improvements
2016	\$′000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2015	20,848	1,638,207	6,169	2,656	5,762
Purchases (sales)	-	-	(92)	(314)	
Transfers in (out) of Level 3	3,742	-	-	-	
Developer contributed assets	-	34,640	-	-	
Transfers	-	86,966	6,794	691	198
Gains or losses recognised in profit after income tax expense					
Depreciation	-	(33,102)	(4,207)	(794)	(397)
Impairment	-	-	(9)	-	-
Revaluation increment/(decrement)	(149)	-	-	-	
Subtotal	(149)	(33,102)	(4,216)	(794)	(397)
Gains or losses recognised in Other Comprehensive Income					
Revaluation increment/(decrement)	4,894	(69,727)	-	-	
Subtotal	4,894	(69,727)	-	-	
Closing balance at 30 June 2016	29,335	1,656,984	8,655	2,239	5,563
2017					
Opening balance at 1 July 2016	29,335	1,656,984	8,655	2,239	5,563
Purchases (sales)	-	-	-	(578)	-
Transfers in (out) of Level 3	-	-	-	-	-
Developer contributed assets	-	35,651	-	-	-
Transfers	-	54,563	3,561	1,675	491
Adjustments	-	(1,278)	-	-	-
Gains or losses recognised in profit after income tax expense					
Depreciation	-	(33,100)	(4,140)	(805)	(209)
Impairment	-	(219)	(36)	-	-
Revaluation increment/(decrement)	65	-	-	-	-
Subtotal	65	(33,319)	(4,176)	(805)	(209)
Gains or losses recognised in Other Comprehensive Income					
Revaluation increment/(decrement)	1,917	36,431	-	-	-
Subtotal	1,917	36,431	-	-	-
Closing balance at 30 June 2017	31,317	1,749,032	8,040	2,531	5,845

During the 2016 reporting period there was a transfer from Level 2 to Level 3 of \$3.7m of specialised land. The land was previously classified as non-specialised because previous valuations did not include a community service obligation (CSO), which is a significant unobservable input. When the land was revalued during 2016, a CSO was added to the land. As a result it was transferred from Level 2 to Level 3.

It is City West Water's policy to transfer assets between fair value hierarchy levels at the end of the financial year.

8 Risks, contingencies and valuation judgements (continued)

Description of significant unobservable inputs to Level 3 valuations 2016

Asset	Valuation technique	Significant unobservable input	Range (Weighted Average)	Sensitivity of the input to fair value	
		Community Service	9% - 40%	A significant increase or decrease in a CSO adjustment would result	
Specialised land	Market approach	Obligation (CSO) adjustment	(27%)	in a significantly lower or higher fair value.	
		Discount rate	5.6% - 6.2%	A significant increase or decrease in estimated discount rate would	
		Discount fate	(5.9%)	result in a significantly lower or higher fair value.	
		Terminal growth rate	3.25%	A significant increase or decrease in the terminal growth rate would	
		iennina growth ate	(3.25%)	result in a significantly lower or higher fair value	
Infrastructure assets	Income approach (discounted cash	Inflation rate	2.5%	A significant increase or decrease in the inflation rate would result in	
minastructure assets	flow method)	initation rate	(2.5%)	a significantly higher or lower fair value.	
		Terminal value capital expenditure	\$80.996m - \$98.995m	A significant increase or decrease in the terminal value of capital	
			(\$89.996m)	expenditure would result in a significantly higher or lower fair value.	
		Useful life	4 - 100 years	A significant increase or decrease in the estimated useful life of an	
			(77.8 years)	asset would result in a significantly higher or lower fair value.	
			Cost per unit	\$1,000 - \$469,000	A significant increase or decrease in cost per unit would result in a
Plant and equipment	Depreciated	Cost per unit	(\$12,000)	significantly higher or lower fair value	
Fiant and equipment	replacement cost	Useful life	3 - 50 years	A significant increase or decrease in the estimated useful life of an	
		Oserdi lile	(11.4 years)	asset would result in a significantly higher or lower fair value.	
		Cost per unit	\$2,000 - \$64,000	A significant increase or decrease in cost per unit would result in a	
NA	Depreciated	Cost per unit	(\$32,000)	significantly higher or lower fair value.	
Motor vehicles	replacement cost		5 - 15 years	A significant increase or decrease in the estimated useful life of an	
		Useful life	(5.5 years)	asset would result in a significantly higher or lower fair value.	

2017

Asset	Valuation technique	Significant unobservable input	Range (Weighted Average)	Sensitivity of the input to fair value	
		Community Service	9% - 40%	A significant increase or decrease in a CSO adjustment would result	
Specialised land	Market approach	Obligation (CSO) adjustment	(27%)	in a significantly lower or higher fair value.	
			5.4% - 6.0%	If the WACC had changed by +/- 0.25% from the year end valuation,	
		Discount rate	(5.7%)	the impact to the valuation would have been a decrease to \$1,547.2m or an increase to \$2,125.6m.	
		T	3.25%	If the terminal growth rate had changed by +/- 0.25% from the year	
		Terminal growth rate	(3.25%)	end valuation, the impact to the valuation would have been an increase to \$1,994.9m or a decrease to \$1,548.7m.	
Infrastructure assets	Income approach (discounted cash flow method)	Inflation rate	2.5%	A significant increase or decrease in the inflation rate would result in	
initialitacture assets		Initiation fate	(2.5%)	a significantly higher or lower fair value.	
		Terminal value capital expenditure	\$94.383m - \$115.357m	A significant increase or decrease in the terminal value of capital	
			(\$104.870m)	expenditure would result in a significantly higher or lower fair value.	
		Useful life	3 - 100 years	A significant increase or decrease in the estimated useful life of an	
			(76.7 years)	asset would result in a significantly higher or lower fair value.	
		Cost per unit	\$1,000 - \$469,000	A significant increase or decrease in cost per unit would result in a	
Plant and equipment	Depreciated	Cost per unit	(\$16,000)	significantly higher or lower fair value.	
nant and equipment	replacement cost	Useful life	3 - 50 years	A significant increase or decrease in the estimated useful life of an	
		Oscial life	(12.8 years)	asset would result in a significantly higher or lower fair value.	
Motor vehicles		Cost per unit	\$6,000 - \$48,000	A significant increase or decrease in cost per unit would result in a	
	Depreciated	cost per unit	(\$33,000)	significantly higher or lower fair value.	
WIDTOL VEHICLES	replacement cost	Useful life	5 - 15 years	A significant increase or decrease in the estimated useful life of an	
		Userul lile	(5.0 years)	asset would result in a significantly higher or lower fair value.	

9 Other disclosure

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

Structure

- 9.1 Responsible persons and executives
- 9.2 Related parties
- 9.3 Equity
- 9.4 Ex-gratia expenses
- 9.5 Accounting standards issued that are not yet effective

9.6 Subsequent events

9.1.1 Responsible persons

Persons who held the position of Minister or accountable officer at any time during the 2017 financial year were as follows:

The Hon. Lisa Neville MP	Minister for Water	1 July 2016 - 30 June 2017
Mr David Middleton	Chair	1 July 2016 - 30 June 2017
Mr David Ryan	Managing Director	1 July 2016 - 30 June 2017
Mr Philip Clark	Director	1 July 2016 - 30 June 2017
Ms Mary-Beth Bauer	Director	1 July 2016 - 30 June 2017
Dr Bruce Cohen	Director	1 July 2016 - 30 June 2017
Mr Bill Jaboor	Director	1 July 2016 - 30 June 2017
Ms Kim McAliney	Director	1 July 2016 - 30 June 2017
Ms Elizabeth Parkin	Director	1 July 2016 - 30 June 2017
Ms Constantina Dertimanis	Director	1 July 2016 - 30 June 2017

Persons who held the position of Minister or accountable officer at any time during the 2016 financial year were as follows:

	Minister for Environment, Climate Change and	
The Hon. Lisa Neville MP	Water	1 July 2015 - 22 May 2016
The Hon. Lisa Neville MP	Minister for Water	23 May 2016 – 30 June 2016
Mr David Middleton	Chair	1 October 2015 - 30 June 2016
Ms Anne Barker	Managing Director	1 July 2015 - 31 March 2016
Mr David Ryan	Managing Director	14 June 2016 - 30 June 2016
Mr Philip Clark	Director	1 July 2015 - 30 June 2016
Ms Mary-Beth Bauer	Director	1 October 2015 - 30 June 2016
Dr Bruce Cohen	Director	1 October 2015 - 30 June 2016
Mr Bill Jaboor	Director	1 October 2015 - 30 June 2016
Ms Kim McAliney	Director	1 October 2015 - 30 June 2016
Ms Elizabeth Parkin	Director	1 October 2015 - 30 June 2016
Ms Constantina Dertimanis	Director	28 April 2016 - 30 June 2016
The Hon. Alan Stockdale	Chairman	1 July 2015 - 30 September 2015
Ms Debra Goodin	Director	1 July 2015 - 30 September 2015
Ms Vivienne Nguyen	Director	1 July 2015 - 30 September 2015
Ms Jan Begg	Director	1 July 2015 - 30 September 2015
Dr Peter McKeown	Director	1 July 2015 - 30 September 2015
Ms Fiona Pearse	Director	1 July 2015 - 30 September 2015

Amounts relating to the minister are reported in the financial statements of the Department of Parliamentary Services.

9.1 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.*

Notes to and forming part of the Financial Statements - For the year ended 30 June 2017 **114**

9 Other disclosure (continued)

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.

			2017 No.	2016 No.
\$		\$	NO.	110.
0	-	9,999	-	1
10,000	-	19,999	-	6
20,000	-	29,999	-	1
30,000	-	39,999	-	5
40,000	-	49,999	7	1
60,000	-	69,999	-	1
90,000	-	99,999	1	-
330,000	-	339,999	1	-
400,000	-	409,999	-	1
Total			9	16

	\$′000	\$′000
Total amount	793	808

9.1.2 Executives

	2017	2016
	\$′000	
Short term employment benefits	1,525	
Post employment benefits	105	
Other long term benefits	34	
Termination benefits	80	
Total ¹	1,744	
Total employees (no.)	10	6
Annualised employee equivalent ²	6.0	6.0

- 1. No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out of pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2016 reporting period.
- 2. Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

The number of executive officers other than the minister or responsible persons and their total remuneration during the reporting period is shown on the previous page.

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

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

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

Other long term benefits - includes long service leave, other long service benefits and deferred compensation.

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

9.2 Related parties

Relevant Minister

The relevant Minister for City West Water for the period 1 July 2016 to 30 June 2017 was the Hon. Lisa Neville MP, Minister for Water.

Transactions with the relevant minister and relevant minister related entities

Outside of normal citizen type transactions, there were no material transactions either with the relevant minister their, close family members or business interests during the reporting period.

Key Management Personnel

Key Management personnel (as defined in AASB 124 *Related Party Disclosures*) include the Managing Director and the Board of Directors, who have the authority and responsibility for planning, directing and controlling the activities of the corporation either directly or indirectly during the year.

The names of persons who were key management personnel of City West Water at any time during the current or previous financial years are as follows: D. Middleton, D. Ryan, P. Clark, M. Bauer, B. Cohen, B. Jaboor, K. McAliney, E. Parkin, C. Dertimanis, A. Barker, A. Stockdale, D. Goodin, V. Nguyen, J. Begg, P. McKeown and F. Pearse.

Transactions with key management personnel and key management personnel related entities

Mr David Middleton is a Director of CH2MHill Australia Pty Ltd. During the year City West Water paid CH2MHill \$133,104 (2016 \$666,986) for services relating to works at the corporation's treatment plants.

Ms Kim McAliney is a councillor and Deputy Mayor of the Wyndham City Council. During the year City West Water paid \$630,256 (2016 \$278,395) to Wyndham City Council. In addition, City West Water received \$218,303 (2016 \$87,606) with a further \$13,959 (2016 \$28,430) outstanding and payable for a range of services.

Outside of normal citizen type transactions, there were no further material transactions either with key management personnel, their close family members or business interests during the reporting period other than remuneration for employment.

Key management personnel with related party interests are not involved in any relevant decision making processes.

	2017	2016
	\$'000	\$'000
Short term employment benefits	715	601
Post employment benefits	57	50
Other long term benefits ¹	21	72
Termination benefits	-	85
Total	793	808
Total employees (no.)	9	16

1. Other long term benefits represents long service leave.

Payments to Key Management Personnel

Other related parties

All Victorian cabinet ministers and their close family members, as well as all departments and public sector entities that are controlled and consolidated into the whole of government consolidated financial statements are considered to be related parties of City West Water

Transactions with cabinet members and related entities

Outside of normal citizen type transactions, there were no material related party transactions with cabinet members, their close family members or their personal business interests during the current or prior financial years.

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.

Transactions with government controlled entities

South East Water is a government controlled entity and as such is considered to be a related party of City West Water. During the year City West Water paid \$177,284 (2016 \$12,000) to South West Water and received \$30,442 (2016 \$38,280 from South East Water. In addition \$0 (2016 \$840) remained outstanding and payable and \$17,805 (2016 \$0) remained outstanding and receivable at year end.

Yarra Valley Water is a government controlled entity and as such is considered to be a related party of City West Water. During the year, City West Water paid \$541,050 (2016 \$0) to Yarra Valley Water and received \$37,241 (2016 \$21,780) from Yarra Valley Water. In addition, \$6,994 (2016 \$0) remained outstanding and receivable at year end. Goulburn Murray Water is a government controlled entity and as such is considered to be a related party of City West Water. During the year City West Water paid \$384,780 (2016 \$375,366) to Goulburn Murray Water and received \$0 (2016 \$10,745) from Goulburn Murray Water.

Development Victoria (formerly Places Victoria) is a government controlled entity and as such is considered to be a related party of City West Water. During the year City West Water paid \$3,077 (2016 \$1,058,650) to Development Victoria and received \$16,231,714 (2016 \$104,238) from Development Victoria. In addition \$231 (2016 \$15,700,000) remained outstanding and receivable at year end.

The Victorian Auditor-General's Office (VAGO) is a government controlled entity and as such is considered to be a related party of City West Water. During the year City West Water paid VAGO \$171,050 (2016 \$159,720) with a further \$57,900 (2016 \$77,500) remaining outstanding and payable at year end.

The Melbourne Metro Rail Authority is a government controlled entity and as such is considered to be a related party of City West Water. During the year City West Water received \$241,371 (2016 \$292,969) from the authority for services provided to the Metro Tunnel Project. In addition, a further \$19,948 (2016 \$0) remained outstanding and receivable at year end.

VicRoads is a government controlled entity and as such is considered to be a related party of City West Water. During the year City West Water paid \$0 (2016 \$106,665) to VicRoads and received \$4,748 (2016 \$29,270) from VicRoads. In addition, a further \$354 (2016 \$0) remained outstanding and receivable at year end.

Department of Environment, Land, Water and Planning

City West Water bills and collects parks charges on behalf of the Department of Environment, Land, Water and Planning (DELWP). Due to the nature of the agent/principal relationship between City West Water and DELWP, City West Water does not recognise these amounts in its accounts. City West Water recognises an administration fee collected from DELWP relating to the billing and collection of parks charges as revenue.

City West Water makes various other payments to and receives other payments from DELWP which are recognised as revenue and expenses.

2017	2016
\$'000	\$′000
Payments	
Environmental Contribution 18,563	18,563
Parks Charge collected on behalf of DELWP 45,832	43,381
0ther 106	68
Receipts	
Billings and collection fee 2,456	2,097
Water conservation rebates -	387
Administration fee on water conservation rebates -	2
Retrofit of dual flush toilets funding -	19
Water Efficiency Support Program340	165
Other 929	2,150
Payables	
Parks Charge collected on behalf of DELWP 62	45
Other -	11
Receivables	
Billings and collection fee 130	163

Department of Treasury and Finance

The Department of Treasury and Finance, as State representative, monitors the implementation of City West Water's Corporate Plan in consultation with the Department of Environment, Land, Water and Planning.

	2017	2016
	\$'000	\$′000
Payments		
Dividend	13,000	9,800
Capital repatriation	-	6,600
Income tax equivalent	29,599	16,310
Financial Accommodation Levy	13,884	12,844
Licence fee	664	285
Payables		
Income tax equivalent	15,511	8,579
Financial Accommodation Levy	3,453	3,263

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9 Other disclosure (continued)

Treasury Corporation of Victoria

As required by the State Government pursuant to the *Borrowing and Investment Powers Act 1987*, City West Water's borrowings are sourced solely from the Treasury Corporation of Victoria.

	2017	2016
	\$′000	\$'000
Payments		
Finance costs	48,703	48,782
Administration fees	1,272	1,227
Receipts		
Net borrowings during the year	11,800	34,000
Interest received	7	7
Payables		
Finance costs	17,193	17,798
Administration fees	457	450
Total borrowings 1,1	02,500	1,090,700
Receivables		
Interest receivable	2	3

Melbourne Water

City West Water sources all its drinking water from Melbourne Water and the majority of its sewage is treated by Melbourne Water at the Western Treatment Plant.

City West Water bills and collects drainage charges as an agent for Melbourne Water. Due to the nature of the agent/principal relationship between City West Water and Melbourne Water, City West Water does not recognise these amounts in its accounts. City West Water recognises an administration fee collected from Melbourne Water relating to the billing and collection of drainage charges as revenue.

City West Water makes various other payments to, and receives other payments from, Melbourne Water which are recognised as revenue and expenses.

	2017	2016
	\$'000	\$'000
Payments		
Bulk water and sewage charges	339,714	373,943
Drainage Charge collected on behalf of Melbourne Water	64,351	69,834
Property information statements	214	233
Other	160	112
Receipts		
Billings and collection fee	3,896	3,489
Government Water Rebate	-	16,785
Other	144	112
Payables		
Bulk water and sewage charges	2,540	5,526
Drainage Charge collected on behalf of Melbourne Water	1,678	1,555
Property information statements	106	110
Receivables		
Billings and collection fee	130	163

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.

	2017	2016
	\$′000	\$′000
Payments		
Land tax	85	56
Payroll tax	2,249	2,271
Unclaimed monies	364	-
Receipts Pension rebate	527	529
Payables		
Land tax	36	-
Payroll tax	195	180
Unclaimed monies	-	148
Receivables	120	122
Pension rebate	138	132

Department of Health and Human Services

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 and Human Services.

	2017	2016
	\$'000	\$'000
Payments		
Safe Drinking Water Levy	135	132
Other	2	-
Receipts		
Pension rebate	21,924	22,903
Administration fee on pension rebate	205	209
Dialysis users rebate	21	16
Utility relief grant	335	325
Receivables		
Pension rebate	4,262	3,168
Administration fee on pension rebate	27	19

Other Victorian Government controlled entities

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

9.3 Equity

	2017	2016
	\$'000	\$′000
Contributed equity	211,008	211,008
Physical asset revaluation surplus	191,906	157,898
Retained profits	436,884	373,811
Total equity	839,798	742,717

9.3.1 Contributed equity

	2017	2016
	\$'000	\$'000
Contributed equity at the beginning of the financial year	211,008	217,608
Capital repatriation	-	(6,600)
Contributed equity at the end of the financial year	211,008	211,008

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

9.3.2 Physical asset revaluation surplus

	2017	2016
	\$'000	\$'000
Physical asset revaluation surplus at the beginning of the financial year	157,898	191,771
Infrastructure assets revaluation, net of tax	32,221	(36,931)
Land revaluation, net of tax	1,788	13,082
Buildings revaluation, net of tax	-	562
Transfer to retained profits on derecognition of assets	-	(10,586)
Physical asset revaluation surplus at the end of the financial year	191,906	157,898

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

9.3.3 Retained profits

	2017	2016
	\$'000	\$'000
Retained profits at the beginning of the financial year	373,811	330,523
Profit after income tax expense	73,601	43,789
Transfer from physical asset revaluation surplus on derecognition of assets	-	10,586
Final dividend paid during 2017 in respect of 2016	(13,000)	-
Final dividend paid during 2016 in respect of 2015	-	(9,800)
Actuarial gain/(loss) on defined benefit superannuation plan (net of tax)	2,472	(1,287)
Retained profits at the end of the financial year	436,884	373,811

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

Notes to and forming part of the Financial Statements - For the year ended 30 June 2017 **122**

9 Other disclosure (continued)

9.4 Ex-gratia expenses

	2017	2016
	\$'000	\$'000
Forgiveness or waiver of debt	754	1,056
Property damage payments	126	71
Other	1	13
Total ex gratia expenses	881	1,140

Ex gratia expense items greater than or equal to \$5,000 individually or in total are disclosed.

In exceptional circumstances City West Water may waive part of a customer's debt. This will occur at the discretion of the corporation 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.

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 recognised as part of other expenses (refer to Note 3).



9.5 Accounting standards issued that are not yet effective

Certain new Australian Accounting Standards have been published that are applicable to City West Water, but are not mandatory for the 30 June 2017 reporting period. These standards are listed below.

STANDARD	EFFECTIVE DATE	KEY CHANGES	ІМРАСТ
AASB 9 Financial Instruments	1 January 2018	Key changes include simplified requirements for the classification and measurement of financial assets, a new hedge accounting model and a revised impairment loss model to recognise impairment losses earlier as opposed to the current approach that recognises impairment only when incurred.	A preliminary assessment has identified that the subsequent sale of financial assets available for sale will now be reported through Other Comprehensive Income and no longer recognised in profit and loss. City West Water does not categorise any of its financial instruments as available for sale assets, therefore the impact of the standard is not assumed to be material.
AASB 15 Revenue from Contracts with customers	1 January 2018	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The standard will also require additional disclosures on service revenue and contract modifications. A preliminary assessment of the changes has not identified any material impact for City West Water.
AASB 16 Leases	1 January 2019	Key changes introduced by AASB 16 include the recognition of most operating leases (which are not currently recognised) on the Balance Sheet.	Operating lease commitments are currently not recorded on the Balance Sheet, but disclosed separately by way of note. City West Water will need to include operating leases on the Balance Sheet. Recognition of lease liabilities will cause net debt to increase. Interest on lease liabilities will be recognised in the Comprehensive Operating Statement. Cash paid for the principal portion of a lease liability will be presented within financing activities and interest payments will be presented within operating activities in the Statement of Cash Flows.
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	1 January 2018	 The requirements for classifying and measuring financial liabilities have been added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: the change in fair value attributable to changes in credit risk is presented in other comprehensive income, and other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in profit or loss, the effect of the changes in credit risk are also presented in profit or loss 	City West Water does not categorise any of its financial instruments as available for sale assets, therefore the impact of the change to AASB 9 is not assumed to be material.

Notes to and forming part of the Financial Statements - For the year ended 30 June 2017 **124**

9 Other disclosure (continued)

STANDARD	EFFECTIVE DATE	KEY CHANGES	ІМРАСТ
AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	1 January 2018	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6, and to amend reduced disclosure requirements.	City West Water does not categorise any of its financial instruments as available for sale assets, therefore the impact of the change to AASB 9 is not assumed to be material.
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2017, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) which apply 1 January 2018.	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables that do not have a significant financing component are to be measured at their transaction price at initial recognition.	Assessment has indicated that there is not expected to be a material impact on the accounts of City West Water.
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018	Amendments to various AASs to incorporate the consequential amendments arising from the issuance of AASB 9	As City West Water does not categorise any of its financial instruments as available for sale assets the impact of the standard is not assumed to be material.
AASB 2015-8 Amendments to Australian Accounting Standards - Effective date of AASB 15	1 January 2018	This standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The standard will also require additional disclosures on service revenue and contract modifications. A preliminary assessment of the changes has not identified any material impact for City West Water.
AASB 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15	1 January 2018	This standard amends AASB 15 to clarify requirements on identifying performance obligation, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: a promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer, and for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The standard will also require additional disclosures on service revenue and contract modifications. A preliminary assessment of the changes has not identified any material impact for City West Water.

The following accounting pronouncements are also issued but not effective for the 2017 reporting period. At this stage, a preliminary assessment suggests that they will have insignificant impact on City West Water's reporting.

- AASB 2016-1 Amendments to Australian Accounting Standards Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]
- AASB 2016-2 Amendments to Australian Accounting Standards Disclosure Initiative: Amendments to AASB 107
- AASB 2016-6 Amendments to Australian Accounting Standards Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts
- AASB 2017-2 Amendments to Australian Accounting Standards Further Annual Improvements 2014-16 Cycle.

9.6 Subsequent events

No matter or circumstance has arisen since 30 June 2017 which has significantly affected, or may significantly affect:

- the corporation's operations
- the results of those operations
- the corporation's state of affairs in the financial year subsequent to 30 June 2017.



STATUTORY CERTIFICATION

The attached financial statements for City West Water Corporation (the corporation) have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and accompanying notes presents fairly the financial transactions during the year ended 30 June 2017 and the financial position of the corporation at 30 June 2017.

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

This financial report was authorised for release by the Board of Directors on 22 August 2017.

David Middleton Chair

Melbourne

22 August 2017

David Ryan Managing Director

Michael Wootten Chief Financial Officer

Independent Auditor's Report



To the Board of the City West Water Corporation

Opinion	I have audited the financial report of the City West Water Corporation (the corporation) which comprises the:				
	 balance sheet as at 30 June 2017 comprehensive operating statement for the year then ended statement of changes in equity for the year then ended statement of cash flows for the year then ended notes to and forming part of the financial statements statutory certification. 				
	In my opinion the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2017 and their financial performance and cash flows for the year ther ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.				
Basis for Opinion	I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.				
	My independence is established by the <i>Constitution Act 1975</i> . My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.				
	I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.				
Other information	The Board of the corporation are responsible for the Other Information, which comprises the information in the corporation's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon.				
	My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.				
Board's responsibilities for the financial report	The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i> , and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.				

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Board's responsibilities for the financial report (continued)	In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.
Auditor's responsibilities for the audit of the financial report	As required by the <i>Audit Act 1994,</i> my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to frauce or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.
	As part of an audit in accordance with the Australian Auditing Standards, I exercise professiona judgement and maintain professional scepticism throughout the audit. I also:
	 identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
	I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
	A
MELBOURNE	Roberta Skliros

MELBOURNE 29 August 2017

Roberta Skliros as delegate for the Auditor-General of Victoria

APPENDIX 1 -DISCLOSURE INDEX

City West Water Corporation's 2017 Annual Report is prepared in accordance with all relevant Victorian legislation and pronouncements including Financial Reporting Directions (FRDs), Ministerial Reporting Directions (MRDs) and Standing Directions of the Minister for Finance (SDs). This index has been prepared to facilitate identification of City West Water's compliance with statutory disclosure requirements.

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FRD 22H	Nature and range of services provided	6		
Management and	structure			
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FRD 22H	Workforce data disclosure	13		
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Financial Manager	ment Act 1004	

APPENDIX 2 -KEY PERFORMANCE INDICATORS

ECONOMIC TARGETS	MEASURE	2017 ACTUAL	2017 TARGET	VARIANCE (%)	2016 ACTUAL
Profit before tax	\$m	110.3	83.6	31.9	65.7
Debt > 90 days overdue	\$m	5.3	5.4	1.9	4.4
Operating expenditure	\$m	103.4	106.4	2.9	107.1
Capital expenditure	\$m	90.6	110.7	18.2	88.4
Gearing - (debt / (debt + equity))	%	56.8	60.0	5.3	59.5
SOCIAL TARGETS					
Customers receiving more than five unplanned water supply interruptions in a year	Number	0	72	100.0	0
Customers receiving more than three unplanned sewerage interruptions in a year	Number	0	0	-	0
Unplanned water supply interruptions	per 100 km	31.1	51.6	39.7	31.1
Water main breaks per 100km of water main	Number	44.8	59.6	24.8	42.5
Average time to rectify a sewer blockage	Minutes	141.6	150.0	5.6	126.1
Planned water supply interruptions restored within 5 hours	%	97.4	91.0	7.0	98.4
Average unplanned customer minutes off water supply	Minutes	16.6	32.2	48.4	14.7
Average planned customer minutes off water supply	Minutes	7.0	9.3	24.7	6.2
Average frequency of unplanned water supply interruptions	Number	0.133	0.258	48.4	0.123
Average frequency of planned water supply interruptions	Number	0.058	0.066	12.1	0.051
Correspondence answered within 10 working days	%	100.0	100.0	-	100.0
Average time taken to attend bursts and leaks (priority 1)	Minutes	32.7	24.3	(34.6)	22.6
Average time taken to attend bursts and leaks (priority 2)	Minutes	39.8	45.0	11.6	36.5
Average time taken to attend bursts and leaks (priority 3)	Minutes	255.0	302.5	15.7	244.7
Average time to rectify water faults	Days	2.2	1.1	(100.0)	1.5
Average duration of planned water supply interruptions	Minutes	122.3	137.4	11.0	119.5
Complaints to the Energy and Water Ombudsman Victoria	Per 1,000 customers	0.076	0.199	61.8	0.075
Priority 1 bursts responded to within one hour	%	95.8	99.9	(4.1)	99.8
Sewer spills within a house contained within one hour of notification	%	100.0	100.0	-	100.0
Emergency calls answered within 30 seconds	%	82.2	90.9	(9.6)	86.9
Account enquiries answered within 30 seconds	%	80.7	80.6	0.1	81.5
Calls to Connections and Metering answered within 30 seconds	%	86.6	80.6	7.4	87.6
OTHER TARGETS					
Number of customers receiving three sewer blockages in a year	Number	6	20	70.0	0
ISO 9001: 2008 (Quality)		Retained	Retain	-	Retained
<i>E.coli</i> compliance	%	100.0	100.0	-	100.0
Safe drinking water standards ¹	%	100.0	100.0	-	100.0
Recycled water standards - Class A	%	n/a	100.0	n/a	n/a
Recycled water standards - Class B	%	n/a	100.0	n/a	n/a
Customers receiving five unplanned water supply interruptions in a year	Number	0	323	100.0	62

1. In December 2016 it was discovered that four properties in West Wyndham had been incorrectly connected to Class A recycled water. This was immediately rectified. Under advice from the Department of Health and Human Services an independent health risk assessment was conducted which found that these customers were unlikely to have experienced any illness due to the consumption of recycled water. City West Water also initiated an independent review of the incident and all recommended actions have been completed.

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

APPENDIX 3 -BULK WATER ENTITLEMENT REPORTING

City West Water holds individual delivery entitlements to the water resources of the Greater Yarra System - Thomson River Pool (managed by Melbourne Water), the Victorian Desalination Project (owned and maintained by AquaSure under contract with the Victorian Government) and the Murray and Goulburn river systems (managed by Goulburn-Murray Water).

REPORTING REQUIREMENT	GREATER YARRA SYSTEM - THOMSON RIVER POOL ¹	VICTORIAN DESALINATION PROJECT ²	GOULBURN SYSTEM ³	MURRAY RIVER ⁴
Amount of water taken	clause 16.1(a) 113,195ML	clause 13.1(a) ⁵ 0ML	clause 14.1(b) OML	n/a
Opening carryover as at 1-7-16	clause 16.1(b) ^{6,7}	clause 13.1(a)	clause 14.1(c)	clause 11.1(a)
	123,453ML	OML	7,900ML	4,898ML
Annual water allocation made available during 2017	clause 16.1(b)	clause 13.1(a)	clause 14.1(c)	clause 11.1(a)
	126,159ML	12,199ML	6,833ML	4,787ML
Closing carryover as at 30-6-17	clause 16.1(b) ^{8,9}	clause 13.1(a) ¹⁰	clause 14.1(c) 11	clause 11.1(a) ¹²
	113,919ML	12,199ML	9,882ML	6,416ML
Compliance with entitlement volume	clause 16.1(c) ¹³ 113,195ML	clause 13.1(e) n/a	n/a	n/a
Assignment of bulk entitlement	clause 16.1(d)	clause 13.1(b)	clause 14.1(d)	clause 11.1(b)
	OML	OML	-4,330ML	-2,930ML
Permanent transfer of all or part of this bulk entitlement	Clause 16.1(d) ¹⁴	clause 13.1(b)	clause 14.1(e)	clause 11.1(c)
	2,430ML	None	None	None
Approval, amendment and implementation of the metering program	clause 16.1(e) ¹⁵ continuing	n/a	n/a	n/a
Any amendment of bulk entitlement	clause 16.1(f) ¹⁵	clause 13.1(c)	clause 14.1(f)	clause 11.1(d)
	30 May 2017	None	None	None
Any new bulk entitlement of water granted	clause 16.1(g) None	clause 13.1(d) None	None	None
Any failure to comply with any provision of this bulk entitlement	clause 16.1(h)	clause 13.1(f)	clause 14.1(g)	clause 11.1(e)
	None	None	None	None
Any difficulties experienced or anticipated in complying with this bulk entitlement and any remedial action taken or proposed	clause 16.1(i) None	clause 13.1(g) None	clause 14.1(h) None	clause 11.1(f) None

Notes for compliance with bulk entitlements

- Consolidated bulk entitlement (Greater Yarra System Thomson River Pool - City West Water) Order 2014 as at June 2017. Compliance requirements in clauses 16.1(a)-(i).
- 2. Bulk entitlement (Desalinated Water City West Water) Order 2014. Compliance requirements in clauses 13.1(a)-(g).
- 3. Bulk entitlement (Goulburn System City West Water) Order 2012 as at June 2014. Compliance requirements in clauses 14.1(a)-(h).
- 4. Bulk entitlement (Murray River City West Water) Conversion Order 2012 as at July 2014. Compliance requirements in clauses 11.1(a)-(f).
- 5. Under water accounting practice, desalinated water allocated to City West Water in 2017 is considered to be retained in storage and is reported as carryover (refer Note 10).
- 6. Includes 1,800 ML carried over in City West Water's Gippsland and Southern Rural Water sub-account (refer Note 7)
- On 27 June 2016, Gippsland and Southern Rural Water assigned 1,800ML of water allocation to City West Water for the purposes of supply to the Werribee Irrigation District.
- 8. Inclusive of 9,395ML of spills and 112,258ML carried over in respect of City West Water's Greater Yarra System Thomson River Pool account.
- 9. Inclusive of 139ML of spills and 1,661ML carried over in respect of City West Water's Gippsland and Southern Rural Water sub-account (refer Note 7).

- 10. Desalinated water carried over is held in the Melbourne Headworks System as defined in clause 5 of *Bulk Entitlement (Desalinated Water - City West Water) Order 2014.*
- 11. Inclusive of evaporation of 520ML.
- 12. Inclusive of evaporation of 338ML.
- 13. Annual entitlement volume is 152,797ML.
- 14. On 30 May 2017 the Minister for Water issued *Bulk Entitlement (Greater Yarra System Thomson River Pool (City West Water) Amendment Order 2017* which updated City West water's entitlement volume from 155,227ML to 152,767ML.
- 15. Metering programs for this bulk entitlement are continually maintained and reviewed via the Bulk Water Supply Agreement between City West Water and Melbourne Water and System Management Rules established by Melbourne Water.

City West Water

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