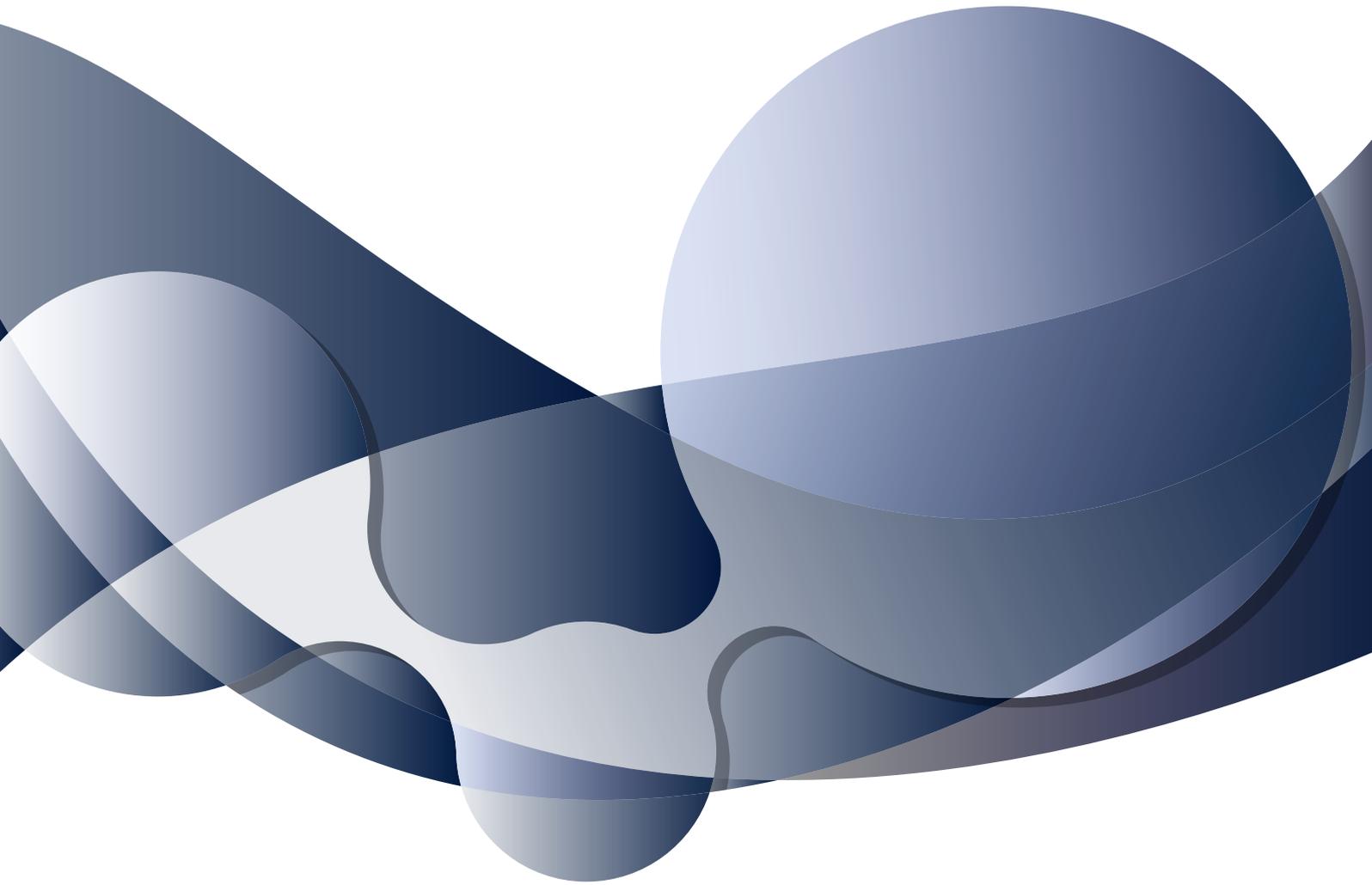




**Southern
Rural Water**

Managing Water. Serving Communities.



Southern Rural Water
Annual Report 2015-16

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An introduction to Southern Rural Water

Gippsland and Southern Rural Water Corporation (trading as Southern Rural Water) manage rural water across the southern half of Victoria, from the Great Divide to the coast, and from the South Australian border to the New South Wales border.

Southern Rural Water (SRW's) customers are principally the farmers, graziers, and growers of southern Victoria. SRW also manage bulk entitlements on behalf of those entitlement holders.

SRW manages three irrigation districts, the state's largest groundwater operation, and its second largest non-metropolitan headworks business.

SRW is a statutory water corporation established under the Water Act 1989. The responsible ministers during the 2015-16 period were:

- the Hon Lisa Neville MP, Minister for Environment, Climate Change and Water for the period from 1 July 2015 to 22 May 2016
- the Hon Lisa Neville MP, Minister for Water for the period from 23 May 2016 to 30 June 2016.

The responsible minister appoints a skills-based board, which is responsible for setting SRW's strategic direction.

Vision

Boosting southern Victoria's food, fibre and regional productivity through outstanding rural water management.

Trademark behaviours

- United
- Customer obsessed
- Ambitious
- Results-driven
- Energetic

History

In the early 1990s, a major change was afoot in Victoria's water sector.

Irrigator protests over the Rural Water Corporation's charges led to the McDonald Review.

In 1992, the review set in train the establishment of the Rural Water Corporation and five regions, each with its own board of Management. On 1 July 1994, the five regional boards became independent rural water authorities – including the Gippsland Rural Water Authority and Southern Rural Water Authority.

On 1 July 1995, these two were merged to form what is today known as SRW, the trading name of the Gippsland and Southern Rural Water Corporation.

SRW manages rural water through close engagement with its customers and stakeholders.

Our services

SRW's main business centres are located in Maffra, Werribee, Ringwood and Warrnambool, with smaller offices scattered across our region of responsibility. SRW employs 166 people, and its area covers 37% of the state. Refer to SRW's area coverage map on page 4.

Irrigation

SRW manages the delivery of water to the Werribee, Bacchus Marsh and Macalister irrigation districts and maintains the channels, pipelines, and drains for these districts.

Large dams

SRW harvests, stores and manages water in Glenmaggie, Narracan, Blue Rock, Melton, Merrimu, Pykes Creek and Rosslynne reservoirs. This water is then supplied to irrigators, urban water corporations and power generators, or retained for the government.

SRW also manages recreational facilities at some water storages and weirs.

Groundwater and rivers

SRW implements government regulations and policy for groundwater and surface water management in accordance with delegated powers from the Water Act 1989. We assess licence applications, issue licences to construct new farm dams and bores (if approved) and manage new and existing groundwater and surface water licences.

SRW is also the appointed Resource Manager for a range of surface water catchments (mostly in Gippsland) and provides administrative support to the Victorian Drillers' Licensing board.

01

Message from the Chairman and the Managing Director

This year SRW continued to focus on delivering the major objectives from our long-term strategic plan, that aims to deliver value to our customers and the state of Victoria. SRW has made excellent progress on:

Irrigation modernisation

- Modernisation projects are progressing in each of our irrigation districts, and we are trialling new technology in our unregulated systems that could transform productivity and customer information.
- SRW secured one-third funding for MID2030 Phase 1B, Werribee Irrigation District (WID) piping and Bacchus Marsh Irrigation District (BMID) modernisation from the State Government, complementing the irrigator contributed one-third. We continue to work on securing the final one-third from the Federal Government.

Great service

- SRW again participated in the Customer Service Benchmarking Australia mystery shopper survey and was ranked first out of 24 participating Australian water authorities.
- We surveyed some of our most significant customers for the first time to better understand what our service means for their businesses and we are working on projects to meet our customers' needs.

More water for production/new revenue

- SRW held its first unregulated water auctions of entitlements in the Merri and Curdies rivers, and Parwan aquifer, making additional water available for production.

- Allocation and permanent water in the Macalister Irrigation District (MID) were sold, making available 2,361ML for production and securing \$1.6M revenue for future modernisation.
- A secured agreement with Melbourne Water and WID customers provided an additional 4GL of recycled water to the district, bringing the total volume to just under 8GL per year, thereby helping secure sufficient water for Werribee to manage through future droughts.
- SRW gained approval for our first native vegetation offset sites with approximately 28 hectares (including both general and specific credits) now available to the market for purchase.

Customer control and convenience

- SRW's new interactive Groundwater Hub was launched, providing online groundwater information for customers and stakeholders looking for information on systems in the south of the state.
- Online bore construction licence applications were launched and received excellent feedback from drillers and customers.
- SRW launched WaterBid, an online water auction site similar to eBay. WaterBid was used for four allocation auctions in the MID and three unregulated water auctions.

Cost reduction

- SRW's corporate plan submission shows a reduction in operating costs of 4% when compared to the 2013-14 year.

Enabling our business

- We are continuing work on our trademark behaviours. This new language is embedded across the organisation, and we are using the behaviours in our recruitment processes.
- The new Diversity and Inclusion Policy and Action Plan have been launched, and work has begun on a range of diversity initiatives.

These projects will provide better service and value for money for our customers and help drive regional job growth while ensuring the sustainability of our water resources, particularly in the face of climate change.

Governance and strategy

SRW welcomed some new board members in October, and we are pleased that four out of our eight directors are women.

The focus remains strongly on delivering our long-term strategic plan. We have four major outcomes we are working towards; great service, more water in production, affordable prices and financial sustainability. We have three major objectives driving these outcomes:

- modernising service
- delivering new revenue
- reducing costs.

Our season

After a relatively normal start to the 2015-16 season, spring and summer were very dry in the South West and South Gippsland. The Werribee basin received only a 15% high reliability water share (HRWS) and the dry spell put considerable strain on

our customers with unregulated water supplies, with many restrictions on the use of unregulated surface water. In the MID, we had a reasonable season regarding water availability, with a 100% HRWS and 20% low reliability water shares (LRWS). Conditions in East Gippsland were relatively normal.

The dry conditions have reduced storage levels for our power generation and urban water customers. There is limited water availability for Western Water in our Rosslynne and Merrimu storages, while Gippsland Water and the power generators' shares of Blue Rock is less than this time last year but not cause for concern in the short term.

We continued to monitor changes in groundwater levels with the impact of the drier seasonal conditions and increased usage. No new groundwater restrictions were required, and we were able to make some short term water available to customers in the Parwan Groundwater Management Area (Bacchus Marsh) for the season.

Thank you

SRW would like to thank our staff who have helped us achieve some great things this year.

As always, SRW value the support from customers, stakeholders, and communities who work with us to provide great service at a fair price, particularly the highly committed people on our customer consultative committees.

In closing, we would like to thank previous, returning and new directors for their work over the course of the year in delivering these outcomes.



Terry Burgi OAM
Chairman

A handwritten signature in blue ink, appearing to read 'T Burgi'.



Clinton Rodda
Managing Director

A handwritten signature in blue ink, appearing to read 'C Rodda'.

01

Message from the Chairman and the Managing Director

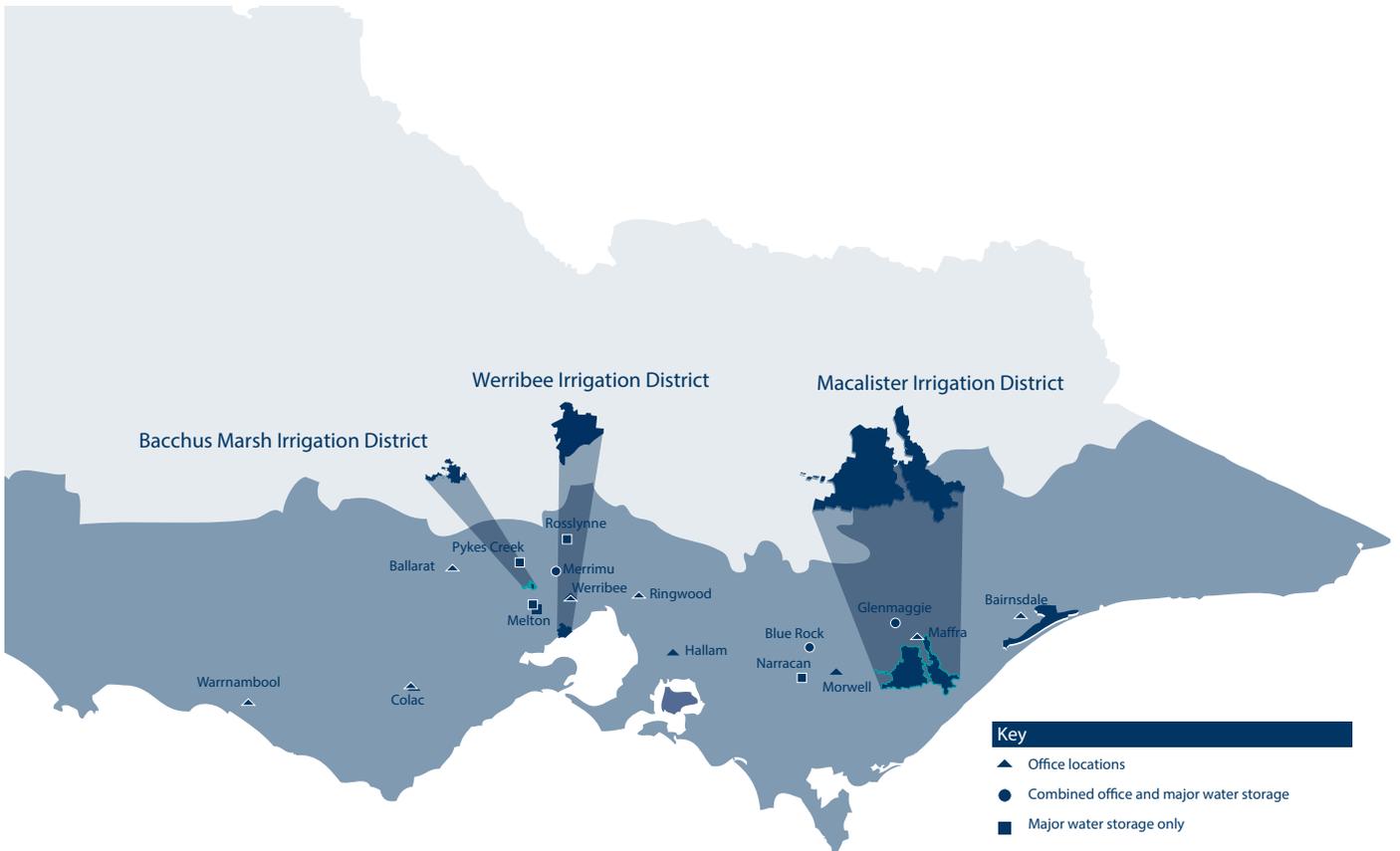
Accountable Officer's attestation

In accordance with the Financial Management Act 1994, I am pleased to present Southern Rural Water's annual report for the year ending 30 June 2016.



Clinton Rodda
Managing Director
Southern Rural Water
30 August 2016

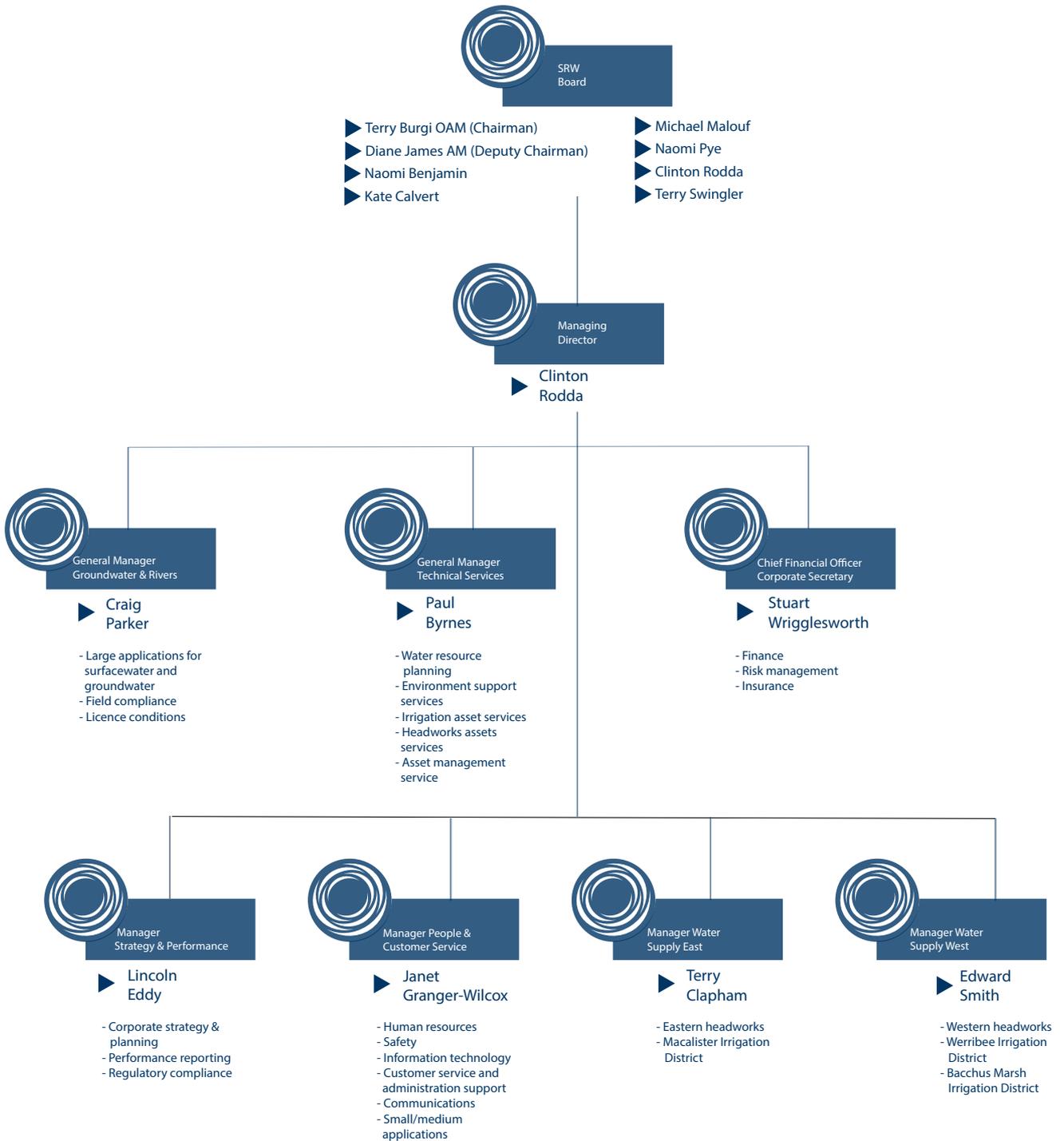
SRW's area coverage map



02

Governance

Organisational structure as at 30 June 2016



Audit and Risk Policy Committee: Terry Swingler (Chairman), Naomi Benjamin, Michael Malouf, Naomi Pye.



Governance

Governance information

Role of the Board

In accordance with the Water Act 1989 the SRW board is responsible for:

- the strategic planning of the corporation
- the management of the affairs of the corporation.

In doing so, the board must be mindful of the sustainable management principles for water corporations; it must also act as efficiently as possible, consistent with commercial practice.

Membership of the board

- The Chairman is appointed by the responsible minister in accordance with the Water Act 1989.
- Directors are similarly appointed by the responsible minister.
- The Deputy Chairman, being one of the appointed directors, is appointed by the board.
- The Managing Director is appointed by the board.
- Directors are appointed on the basis of their qualifications and experience; they do not represent any particular constituency.
- Remuneration is set by the responsible minister.

Board committees

Board committees are established by the board to assist in the detailed examination of matters and to make recommendations to the board.

The Audit and Risk Policy Committee assists the board in discharging its responsibilities for:

- the integrity of the annual financial statements and financial reporting
- exposure to legal and business risk and associated risk management
- the effectiveness of the external and internal audit functions
- the adequacy and effectiveness of financial management, financial control systems, and other internal controls.

Committee members

Terry Swingler was reappointed as Chairman of the committee, and Naomi Pye was reappointed as a member of the committee on 12 November 2015. Naomi Benjamin and Michael Malouf were appointed to the committee on 12 November 2015. Gabrielle Bell and Matthew Coleman were members of the committee from 1 July 2015 to 30 September 2015.

The Asset Governance Committee advises the board on policy, strategy and performance of asset management to ensure it meets the needs of the corporation.

COMMITTEE MEMBERS

Michael Malouf (Chairman) and Kate Calvert were appointed, and Terry Burgi OAM was reappointed to the committee on 12 November 2015. Russell Napper was Chairman of the committee, and Matthew Coleman and Naomi Pye were members of the committee from 1 July 2015 to 30 September 2015.

The Remuneration and Corporate Governance Committee fosters excellence in remuneration and corporate governance specifically to ensure that executive remuneration and corporate governance policies and procedures comply with government requirements and better practice.

COMMITTEE MEMBERS

Terry Burgi OAM was reappointed as Chairman of the committee, and Terry Swingler was reappointed as a committee member on 12 November 2015. Diane James AM and Naomi Pye were appointed to the committee on 12 November 2015. Gabrielle Bell and Andrea Killeen were members of the committee from 1 July 2015 to 20 September 2015.

The Organisational Culture Committee advises the board on policy, strategy and performance of organisational culture to ensure it meets the needs of the corporation.

COMMITTEE MEMBERS

All members of the board are members of the Organisational Culture committee, and were appointed on 12 November 2015. The Deputy Chairman, Diane James AM, is the committee Chairman. Andrea Killeen was Chairman of the committee, and Gabrielle Bell, Matthew Coleman and Russell Napper were members of the committee from 1 July 2015 to 30 September 2015.

Board activities for the year

Development opportunities in the past year included:

- participation by directors at the VicWater annual conference held on 10-11 September 2015
- participation by all non-executive directors at the VicWater director development program
- directors completing Australian Institute of Company Directors training as applicable
- participation by two directors at the VicWater Finance Conference, held on 26-27 May 2016.

Board meetings were held at strategic locations across southern Victoria, providing the opportunity for inspection tours, meetings with customers and stakeholders to discuss water matters and to maintain and further extend relationships, and to gain exposure to customer issues and industry trends in development.

Board meetings held with stakeholders

Date	Location - description
August 2015	Warrnambool: inspection tour of Warrnambool Cheese and Butter facilities, and subsequent meeting with customers and stakeholders at which a new approach to managing the south-west groundwater aquifer was discussed.
September 2015	Werribee, inspection tour of the BMID, along with a tour of a customer property where significant on-farm investment has been made. A meeting with customers and stakeholders followed, at which the modernisation strategy for the WID and BMID were discussed by the Managing Director.
November 2015	Point Cook: first meeting of the new board of directors.
March 2016	Geelong: inspection tour of various properties, where customers briefed the board on current issues around water availability. A meeting was held with customers and stakeholders, where Barwon Water's Managing Director discussed matters of joint interest, and at which management presented on the Werribee groundwater resource.
May 2016	Maffra: joint inspection tour with the Macalister Customer Consultative Committee (MCCC) of the MID, to consider flood operations and the impact of flood upon the community. A meeting was held with members of the MCCC.



Governance

Board and board committee meetings attendances 2015-16 summary

	Board meetings	Audit and Risk Policy Committee	Asset Governance Committee	Remuneration and Corporate Governance Committee	Organisational Culture Committee
Terry Burgi OAM	12 of 12		3 of 3	3 of 3	2 of 2
Andrea Killeen ²	5 of 5			1 of 1	
Gabrielle Bell ²	5 of 5	1 of 1		1 of 1	
Matthew Coleman ²	5 of 5	1 of 1	1 of 1		
Russell Napper ²	5 of 5		1 of 1		
Naomi Pye	12 of 12	7 of 7	1 of 1	2 of 2	2 of 2
Clinton Rodda	12 of 12				2 of 2
Terry Swingler	11 of 12 ¹	7 of 7		3 of 3	2 of 2
Naomi Benjamin	7 of 7	5 of 5			2 of 2
Michael Malouf	7 of 7	4 of 5 ¹	2 of 2		2 of 2
Kate Calvert	7 of 7		2 of 2		2 of 2
Diane James AM	7 of 7			2 of 2	2 of 2

¹On board-approved leave

²Completed term of appointment on 30 September 2015.

Director profiles

Mr Terry Burgi OAM Chairman

Mr Burgi is a fruit grower in the Yarra Valley. He has more than 30 years' experience representing farmers in industry organisations at regional, state and federal levels and is a CFA volunteer with more than 45 years of active service. Mr Burgi has a degree in engineering (agricultural) from the University of Melbourne and has previously worked in the water industry. He is a Fellow of the Australian Institute of Company Directors and a Member of the Institution of Engineers Australia. In June 2016 Mr Burgi was awarded an Order of Australia Medal for services to agriculture and the community. Mr Burgi was appointed to the board on 1 July 2004. Mr Burgi was appointed as Deputy Chairman in August 2010 and Chairman in October 2011.

Ms Diane James AM Deputy Chairman

Ms James has a background in business ownership and development and works as a mentor and coach in leadership development. She is the Chair of Bellarine Bayside Committee of Management and a former Chair of the Victorian Coastal Council. She is a director of St Laurence Community Services and a former director of Barwon Water. Ms James is an accredited Executive Coach, a Fellow of the Australian Institute of Company Directors, and has a Graduate Certificate in Innovation and Entrepreneurship. In 2013, she was awarded a Member of the Order of Australia. Ms James was appointed to the board on 1 October 2015.

Ms Naomi Pye Director

Ms Pye is a dairy farmer at Bessiebelle. She is a director of the Gardiner Dairy Foundation (appointed 2016) and was a director of the Glenelg Hopkins Catchment Management Authority (2006-11) and has previously held board and committee roles with the Victorian Farmers Federation (1999-07), WestVic Dairy Project Steering Committee (2000-06) and Australian Dairy Farmers (2005 -06). Before her appointment to the board of Southern Rural Water, she was a member of the Southern Groundwater & Rivers Forum, a customer consultative committee of SRW. Ms Pye has a Diploma of Teaching and an Advanced Diploma of Agriculture; she is a Graduate of the Australian Institute of Company Directors. Ms Pye was appointed to the board on 1 October 2011.

MS Kate Calvert Director

Ms Calvert has extensive experience in natural resource management and has previously held various roles in Landcare. Her family run a sheep and cropping enterprise in Western Victoria. Ms Calvert has a Master of Science (Environmental Management) and a Graduate Diploma of Education. She is a graduate of the Australian Institute of Company Directors. Ms Calvert was appointed to the Board on 1 October 2015.

Mr Michael Malouf Director

Mr Malouf is the director of Malouf Management Services Pty Ltd and is a Sessional Member at Planning Panels Victoria. During his career, he has held CEO positions at Melbourne, Geelong, and Wyndham city councils, was the CEO of the Carlton Football Club, held executive roles for Pratt Holdings and more recently was the Managing Director at Barwon Water. Mr Malouf is a director at Western Victoria Primary Health Network. He has a Master of Business Administration, Bachelor of Civil Engineering and is a Fellow of the Australian Institute of Company Directors, the Institution of Engineers and the IPAA. Mr Malouf was appointed to the board on 1 October 2015.

Mr Terry Swingler Director

Mr Swingler has vast experience in the water industry having held senior roles as Yarra Valley Water's General Manager Finance and Company Secretary (1986- 1995) and Corporate Secretary with Melbourne Water (1986-2012). He has also been a Director of Equisuper Pty Ltd (2012-16) and the Victorian Government's nominated Director on the Joint Government Enterprise Ltd (trading as Water for Rivers) (2012-15). Mr Swingler has a Diploma of Business (Accounting) and is a Fellow of CPA Australia, Governance Institute of Australia and the Australian Institute of Company Directors. Mr Swingler was appointed to the board on 1 October 2013.

Ms Naomi Benjamin Director

Ms Benjamin has extensive experience in the property sector. She is the former Chief Financial Officer of the Elmstone Property Group, and a current director of SANB Valhalla a property investment vehicle. Ms Benjamin is a director of Sport Climbing Australia. She holds a Bachelor of Business Studies and is a Graduate of the Australian Institute of Company Directors. Ms Benjamin was appointed to the board on 1 October 2015.

Mr Clinton Rodda Managing Director

Mr Rodda joined Southern Rural Water in 2005 after spending 17 years in the utilities sector and 10 years in management consulting. He has previously held senior management roles with Energy Brix and Eastern Area Power Grid and has worked nationally and internationally as a consultant. He holds a Bachelor of Business, a Master of Business Administration, and a Diploma in Ontological Coaching and is a member of the Australian Institute of Company Directors. Mr Rodda was appointed Managing Director on 4 July 2009 and reappointed in March 2014 for a further five years effective from July 2014.



Serving customers

Customer engagement

SRW sees its primary driver to be adding value to our customers. We listen to and work with our customers in a wide variety of ways.

There is a range of customer advisory and reference groups.

The main strategic aim is that customers believe SRW provides great service at a fair price.

Customer committees play the crucial role of providing customer views, which help SRW to pursue this aim. Their input is greatly valued.

Water Supply (Irrigation)

SRW must understand its customers' needs and desires, so that it can provide water supply to customers in the best possible way.

To complement work with individual customers, SRW has a formal consultation process to ensure customer input into its operations and long-term planning.

SRW's core committees are the:

- Macalister Customer Consultative Committee
- Werribee Bacchus Marsh Customer Consultative Committee
- Wellington Community Salinity Group.

These committees are responsible for:

- providing a customer's view on key business issues
- building an understanding of issues facing customers, and identifying current and future expectations
- working with staff to develop business plans that identify prices, investment priorities and service/performance measures and standards

- improving relationships with customers through communication, problem solving and dispute resolution
- linking the business to the community.

The committees meet on a monthly or bi-monthly basis and contribute to developing plans and responses for both immediate and longer-term issues.

These committees are sometimes supplemented with working groups and other committees as required.

Groundwater and Rivers

SRW consults with water users across southern Victoria on the wide range of services provided through the Groundwater and Rivers business.

The core committee is the Southern Groundwater and Rivers Forum, which meets quarterly.

This committee provides:

- a forum to help shape SRW's approach to operations and policy implementation
- high-level input into plans for the Groundwater and Rivers business
- a strong communication link between SRW and its licence holders.

In the more intensive areas of groundwater and surface water use, SRW maintains local area committees to review aquifer and river response, especially in times of drought.

These committees meet annually.

Headworks

The Headworks business has a small number of customers (bulk entitlement holders). There are processes in place to meet both the consultation requirements of the bulk entitlements and to ensure regular engagement with these customers, including:

- management and operational staff meet with customers several times a year to share and discuss policy, strategic and operational matters
- bulk entitlement meetings where bulk entitlement holders and resource managers meet to discuss storage operator charges, forward capital estimates, environmental matters, and operational issues.

Customer service improvements

One of SRW's trademark behaviours is customer obsessed, and several of our strategic objectives focus on customers (including customer control and convenience, more water for production, and modernising irrigation assets). SRW has several significant cross-business customer service improvement projects underway, including:

- making all transactions available online
- better systems for managing customer data
- a focus on breakthrough operation expenditure reduction, to return either lower prices or better service to customers.

SRW again participated in the Customer Service Benchmarking Australia (CSBA) mystery shopper survey and ranked first out of 24 participating Australian water authorities. Customer service staff continue to work on improving the way SRW interacts with customers.

Feedback

All feedback is valuable.

SRW seeks feedback from its customers and stakeholders in many ways, including:

- customer committees

- regular surveys of customers in all businesses
- feedback forms sent to all licence applicants
- regular stakeholder meetings
- board meetings being conducted across the state involving visits and meetings with customers and stakeholders
- staff talking to customers as they visit their properties
- customer feedback via our website.

Customers who feel that a complaint has not been satisfactorily resolved can contact the Energy and Water Ombudsman Victoria (EWOV) on 1300 500 509.

Indigenous affairs

SRW seeks to advance its understanding and recognition of indigenous social, spiritual and customary rights. During 2015-16, actions included:

- working towards forming a partnership with the Gunaikurnai Land and Water Aboriginal Corporation (GLaWAC)
- collaborating with GLaWAC to name the new Southern-Cowwarr balancing storage
- participating in Victorian Aboriginal Heritage Council stakeholder meetings
- exploring further opportunities to develop our relationships with registered aboriginal parties across our region.

SRW continued to:

- consult with indigenous groups when planning any major project on waterways
- support NAIDOC Week activities.

SRW's policy on the Involvement and Acknowledgement of Traditional Custodians requires that for ceremonial events, SRW will:

- identify, and liaise with, the relevant group of traditional custodians
- contact traditional custodians well in advance of planned ceremonial events and invite traditional custodian participation
- invite an appropriate representative of the traditional custodians to make a welcome to country statement
- formally acknowledge traditional custodians.

Hardship and drought

SRW knows that a range of personal and external issues – including a hot and dry summer, market fluctuations and personal hardship – often affects many of its customers' businesses.

SRW has a Customer Charter, which includes a section on customer hardship. This formalises payment plan arrangements, where an account service fee is levied for those customers who opt for an individual payment plan. Interest is not charged where an account service fee applies, which acts to lower the cost to the customer while allowing SRW to recoup adequate charges to meet its cost of debt.

The policy states that where customers experience hardship, SRW will seek to understand their situation and find responses that are mutually acceptable.

Solutions will be tailored that assist the customer and do not negatively affect SRW's financial performance (such as waivers or rebates) or require a cross-subsidy from other customers.

In the 2015-16 financial year, a large section of our customer base has been affected by the collapse in dairy prices and very low water allocations in the Werribee system. To help alleviate associated cashflow pressures and provide an opportunity for customers to re-set their financial plans, the following concessions were introduced:

- a five month repayment holiday was offered for those customers with outstanding payments due to us
- the due date for approx \$2M of invoices due for payment to us in July 2016 have been deferred to October 2016.

Community service obligations

During 2015-16, SRW granted \$14,289.54 in pensioner concessions. This compares with \$13,845.68 the previous year.

Sponsorship

SRW is committed to building its relationship with the communities it serves in southern Victoria. One of the ways we do this is through sponsorship.

Sponsorship focuses on not-for-profit activities that:

- strengthen local communities
- promote the sustainable environmental practice
- educate, particularly on water-related topics.

SRW provides sponsorship to community groups and organisations, industry events or activities and to staff involved in charitable events or extraordinary not-for-profit personal endeavours.

For example, this year we provided sponsorship to the Heyfield Primary School towards its new vegetable garden.



Serving customers

Community involvement

SRW staff are involved in local communities in many ways.

They attend numerous community events to promote rural water awareness. During 2015-16, staff attended events such as Farm World at Lardner Park, Sheepvention Field Days and the inaugural Gippsland Irrigation Expo. SRW hosts numerous tours for local schools, community groups and international aid groups, particularly in our irrigation districts and at our large dams. Under the auspices of Water Week, we host children from local primary schools on specifically designed tours in our irrigation districts.

Freedom of information

SRW is considered to be a government agency under the Freedom of Information Act 1982 and is required to comply with procedures that have been prescribed, which allow members of the public to gain access to information held by agencies.

A decision to release information is made by Hayley Johnson, our Freedom of Information Officer.

During 2015-16, SRW received nine requests for information under the Act; one request was transferred to another agency.

Reviewing	
Internal review	0
Appeal hearing	0
Review by FOI Commissioner	1
Result	
Information released in full	0
Information released in part	1
Information denied in full	0
Information not released	1
No documents/cancelled request	1
Response still required	4

How to make an application

An application fee of \$27.90 applies at the time of this report's publication.

All freedom of information requests should be sent to:
The Freedom of Information Officer,
Southern Rural Water

04

Working with stakeholders

Working with stakeholders

SRW aims to not only meet defined stakeholder obligations on time and in full but also to work with stakeholders at a deeper level to help them meet their objectives within relevant policy constraints. SRW's region includes the metropolitan wholesale water corporation, six metropolitan retail water corporations, three retail urban corporations, five catchment management authorities, more than 25 rural municipalities and many more councils in urban Melbourne.

SRW also works closely with other State Government agencies – especially the Department of Environment, Land, Water and Planning (DELWP) – in its delegated licensing functions, as well as the Environment Protection Authority, Department of Health and the Essential Services Commission.

Some of the many other stakeholder groups we work with include:

- the responsible Minister and her staff
- Department of Treasury and Finance
- primary industry groups such as the Victorian Farmers Federation
- Environment Victoria
- Federal Government agencies such as the Bureau of Meteorology
- the Energy and Water Ombudsman of Victoria
- environmental and sustainability groups
- regional development organisations.

SRW welcomes the challenge of maintaining close working relations with these entities.

We have developed a suite of approaches to suit the different situations of each stakeholder. These include regular senior management meetings with:

- Wellington Shire Council for the MID and Lake Glenmaggie; Wyndham City Council for the WID; Moorabool Shire Council for the BMID, Pykes Creek Reservoir and Merrimu Reservoir; and Melton Shire Council for the Melton Reservoir
- Melbourne Water, West Gippsland Catchment Management Authority and Port Phillip and Westernport Catchment Management Authority, about land and water resource management issues and initiatives, particularly for irrigation districts and storages
- the bulk entitlement holders for the Latrobe and Werribee/Maribyrnong systems.

SRW relies on a less structured but close dialogue with other municipalities, water corporations and catchment management authorities across southern Victoria.

SRW contributes to development and implementation of policy with the DELWP, and the Environment Protection Authority.

Emergency preparedness

SRW prepare for emergency management by training staff, maintaining and testing emergency plans and by establishing and maintaining relationships with emergency services and interdependent stakeholders.

SRW's most recent emergency exercise was held in April 2016. The exercise involved several emergency agencies as well as participants from organisations that rely on SRW such as other water corporations and the power industry. The exercise scenarios impacted our Eastern Water Supply business, in both the irrigation and dams areas. The scenarios tested SRW's response to a series of regional earthquakes and a hazardous material incident. It was our first test under the new emergency management legislation.

SRW received positive feedback from participants and from the minister's representative observing the exercise. The test improves staff skill and awareness, creates and maintains networks with other emergency agencies and allows us to identify where we can improve our plans.

The next exercise will take place in 2016-17 and focus on our Water Supply West business.

SRW joined the municipal and regional emergency management planning forums, as well as in state and national security and business continuity networks to remain abreast of issues and good practice.

Leadership team

The SRW leadership team includes the following members:



People and culture

Clinton Rodda Managing Director

Clinton joined SRW in 2005 after spending 17 years in the utilities sector and 10 years in management consulting. He has been Managing Director since 2009. Clinton has previously held senior management roles with Energy Brix and Eastern Area Power Grid and has worked nationally and internationally as a consultant. Clinton holds a Bachelor of Business, a Master of Business Administration, a Diploma in Ontological Coaching and is a member of the Australian Institute of Company Directors. Clinton recently completed the 'Leader of the Future' program with JMW Consultants Inc.

Paul Byrnes General Manager Technical Services

Paul joined SRW in 1999, having held technical positions in several rural water authorities. He brings a strong background in water and asset management. He has had a lead role in establishing strategic reviews of the irrigation districts and in implementing major water saving and technology projects. Paul holds a Bachelor of Engineering, Graduate Diploma in GIS and Remote Sensing and a Graduate Certificate in Water Engineering.

Craig Parker General Manager Groundwater and Rivers

Craig started with SRW in 2000 as a field officer in the Moe office. He has worked in many roles within the business and was appointed Manager Groundwater and Rivers in early 2008, and then General Manager Groundwater and Rivers in 2010. He is actively involved in customer committees to be able to understand the challenges faced by farmers.

Edward Smith Manager Water Supply West

Edward was appointed as Manager Water Supply West in 2011. He joined SRW in December 2006 as the project manager for the unbundling of water entitlements in SRW's regulated systems, which gave him a broad understanding of how irrigation districts work. He has also been involved in the transfer of unregulated licence information to the State Water Register. Before his current appointment, he worked on several strategic projects including the balanced scorecard. Edward has worked as a business analyst for an asset management company maintaining and upgrading the London Underground rail system.

Terry Clapham Manager Water Supply East

Terry was appointed as Manager Water Supply East in November 2011. With a mechanical background in the automotive and offshore drilling industries, he joined the Rural Water Commission (now SRW) in 1987 to work in field operations. Since then he has held planning, coordination, and supervisory roles, and been instrumental in developing and implementing environmental and efficiency projects in the Macalister Irrigation District.

Stuart Wrigglesworth Chief Financial Officer and Corporate Secretary

Having grown up on a family farm supplied from the Macalister system, Stuart joined SRW as Finance Manager in late 2005 and was appointed Chief Financial Officer in 2011. He has six years' experience working in professional practice for Pricewaterhouse Coopers in Melbourne and South Africa, as well as more than five years in the UK working in finance and accounting roles for a number of commercial and public sector businesses. Stuart holds a Bachelor of Commerce and is a member of the Institute of Chartered Accountants.

Lincoln Eddy Manager Strategy and Performance

Lincoln joined SRW in 1997 as a Project Accountant and was appointed Manager Financial Services in 2000. He was appointed Manager People and Performance in late 2009, and took up the role of Manager Strategy and Performance in 2014. Lincoln holds a Bachelor of Business and has previous experience as an accountant in the education sector, as well as a period running his own manufacturing business.

Janet Granger-Wilcox Manager People and Customer Service

Janet spent 12 years in journalism before moving into public relations, working in the rural sector in Victoria as well as in the disability sector in Sydney and Melbourne. She joined SRW in 2006 as its Communications Manager and was appointed as Manager People and Customer Service in 2014. She holds a Master of Arts in Communication Management.

Workforce data

As at 30 June 2016, there were 166 people employed at SRW. By comparison, at the same time last year SRW employed 163 people.

Breakdown of staff by function as at 30 June 2016					
Category	2015-16		2014-15		
Executive officers	5	3%	5	3%	
Senior management	3	2%	4	5%	
Administration staff	29	17%	31	18%	
Finance staff	8	5%	9	6%	
Operational staff	121	73%	114	69%	
Total	166		163		

Comparative staffing numbers by gender and employment category, 2013 to 2016							
Category	2015-16		2014-15		2013-14		
Female							
Permanent full-time	19	11%	22	13%	22	13%	
Permanent part-time	18	11%	14	9%	16	10%	
Temporary full-time	5	3%	0	0%	0	0%	
Temporary part-time	0	0%	1	1%	0	0%	
	42	25%	37	23%	38	23%	
Male							
Permanent full-time	114	69%	113	73%	121	73%	
Permanent part-time	5	3%	7	4%	7	4%	
Temporary full-time	5	3%	6	4%	0	0%	
Temporary part-time	0	0%	0	0%	0	0%	
	124	75%	126	77%	128	77%	
Total	166		163		166		

Staff service in excess of 10 years	Male no.	Female no.
10–15 years	29	7
15–20 years	16	1
20–25 years	9	4
25–30 years	1	0
More than 30 years	12	0

Reason for cessation of employment	2015-16
% turnover of total staff	9.58%
Resignation	8 staff members
Retirement	5 staff members
Dismissed	3 staff members



People and culture

Our people

SRW employs 166 staff across its 20 southern Victorian work sites. Employees work within irrigation, headworks, groundwater and rivers, engineering, technical and corporate functions.

The SRW Enterprise Agreement 2014 (EA) is the main industrial agreement that regulates staff pay and conditions. The EA was negotiated in 2014 and approved by the Fair Work Commission for a period of three years until the end of September 2017.

SRW also employs five executives including the Managing Director under contract conditions regulated by the State Government Executive Remuneration Panel.

An Employee Consultative Committee (ECC) provides a forum to discuss and resolve industrial issues. The ECC can also consider issues and redress claims of unfair or unreasonable treatment.

Position descriptions are in place for each role.

SRW's selection process assesses candidates against advertised job prerequisites and selection criteria, based on the merit and equity employment principles established under the Public Administration Act 2004. All new employees receive a formal induction.

Pay and entitlements are administered in accordance with signed employment contracts and approved industrial agreements.

SRW is an equal opportunity employer and operates a smoke-free work environment.

There is a range of measures in place to ensure SRW provides equal employment opportunities, including policies and procedures, seven trained internal Contact Officers, two LGBTI Contact Officers and regular reviews of our compliance with legal and government obligations. Training

to prevent and deal with discrimination, bullying and harassment was provided to staff during the year.

The SRW Women's Network, Aurora, has been a self-managing team for more than 10 years. Aurora's annual conference attracts women from all levels of SRW. This year, Aurora welcomed a small number of men to the conference to engage and expose them to opportunities and challenges faced by women.

Performance Development Planning (PDP) continues to be a major focus. The PDP program provides a forum for line managers and employees to discuss key job objectives, performance plans, and development. Training and development needs are assessed, and actions put in place for the year ahead.

SRW worked with VCCI and DDI to provide a range of business training for staff. Some employees are studying higher level Certificate 3, 4, diploma and university degree courses. Senior managers completed the 'Leader of the Future' course with JMW Consultants Inc.

SRW believes that to achieve a high performance culture; its people need to embrace trademark behaviours considered critical to success. These are:

- United
- Customer obsessed
- Ambitious
- Results driven
- Energetic.

Internal 'trademark behaviors' facilitators continue to work across SRW to make the trademarks meaningful to every employee, with the 2016 focus being on united and results driven.

Employment and conduct principles

SRW is committed to applying merit and equity principles when appointing staff. SRW practises the DDI model of Targeted Selection Interviewing and all panel members must be trained before participating in any selection process. The selection process ensures that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and capability without discrimination.

Diversity Action Plan (workforce inclusion)

SRW is working towards creating a balanced working environment where equal opportunity and diversity are valued.

We recognise the important distinction between diversity and inclusion. The two need to coexist for diversity to have benefit to the organisation, or to individuals.

Diversity at its fundamental level provides specific, measurable results. Inclusion is far less specific but is a vital underpinning for the success of diversity.

Inclusion involves acceptance, fair treatment, and equal opportunity for everyone. Lack of inclusion does not only affect those of a diverse background. It also relates to bullying, unfair treatment and other unacceptable behaviour.

Having an inclusive workplace, in all our locations, offices, crews and teams, is essential.

SRW encourages everyone to call out non-inclusive behaviours when they see them.

What have we done?

SRW has joined Pride in Diversity, a partnership supporting LGBTI workplace inclusion. Employees at SRW participated in education programs with Pride in Diversity during 2016.

To encourage young people to consider a career in water, we have partnered with the Broadening Horizons Gippsland Program to

support year 8 students through an inquiry-based project and mentoring program in order to improve student educational aspirations and to increase their awareness of the diverse career opportunities in the Gippsland region. SRW also hosts work experience students from local secondary schools.

The Aurora network is open to all women and focuses on supporting, developing and empowering women in their lives and careers. To attract more women applicants SRW has updated its templates to include statements that encourage women to apply and highlights its commitment to workplace flexibility.

SRW offers placement opportunities for university students and works with people nearing retirement to transfer their valuable knowledge to their colleagues at SRW.

Compliance with the Carers Recognition Act 2012

SRW is not responsible for developing or providing policies, programs or services that affect people in care relationships.

SRW does support staff with an entitlement for personal leave in line with the National Employment Standards and SRW Enterprise Agreement.

Compliance with the Protected Disclosure Act 2012

The Protected Disclosure Act 2012 enables people to make disclosures about improper conduct by public officers and public bodies. The Act aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

What is a 'protected disclosure'?

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body.

SRW is a "public body" for the purposes of the Act.

What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

- mismanagement of public resources
- risk to public health or safety or the environment
- corruption.

How do I make a 'protected disclosure'?

You can make a protected disclosure about SRW or its board members, officers or employees by contacting IBAC on the contact details provided below.

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

Diversity goal	Baseline 2013	Target 2018	June 2016
Increase the proportion of women at SRW	20%	30%	25%
Increase the proportion of women in executive roles	0%	20%	13%
Increase the proportion of women in supervisory/management positions	15%	30%	20%
Increase the proportion of women in professional and field roles	5.5%	15%	11%
Maintain or increase proportion of under 25 year old staff	4.2%	Above 8%	3.05%
Maintain or increase proportion of staff who identify as of ATSI descent	1.8%	3%	3%



People and culture

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

SRW has established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about SRW or its employees. You can access SRW's procedures on its website at: www.srw.com.au

Contacts

Independent Broad-Based
Anti-corruption Commission Victoria
Level 1, North Tower, 459 Collins Street,
Melbourne, Victoria, 3000

Mail: IBAC, GPO Box 24234, Melbourne,
Victoria, 3001

Website: www.ibac.vic.gov.au

Phone: 1300 735 135

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

Occupational health and safety

SRW continued to manage our Occupational Health and Safety (OH&S) responsibilities in accordance with legislation and our continuous commitment to providing a safe workplace environment for the welfare of our employees.

An external OH&S management system compliance review was undertaken by Safety System Consulting in the past 12 months. This process involved a desk top audit of the management system that resulted in a compliance rating of 84%. Actions to improve compliance are based on priority and impact to the business.

We are committed to delivering our wellbeing program and conducted our flu vaccination within the financial year. The health checks will follow in August and September.

Consultation remains strong with staff through the Health, Safety and Environment Committee and we completed four meetings as per the schedule requirement. SRW is committed to participating in the Victorian Water Industry OH&S Network to discuss and share industry-related issues and achievements, which includes benchmarking statistical performance.

The health and safety strategy's primary objective is for an incident free and zero harm workplace and to ensure our people return home safely.

Incident management

There was a slight decrease in the number of serious incidents when compared to the last two years.

OH&S indicators for 2015-16

Indicator	2015-16	2014-15	2013-14
Number of lost time injuries for the year	3	5	4
Lost time injury frequency rate (per million hours worked)	9.5	15.7	12.8
Number of days lost due to injuries incurred during the year	788 ¹	477	8
Number of medical treatment injuries for the year	3	1	3
Total number of incidents	9.5	18	20
Total number of incidents (excluding near miss reporting)	23	18	20
Standard lost Claims exceeding employer liability (>10days)	2	5	1
Average cost per compensation claim	\$15,048	\$8,846.80	\$2,314
Number of reported hazards closed out	297	163	528
Number of workplace inspections completed	51	56	62

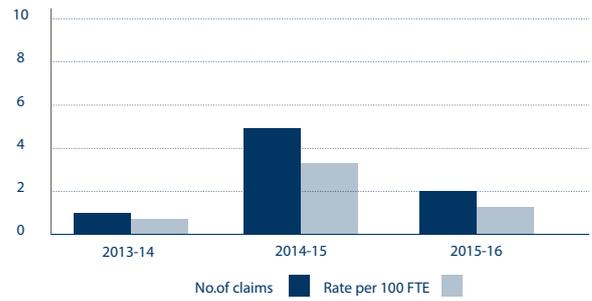
¹ The total days lost for the financial year increased due to the carryover of three incidents from the previous year. These matters are being progressively resolved.

Number of incidents and rate per 100 FTE



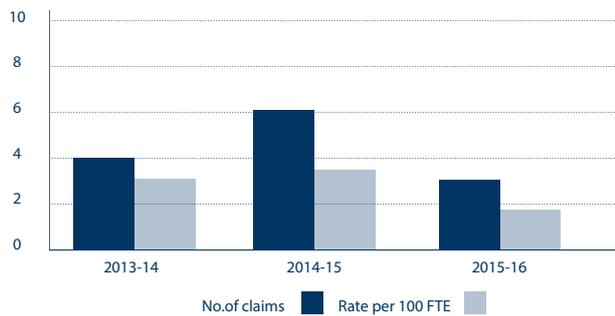
	2013-14	2014-15	2015-16
Rate per 100 FTE	26.2	25.2	26.5
Incidents	41	40	42

Standard claims and rate per 100 FTE



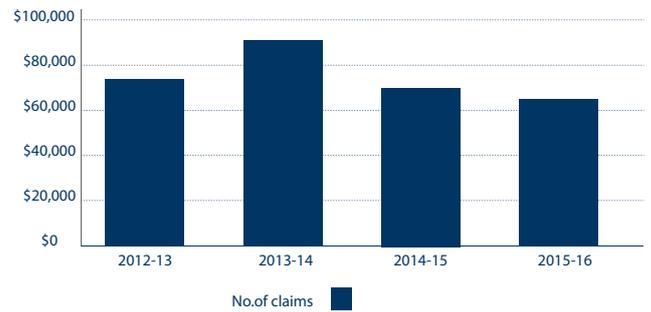
	2013-14	2014-15	2015-16
Rate per 100 FTE	0.6	3.1	1.3
No. of claims	1	5	2

Lost time claims and rate per 100 FTE



	2013-14	2014-15	2015-16
Rate per 100 FTE	2.6	3.8	1.9
No. of claims	4	6	3

Premium policy



	2012-13	2013-14	2014-15	2015-16
Rate per 100 FTE	\$77,996	\$91,323	\$70,293	\$66,228



Water systems

Water Supply

Water Supply is the largest component of SRW's operations, accounting for 65% of gross annual turnover.

SRW operates the Macalister, Werribee and Bacchus Marsh irrigation districts, and is responsible for seven storages in its region, together with a number of smaller regulating structures. The storages include Blue Rock Lake, Lake Glenmaggie, Lake Narracan, Melton Reservoir, Merrimu Reservoir, Pykes Creek Reservoir and Rosslynne Reservoir.

From these storages, SRW harvests and stores water for irrigation customers, urban water corporations and the Latrobe Valley power generators in accordance with the provisions of Bulk Entitlement Orders.

Water Supply East

Eastern Irrigation Business

Eastern Irrigation Business manages the delivery of water to customers in the MID and on the Macalister and Thomson rivers and Rainbow Creek.

The main storage (Lake Glenmaggie) and diversion weirs (on the Thomson and Macalister rivers) provide water to about 1,000 customers. The bulk of this water is delivered via gravity irrigation from 15 August to 15 May. River customers who pump direct from waterways can order water 365 days a year.

The 2015-16 irrigation season opened with an allocation on 1 July of 80% HRWS. Rainfall in late June and early July boosted inflows into Lake Glenmaggie, this along with the inclusion of our Thomson Dam entitlement, allowed the seasonal allocation to increase to 100% of HRWS on 27 July.

Continued steady inflows throughout July saw Lake Glenmaggie close to capacity, with releases commencing on 29 July. We manage the Lake Glenmaggie volume during the spring with release strategies and aim to have the reservoir at full capacity between 15 September and 1 October. Lake Glenmaggie was at full capacity on 27 September.

Spill entitlement was available for customers until 29 September 2015, with 5,586.9ML delivered. The unusually small amount of spill entitlement delivered meant that customers were using allocation from HRWS earlier than usual. This led to an increase in allocation trades as customers completed their water budgets in response to a dry season.

Dry conditions continued throughout the remainder of the spring and into the summer period. Allocation remained at 100% HRWS until early January when rain in the catchment boosted inflows into Lake Glenmaggie that allowed paying back of the water we used from the Thomson

Dam entitlement earlier in the season. We were able to allocate 10% LRWS in early February. Another two small increases of 5% LRWS were allocated in late March and April, bringing our final allocation for the season to 100% of HRWS and 20% of LRWS.

The Thomson Dam entitlement opened the season with a volume of 38,550ML with inflows totaling 8,373ML. Usage for the season totalled 6,037ML. In an effort to provide assistance to our Werribee customers facing a zero opening allocation in the 2016-17 season, 3,000ML of unused allocation from Macalister customers in the 2015-16 season was transferred via Western Water and City West Water to supplement Werribee irrigation leaving a remaining volume of 37,888ML (plus inflows) for the 2016-17 season.

Irrigation deliveries to customers this season totalled 141,588ML, which is slightly below our target deliveries of 147,454ML. Allocation trades were up this season with a total of 596 trades completed, with 22,414.7ML traded. This volume includes 254 trades totalling 3,000ML of unused allocation purchased for Werribee customers.

Lake Glenmaggie closed the season with a volume of 42,575ML or 24% on 15 May 2016, of which 24,462ML was unused allocation. This compares to 83,727ML or 47% on 15 May 2015.

Irrigation district performance against target 2015-16

	Macalister	
	Target %	Actual %
Flow rate consistency (automated outlets)	87.0	84.4
Orders delivered within one day of request	96.0	98.4
Orders delivered at right time of day (am or pm)	72.0	87.3
Delivery reliability	99.0	100.0
Delivery efficiency	74.0	75.1
Customer satisfaction (survey result)	80.0	78.4

SRW closed the 2015-16 irrigation season with a record-breaking 75% efficiency, meaning that 75% of the water released to irrigators from Lake Glenmaggie and Cowwarr Weir is being delivered for on-farm use, which is an excellent result for an earthen channel system such as the MID.

Our seasonal target of keeping outfalls below 19,000ML was surpassed with a season-ending total of 16,628.8ML, 16.5% lower than last year.

We have reduced our losses from around 40% to 45% 20 years ago to around 25% now. The majority of this achievement has been from our extensive modernisation works in and around the MID.

In February, SRW held its second auction of water shares made available through savings from our "Phase 1A" channel automation programs in the MID, with a total of 493ML sold.

Customers were offered 318ML of water shares to purchase at a shelf price of \$1,850 per ML, which was the highest price paid at the auction. This allowed customers who were unable to participate in the auction, an opportunity to gain access to a suitable volume of water shares.

SRW's first online water allocation auctions were held each month for the December-February period, in a similar style to eBay.

The auctions were for allocation water, available only this season, rather than permanent water shares. The water has

been saved through modernisation projects and offered to customers without a reserve price. By doing this we are allowing the market to set the price of allocation in the MID.

Eastern storages

Water Supply East manages three large dams and three diversion weirs on the Latrobe, Tanjil, Thomson and Macalister rivers.

These dams supply water to Victoria's power generators, the MID, Gippsland Water and the environment.

Storages received average inflows during 2015-16, with very few high flow periods occurring.

Water levels in Lake Glenmaggie have gradually drawn down throughout the irrigation season, finishing with approximately 24% in store. Blue Rock Lake has remained above 90% over summer and into autumn. We maintained Lake Narracan at 55% throughout the summer for recreation purposes in line with requirements of the Gippsland Sustainable Water Strategy.

Dam safety continues to be a focus, particularly with staff training and implementing improved work practices.

We have continued to focus on routine maintenance and surveillance to ensure we continue to comply with ANCOLD guidelines. Improvements continue to be made to our structures with the ongoing implementation of SCADA and structure automation.

The control system at Cowwarr Weir was tested in 'auto mode' during the recent minor flood. The system maintained a stable pool height during rising and falling inflow conditions.

A new SCADA system has been installed at Blue Rock Lake to control releases remotely. The site operators have also been provided with limited access to Pacific Energy's SCADA system, so they can remotely enter turbine release changes. The functionality provided by these will minimise the need for the operators to travel to make changes thus improving operator productivity and also brings cost savings.

The trial period of the new boating rules at has now concluded. Marine Safety Victoria has approved the changes, and the rules were made permanent from 1 July 2016.

Water Supply West

Western Irrigation Business

The Western Irrigation Business manages the delivery of water to customers in the WID, the BMID and river diverters along the southern stretches of the Werribee River.

Storage operation performance against target 2015-16

	Blue Rock Lake	
	Target %	Actual %
Orders released on time	98.5	100.0
Release availability	99.6	100.0
Release accuracy	87.0	98.5
Customer satisfaction	83.0	78.0

06

Water systems

Water is supplied for vegetable crops, fruit orchards, sand quarries, Moorabool and Wyndham councils, the Werribee Tourist Precinct including the Werribee Open Range Zoo, Equestrian Centre, Werribee Mansion and the Werribee Golf Club, as well as town supplies.

The 2015-16 season was yet again very dry with rainfall significantly below average for most of the season, particularly in the important spring time which is when most water is harvested in the storages. SRW started the season with Melton Reservoir around 10% full and received little inflow over the season. As a consequence, we had to release water from Pykes Creek Reservoir and Lake Merrimu throughout the season to replenish Melton and supply customers in the WID. Due to the low inflows and the volume of water carried over by customers from the 2014-15 season, the allocation reached only 15% of HRWS.

With low inflows, SRW was granted a share of unallocated water in Lake Merrimu. At the end of the season, all of SRW's share had been used. Melton Reservoir was down to 5%, and Pykes Creek Reservoir had been drawn down to around 25%. With the low storage levels and a relatively low volume of carryover the starting allocation for the 2016-17 season is 0% and the winter and spring of 2016 will be important for determining water supplies for the next two years.

To mitigate extremely low water availability SRW supplemented supply with water sourced from SRW irrigators in the Thomson/Macalister system. SRW has also secured an additional 4,000ML of recycled water.

With the low water allocations, overall customer demand has been lower than in recent times although a greater volume of recycled water has been used in the WID.

Overall SRW delivered 3,402ML of river water and 3,870ML of recycled water to the WID, and 1,259ML of river water to the BMID.

Carryover

The 2015-16 season started with just under 6,000ML of carryover, and there was enough water in storage for a starting allocation for the season of 10%.

The volume carried over to the 2016-17 season is likely to be approximately 3,000ML.

Werribee Recycled Water Scheme

SRW supplies recycled water from the Western Treatment Plant to WID customers.

With low allocations, demand for recycled water has been high, and the total delivered volume was greater than our contracted volume with Melbourne Water. High river water salinity in spring made it difficult to meet demand and stay within the 1800EC limit, and high salinity in the shandied

Irrigation districts performance against target 2015-16

	Werribee		Bacchus Marsh	
	Target %	Actual %	Target %	Actual %
Volume accuracy	94.0	96.6	94.0	96.6
Delivery reliability	99.7	100.0	99.7	100.0
Delivery efficiency	66.0	53.6 ¹	66.0	53.3
Customer satisfaction (survey result)	65.0	70.0	75.0	78.0
Drought resilience	64.0	100.0	20.0	37.0
Water quality (recycled water)	100.0	100.0	NA ²	NA ²

¹ This result reflects a change to our monitoring, which demonstrated that our historic performance was overstated.

² Recycled water is not available in Bacchus Marsh.

Storage operation performance against target 2015-16

	Merrimu Reservoir		Rosslynne Reservoir	
	Target %	Actual %	Target %	Actual %
Orders released on time	99.0	100.0	95.0	100.0
Release availability	99.6	100.0	99.6	100.0
Release accuracy	95.0	98.3	93.0	98.6
Customer satisfaction	78.0	73.0	78.0	73.0

product remains an issue for growers in the WID. We continue to work on solutions to reduce salinity.

There was an increase in demand for recycled water, and we have been able to secure an additional 4,000ML to supply our customers.

Western storages

Headworks West operates and maintains four large dams in the western region: three in the Werribee basin and one in the Maribyrnong basin, along with the associated diversion structures and tunnel systems.

Lake Merrimu started the year around 29% full but had been drawn down to 10% by the end of the season with Western Water continuing to take greater volumes than in recent times due to capacity upgrades to its treatment plants and a lower reliance on the metropolitan water supply. Similarly, Rosslynne Reservoir had been drawn down from around 44% to 14%.

Pykes Creek started the year at 58% but had been drawn down to supply both the BMID and WID via Melton Reservoir and finished the year at around 26%.

Groundwater and Rivers

The Groundwater and Rivers business manages SRW's delegated licensing and regulatory functions.

The business consists of:

- assessment staff, who process all licence applications and perform administrative functions
- field operations and compliance team, which undertakes meter reading and enforcement, inspects bores under construction, supports the application process and are the main customer contact
- the metering group, which is responsible for meter installations, data management, and maintenance programs.
- automating how we produce information statements
- creating an online portal for our customers to access their information at a time that suits them.

In September 2015 Professor John Thwaites launched SRW's Groundwater Hub at Monash University. SRW was responsible for the project management and content of the website - <http://gwhub.srw.com.au/> The project was the final stage of the program to make groundwater information more accessible to customers and the community.

Annual highlights

There were many highlights and challenges in 2015-16.

Customer control and convenience

SRW works closely with customers and stakeholders to give them more choice in how they interact with us. A recent example is the automation of bore construction licences, which allows customers to apply for and receive their bore construction licence online in a very quick transaction at a substantially reduced cost.

Further work was undertaken in 2015-16 to gain a better understanding of our customers today and in the future. The results highlighted that customers were positive about the relationships with SRW and the service provided. There are opportunities to provide more customer control and convenience, so SRW will be focusing on:

- automating our rosters and restrictions – including improving notifications and displaying the information online
- developing an online trade assessment process

More water for production

SRW is working with customers and stakeholders to find ways to have more water available for production without compromising environmental health. Including being more active in promoting opportunities for water trading and developing more flexible rules.

In 2015-16 our field staff spent more time with customers to encourage more water trading, which assisted those who required more water during the dry summer period. SRW also continued to develop local management plans that introduce more adaptable and flexible rules for customers. A recent example is the South West Limestone Local Management Plan which includes more flexible rules for water trading, simplified assessment processes, and carryover.

In line with government policy, SRW has developed a process for selling unallocated water in unregulated systems. This provides



Water systems

new revenue that can be used for future resource appraisals or strategic projects with agreement from the State Government.

In 2015-16 we completed auctions for the Merri River, Curdies River, and Parwan Groundwater Management Unit. The auctions allowed interested parties to gain access to water for their productive use.

We continued to develop the unallocated water sales program for Groundwater and Rivers. The board approved a policy and method of sale and sales program for unallocated water. This was followed by the first three auctions of unregulated water in our region. Our purpose-built website, Waterbid, facilitated the sales. Now that this process is bedded down it will be built on and improved.

A key outcome for SRW will be more water for production. It establishes a water market which assists in moving water to its highest value to encourage economic benefits and employment.

Current and future challenges

Adding value for customers is a high priority for SRW. Customers can now enter and access their water usage information in SRW's systems. The next step is to capture this information in the most cost-effective way while providing information that can make a real difference to how customers run their business. In 2015-16 we piloted automated meter reading technology in the Warrion Water Supply Protection Area. The pilot was successful, and we plan to commence a three-year roll out of the technology across our region in 2016-17.

Groundwater and Rivers administration performance against target 2015-16

Measure	Target	Actual
Applications (processed within standard timeframes)	99.7%	91.9%
Applications (processed within target timeframes)	65.0%	78.5%
Customer satisfaction (applicant feedback)	95.6%	98.0%
Information statement errors	0	1

Groundwater and Rivers field performance against target 2015-16

Measure	Target	Actual
Compliance (enforcement actions completed within defined timeframes)	99.7%	100%
Inspections (10% of new D&S bores, all other new bores, dams and extraction licences)	97.5%	96.0%
Engagement (actions completed)	18	23
Customer satisfaction (survey result)	77.0%	87%
Stakeholder satisfaction (survey result)	75.0%	82.0%
Metering program (meters compliant with metering plan)	77.0%	97.0%



Projects

MID2030

Phase 1A

The MID2030 Project is continuing, and MID2030 Phase 1A is on schedule to be completed by June 2017.

The project will increase the amount of food produced in the region, and boost the local and state economy. The initial phases are estimated to return more than 12GL of water per year to productive use. At the end of July 2016, \$24M of modernisation works had been completed.

The 2016 winter works program includes:

Eastern and Southern-Cowwarr regulator retrofit program

This program involves replacing manual regulators with automated flume gates and slipmeters.

The works involve installing:

- 23 regulators in the Southern-Cowwarr system
- two in the Eastern system.

The rationalising of assets to save costs included:

- nine regulators being removed in the Southern Cowwarr system
- six in the Eastern system
- 11 possible regulator rationalisations are being investigated
- outlet abandonment and upgrades were also completed.

Southern-Tinamba pipeline design project

The Southern-Tinamba supply area has a combination of soils, from tight soils that are well suited to channels to loose sediments that make it difficult to construct watertight channels. SRW has developed a 'shovel

ready' design to modernise the supply zone using an innovative combination of piping and channel automation.

The project, known as the MID2030 Modernisation Phase 1B, involves an upgrade of the Southern-Tinamba Supply Zone, comprising replacement of the upper channel system with a gravity pipeline, coupled with the automation and modernisation of the lower channel system. Approximately 37km of pipeline will be installed and 32km of existing channels upgraded and automated. Approximately 35% of outlets across the supply zone will be eliminated, 35% will be upgraded to include contemporary metering that allows for remote operation.

In April 2016 the State Government announced that it would contribute \$20M towards the \$60M project in Southern Tinamba. Together with a similar contribution from irrigators, we now have two-thirds of the funding for the project. Works will commence in 2017. The project will save around 9.7GL of water per year.

The detailed planning for the project has commenced. SRW will continue to engage with the Federal Government to seek matching funding to fund the project fully.

Outlet rationalisation program

This program targets previously automated parts of the system in the Southern-Cowwarr and Eastern supply zones, where customers are willing to consolidate and modernise their on-farm irrigation outlets.

The benefits include:

- better service for customers, as the modernised outlets give higher and more reliable flows and will close and open automatically
- increased on-farm productivity, which will lead to increased regional productivity
- more accurate water measurement.

Southern-Cowwarr Balancing Storage

The 180ML Southern-Cowwarr Balancing Storage is located at the start of the Nambrok-Denison zone and is an off-stream storage that forms an integral final link in automating the Southern Main Channel from Glenmaggie Weir to this zone.

The balancing storage is expected to cost \$5.5M and is scheduled for completion in August 2016. Further works to allow the storage to operate automatically with the modernised channel system should be completed by October 2016.

Other works

Other projects include the upgrade of measurement and control gates at MID storages, concept designs for future modernisation of the Newry Channel System and liaison with the West Gippsland Catchment Management Authority on the design for the future integration of a fish ladder at the Maffra Weir site.

MID Phase 1B – Southern Tinamba

The piping and automation of the Southern-Tinamba area is the next stage of the MID modernisation project.

SRW will install 38kms of pipes and to automate 34kms of channels. This will convert an antiquated system into a smart water delivery system that is efficient and responsive. This will transform customer service and provide 9,700ML in water savings from eliminating losses from the channel system. These water savings can support further growth and expansion right across the district.

The free draining soils in top half of this area lend themselves to piping. Piping eliminates water losses and provides irrigators the opportunity to move to more efficient and productive spray irrigation. The lower area has channels in better condition and contains heavier soils that are more suited



Projects

to automated channels, which in turn can support both high flow flood or spray irrigation.

This area has some of the best quality soils in Victoria, and a favourable climate. A modern irrigation supply system will stimulate on-farm investment creating productive enterprises. We will work with customers in the planning phase to optimise out supply system and delivery points, to support their on farm improvement plans.

Within five years the project will transform an outdated, inefficient 1920s irrigation network into a modern, dynamic and responsive delivery grid.

Werribee Irrigation District

4/1 pipeline project

The \$4.5M WID 4/1 pipeline project in Werribee commenced in 2015 and will be completed this year. This project replaces 6km of ageing and inefficient channels with a new pipeline.

Some of the project benefits include:

- saving approximately 600ML of water by eliminating seepage from the channels
- improving community safety by removing open channels
- reducing maintenance
- improving operation and delivery of water to customers.

Full modernisation of the Werribee Irrigation District

In April 2016 the State Government announced that it would contribute \$10.44M towards the \$31.3M project to pipe the WID. The funding offer came after considering our business case proposal

to install 39km of new pipes south of the Maltby Bypass to replace the channel system and to upgrade customer outlets. Together with a similar contribution from irrigators, we now have two-thirds of the funding for the project. Works will commence in 2017. The project will save around 5,000ML of water a year, which is typically half of the annual river water use by our customers.

The detailed planning for the project has started. We will continue to engage with the Federal Government to seek matching funding to fund the project fully.

Bacchus Marsh Irrigation District

Phase 1 modernisation

In 2015 we developed our modernisation plan for the irrigation district. It includes a staged change to the supply system to avoid the ageing Main Channel. The channel loses on average more than 1,000ML of water losses a year.

Since developing the modernisation plan, we have entered into an agreement with Moorabool Council to construct stage 1 of our plan this year. The agreement includes a funding contribution from Moorabool towards the construction of a new pump station on the Werribee River. The pump station allows us to abandon part of our main channel and removes an obstacle to the construction and use of Moorabool's new Halletts Way road project.

The pump station construction will start shortly, and we anticipate that it will be commissioned in September 2016.

Full modernisation of the Bacchus Marsh Irrigation District

In April 2016 the State Government announced it would contribute \$4.12M towards the \$12.4M project. The funding offer came after considering our business case proposal. With a similar contribution from irrigators, we now have two-thirds of the funding for the project.

The detailed planning for the project has started. We will continue to engage with the Federal government to seek matching funding to fully fund the project.

Asset management

The implementation of the Authority Asset Management system, last year, meant this year embedding that into the work practices of the maintenance teams. Adding a new reporting tool has provided significant analysis function to support good decision making and management of the 5,300 annual work orders.

The system is now being rolled out on mobile devices (tablet computers) to allow data collection in the field, reducing handling of information and providing maintenance staff with the most up-to-date information even in remote locations.

An Asset Management Improvement Group was established to oversee the higher-level asset management strategy, benchmarking our asset management maturity and determining the priority of initiatives. The first of these has been to initiate the 25-year asset planning, which is in progress.

Reservoir upgrade works

The most significant projects in our \$2.5M capital program were:

- \$0.4M outlet tower bridge painting project at Rosslynne, currently in progress and due to be complete in November 2016
- \$0.45M installation of a new access bridge at Upper Werribee River Diversion Weir near Ballan, currently in progress and due to be complete by September 2016
- \$0.4M physical model of flows over the embankment at Melton Dam, completed in April 2016
- \$0.3M project to provide backup operation of the spillway gates at Narracan Dam in the event of the failure of the hydraulic system, currently in progress and due to be complete by June 2016
- \$0.2M project to rehabilitate the gantry crane at Glenmaggie Dam which was completed in June 2016.

2015-16 also saw the start of a Portfolio Risk Assessment project. A portfolio risk assessment is a process where the risk is assessed for all large dams and other high hazard structures at an overview level. The process ensures consistent processes are used to assess the risk for all structures and allows identified risks to be compared and prioritised across different dam sites. As part of this, the flood hydrology and the dam failure consequences have been reassessed for all large dams including the production of new inundation maps. The new maps have been added to our Dam Safety Emergency Plans and will be provided to the regulator.

The outcomes of the Portfolio Risk Assessment will help inform the scope of upcoming design reviews for Blue Rock, Glenmaggie, Narracan and Rosslynne dams.

A review of our dam safety surveillance procedures was undertaken and has resulted in several changes in the frequency of surveillance and monitoring practices. In general the frequencies have been reduced, resulting in the operators having additional time to focus on tasks such as reducing the maintenance backlog. The program remains compliant with ANCOLD Guidelines.



Environmental

Environmental summary

Throughout 2015-16 we have continued to:

- implement the Environmental Management System
- provide advice on planning, environmental and heritage matters across the organisation
- implement the Blue Green Algae Management Plan and the Macalister Irrigation District Nutrient Monitoring Program

In late 2015 SRW, in conjunction with the West Gippsland Catchment Management Authority (WGCMA), was selected as a finalist in the Banksia Awards in recognition of its nutrient reduction program and commitment to the protection of the Gippsland Lakes.

In early 2016, the Port Phillip and Westernport Catchment Management Authority acknowledged SRW's leadership in renewing the Regional Catchment Strategy.

In 2016 we established our first native vegetation offset site at Glenmaggie. SRW are actively pursuing additional sites at Glenmaggie and other storages with a view to being able to sell third party credits.

As a designated storage manager, SRW was audited in early 2016 and found to be fully compliant with the Safe Drinking Water Act.

Throughout 2015-16 we have continued to manage the salinity pumps in the MID to control watertable levels.

Environmental performance

SRW's aim is to be an environmentally sustainable business.

The Environmental Policy supports this aim and outlines how we seek to meet our environmental responsibilities.

SRW:

- knows the environmental aspects of its operations and how they impact the natural environment and communities it serves
- continually improves the way it operates to reduce these impacts
- works towards achieving best practice environmental sustainability
- ensures that staff are aware of their obligations through training and support
- complies with all relevant legislation, policies and regulations
- continually monitors its performance against agreed objectives
- engages with customers and the wider community to enhance their knowledge of the water cycle and water use efficiency.

To ensure these outcomes are achieved, SRW maintains an Environmental Management System (EMS) consistent with ISO 14001.

We are continually looking at ways to improve the sustainability of our operations, including:

- minimising our energy consumption
- managing climate change
- minimising the wastes we generate
- conserving the water we use and manage
- protecting river health
- protecting biodiversity and the land.

We have developed some programs and activities designed to promote sustainability within SRW. Many of the programs are ongoing.

Regional catchment management strategies

SRW has five catchment management authority (CMA) partners across its region: Corangamite, East Gippsland, Glenelg Hopkins, Port Phillip and Westernport, and West Gippsland. Each CMA has a regional catchment strategy, which sets directions, strategies, and actions to be pursued by all catchment partners.

SRW support each regional catchment strategy through:

- continued strengthening of the licensing of surface and groundwater, including further development of public processes and increasing rigour in the information provided in support of applications
- production of local management rules for groundwater and rivers
- continuing our program to meter all significant water users, including reducing thresholds for when a meter will be fitted and metering water in dairy sheds using 10ML or more
- contributing to river monitoring through regional monitoring partnerships, such as the Gippsland Regional Monitoring Partnership
- contributing to local catchment plans such as the Macalister Land and Water Management Plan
- supporting Victoria's Water Recycling Action Plan through the WID Recycled Water Scheme
- managing irrigation-induced salinity in the MID through the local Salinity Management Plan and the installation and operation of groundwater control pumps.

In the case of the West Gippsland strategies, SRW plays a major role in the implementation of the Macalister Land and Water Management Plan, is an active partner in the MID Sustainability Group and manage a major nutrient monitoring program.

Victorian Biodiversity Strategy

SRW recognises the ecological linkages between different parts of the environment (e.g. streams, streamside vegetation, and the biodiversity they support) and is aware that our actions and strategies influence biodiversity conservation.

SRW's aim is to work with other stakeholders to implement initiatives such as regional catchment strategies.

Victorian waterway management strategy

The Victorian River Health Strategy provides a framework to manage and restore our rivers over the long term.

Key elements of the strategy relevant to SRW are:

- facilitating the movement of water to its highest value use
- providing and managing water for the environment
- restoring flow-stressed river systems.

Greenhouse gas emissions

Water will be a key area of vulnerability as a result of climate change leading to changes in rainfall, temperature, evaporation and humidity patterns.

In 2015-16, SRW continued to work closely with its regional partners and local communities to understand the potential effects of climate change on our water and drainage systems. While SRW have not set performance targets, we are actively looking at ways to reduce our carbon footprint. For example:

- We do not treat water or wastewater and therefore have a much lower energy demand than many other water corporations.
- We operate gravity fed distribution systems which minimise our use of pumps and need for electricity.
- We have more than 900 sites powered by solar energy which further reduces our energy needs and greenhouse gas emissions.
- All of the electricity we purchase is 'green energy' derived from renewable sources.
- We are focusing on using more fuel-efficient vehicles and have entered into a partnership with Green Fleet to offset residual carbon emissions from our vehicle fleet.
- We have commercial contracts with energy suppliers to operate hydro-electric schemes at Blue Rock and Glenmaggie and are looking at other opportunities in our network to generate renewable energy.

In 2016, the State Government announced a long-term target of zero net emissions by 2050 with a plan, among other things, to reduce Green House Gas emissions and build resilience. The water sector is expected to source 25% of its power needs from renewables by 2020 and 40% by 2025. SRW is already well on the way to achieving these targets and is now in the process of preparing a plan to ensure that it meets these targets.

State Environment Protection Policy

SEPP (Waters of Victoria)

Under the State Environment Protection Policy (Waters of Victoria), SRW and other relevant water corporations are required to work with the DELWP, the EPA, and CMAs to identify a credible, independent audit system and use it to audit the impact of irrigation drain discharges on surface waters. SRW is also required to have a Nutrient Reduction Plan.

SRW prepared a Nutrient Reduction Plan, but it has since been replaced by a more comprehensive plan, the Macalister Land and Water Management Plan. Administered by the West Gippsland CMA with strong support from SRW, the plan provides strategic direction for the management of land and water in the MID and surrounding dryland areas. The plan has a particular focus on reducing the impact of the land and water assets on the Gippsland Lakes, and also integrates the management of other natural resources in the MID and surrounding dryland areas, including biodiversity, wetlands, floodplains, waterways, and groundwater.

SRW has operated a nutrient monitoring program for more than 10 years. Originally based on a drain monitoring program approved by the EPA, the program was replaced by a river-based monitoring program in 2014. The new program was developed in conjunction with the West Gippsland CMA, DELWP, EPA, Gippsland Lakes Ministerial Advisory Committee (GLMAC), Thiess, Sinclair Knight Merz and the University of Melbourne to provide a more accurate method for estimating discharge loads from the district.



Environmental

Reporting of office-based environmental data

Energy use				
Energy	Description		Unit	Amount
E1	Total energy usage segmented by primary source (including Green Power)	Electricity	Mj	1,195,255
		Natural gas	Mj	70,518
		Total		1,265,773
E2	Greenhouse gas emissions (GhGE) associated with energy use, segmented by primary source and offsets	Electricity	Tonnes CO ₂	0
		Natural gas	Tonnes CO ₂	4
		Total		4
E3	Percentage of electricity purchased as Green Power		% Total Energy Consumption	100
E4	Units of office energy used per full-time equivalent (FTE)		Mj/FTE	8,003
E5	Units of office energy used per unit of office space		Mj/m ²	245

Waste production				
Waste	Description		Unit	Amount
Ws1	Total units of waste disposed of by destination	Landfill	Tonnes	28
		Recycling	Tonnes	34
		Total		62
Ws2	Units of office waste disposed of per FTE by destination	Landfill	Kg/FTE	176
		Recycling	Kg/FTE	215
		Total		391
Ws3	Recycling rate		% total waste	55
Ws4	GhGE associated with waste disposal		Tonnes CO ₂	33

Paper use				
Paper	Description		Unit	Amount
P1	Total units of A4 paper equivalent used		Reams	1,134
P2	Units of A4 paper equivalent used per FTE		Reams/FTE	7
P3	Percentage of recycled content copy paper purchased		%	64

Water consumption				
Water	Description		Unit	Amount
W1	Total units of metered water consumption		KL	2,017
W2	Units of metered water consumed in offices per FTE		KL/FTE	5

Transportation

Transport	Description		Unit	Amount
T1	Total energy consumption by operational vehicles segmented by vehicle type	Diesel	Gj	13,312
		Petrol	Gj	3,034
		TOTAL		16,346
T2	Total vehicle travel associated with entity operations segmented by vehicle type	Diesel	Km	3,409,602
		Petrol	Km	1,114,866
		TOTAL		4,524,468
T3a	Total GhGE associated with vehicle fleet segmented by vehicle type	Diesel	Tonnes CO ₂	1,033
		Petrol	Tonnes CO ₂	234
		TOTAL		1,267
T3b	GhGE associated with vehicle fleet per 1,000km segmented by vehicle type	Diesel	Tonnes CO ₂ /1,000km	0.273
		Petrol	Tonnes CO ₂ /1,000km	0.182
		TOTAL		0.455
T4	Total distance travelled by air		Km	23,134
T5	Percentage of employees regularly (>75% of work attendance days) using public transport, cycling, walking or carpooling to and from work or working from home by locality type		% of total employees	
			Metro Regional	0% 4%

Greenhouse emissions by activity

GhGE			2011-12	2012-13	2013-14	2014-15	2015-16
G1	Total GhGE associated with energy use	Tonnes CO ₂	5	3	5	4	4
G2	Total GhGE from vehicle fleet	Tonnes CO ₂	1,169	1,274	1,265	1,289	1,267
G3	Total GhGE from air travel	Tonnes CO ₂	5	6	7	6	6
G4	Total GhGE associated with waste disposal	Tonnes CO ₂	42	43	47	43	33
G5	Total GhGE offsets purchased	Tonnes CO ₂	1,169	1,274	1,265	1,289	1,267
G6	Any other known GhGE associated with entity activities	Tonnes CO ₂	0	0	0	0	0
Net GHG emissions			52	52	59	53	43

Energy consumption (Mj)

			2011-12	2012-13	2013-14	2014-15	2015-16
E6	Total energy usage, segmented by primary source (including GreenPower)	Electricity	1,535,958	1,606,454	1,509,366	1,594,084	1,195,255
		Natural Gas	100,324	53,285	104,150	72,406	70,518
Total			1,636,282	1,659,739	1,613,516	1,666,490	1,265,773



Risk and compliance

Managing risk

Risk management is recognised as a board responsibility and a continuous process at SRW.

The corporation's risk register identifies 11 corporate and nine operational risks. Appropriate controls and applicable treatments have been identified to manage each risk. Contingency plans are in place for significant risks. Individual corporate risks are subject to board review on a regular basis, with a full risk review conducted by management and the board on an annual basis.

The Executive Risk Committee meets quarterly, where contemporary issues are discussed and risk occurrences considered. Risk owners use internal and external measures and indicators to review their risks, evaluate trends and if necessary, recommend new or enhanced mitigations.

Risk attestation

I, Terry Burgi, certify that Southern Rural Water has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. The SRW Audit Committee has verified this.

MR TERRY BURGI OAM
Board Chairman
Gippsland and Southern Rural Water Corporation
30 August 2016

Legislative compliance

Building Act 1993

SRW complies with the building maintenance provisions of the Building Act 1993. The buildings it owns or leases comply with these requirements.

National Competition Policy

Competitive neutrality seeks to enable fair competition between government and private sector businesses. Any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralised. SRW continues to implement and apply this principle in its business undertakings.

Victorian Industry Participation Policy Act 2003

There were no contracts entered into during 2015-16 to which the Victorian Industry Participation Policy Act 2003 applied.

Government advertisement expenditure

SRW's expenditure in the 2015-16 reporting period on government campaign expenditure did not exceed \$100,000.

Major contracts

No major contracts were entered into for the 2015-16 year.

Additional Information

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 SRW and are available (in full) on request, subject to the provisions of the Freedom of Information Act 1982:

- details of publications produced by SRW about itself, and how these can be obtained
- details of any major external reviews carried out on SRW
- details of major research and development activities undertaken by SRW
- details of major promotional, public relations and marketing activities undertaken by SRW to develop community awareness of the entity and its services
- details of changes in prices, fees, charges, rates and levies charged.

Requests should be submitted to:

The Freedom of Information Officer,
Southern Rural Water
PO Box 153
Maffra, VIC, 3860

Corporate water consumption

SRW's corporate water consumption for 2015-16 was 2,017 kilolitres. Total consumption of five kilolitres per 158.17 full-time equivalent employees located at all sites was based on water used for amenities, lawns, gardens, vehicle washing and miscellaneous uses as well as for capital projects and construction.

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Bulk entitlements

Bulk Entitlement (Thomson/Macalister - Southern Rural Water) Conversion Order 2001

The following information is provided in accordance with Section 20.3 of the Thomson/Macalister Bulk Entitlement Order.

		Volume (ML)
At 30 June 2015	Volume of water held at Lake Glenmaggie	81,017
	Share of Thompson Reservoir storage capacity (under clause 9)	37,550
	Releases from the Thomson Reservoir to supply primary entitlements	6,037
	Inflows attributed (under clause 10.1 and 10.2)	8,373
	Transferred to Bacchus Marsh Irrigation District for emergency supplies	0
At 1 July 2016	Volume of water held at Lake Glenmaggie	81,664
	Share of Thompson Reservoir storage capacity (under Clause 9)	37,888
Annual 2015-16	Taken from waterway:	
	• Southern Channel	95,359
	• Northern Channel	36,702
	• Eastern Channel	25,799
	• Cowwarr Channel	9,714
	Water taken by the primary entitlement holders	141,588
	Environmental allocation (2015-16 season)	13,706
	Environmental carryover (2014-15 season)	4,215
	Total available to environment (2015-16 season)	17,922
	Write off unused carryover (due to storage spilling)	1,735
	Environmental carryover available (2016-16 season)	3,390
Bulk Entitlement Order		
Annual 2014-15	Credits granted (under clause 17)	Nil
	Temporary or permanent transfers of a bulk entitlement or any other entitlement to SRW	3,000
	Alteration made to Schedules 1 or 2 under sub-clause 8.1	Nil
	Amendments	Nil
	New bulk entitlements granted	Nil
	Programs approved to date under sub-clause 18.2	Nil
	Programs approved to date under sub-clause 19.3	Nil

Temporary Transfer of Bulk Entitlement

SRW purchased 3,000ML of unused 2015-16 allocation from Macalister customers and with ministerial approval transferred 1,200ML to Western Water and a further 1,800ML to City West Water. This water will be made available to Werrabee and Bacchus Marsh irrigators in the 16-17 season to supplement allocation.

Compliance

SRW is not aware of any failure to comply with the provision of the bulk entitlement. To minimise the potential for breaching compliance with environmental flows, we have developed a Risk Management Strategy and Action plans.

Diversion Limits

SRW is applying to the responsible minister to amend the requirement to determine and assess compliance with the diversion limits. The proposed amendment will extend the assessment period to five years. Should the amendment be approved, the next assessment will be due in 2018 and the results will be reported in the 2018-19 Annual Report. As SRW has accrued a significant cap credit the risk of breaching the diversion limit is low.

Actions

SRW has not experienced any difficulty in complying with the bulk entitlement; therefore no remedial action has been taken. Daily volumes have been recorded at Lake Glenmaggie, Cowwarr Weir, Wandocka (environmental flow), Maffra Weir (environmental flow), Main Northern Channel, Main Eastern Channel, Main Southern Channel and Cowwarr Channel and can be provided upon request.



Bulk entitlements

Bulk Entitlement (Latrobe - Southern Rural Water) Conversion Order 1996

The following information is provided in accordance with Section 12.1 of the Bulk Entitlement Order 1996:

Annual 2015-16		Volume (ML)
(c)	The annual amount of water designated as taken by the Entitlement Holder from the waterway at its pumping station	14,590
(d)	In accordance with Clause 11.4, the Entitlement Holder has a network of meters installed within its low-quality water system that enables it to determine the low-quality water usage by both the Loy Yang A and Loy Yang B power stations. This equipment is checked monthly for validity and annually for signal integrity.	
(e)	Temporary or permanent transfers of a bulk entitlement of all or part of the Bulk Entitlement	Nil
(f)	Temporary or permanent transfer of licences to this bulk entitlement	Nil
(g)	Amendments to this bulk entitlement	Nil
(h)	Failures in complying with this bulk entitlement	Nil
(i)	Existing or anticipated difficulties by the Entitlement Holder in complying with the Bulk Entitlement	Nil

SRW has recorded daily volumes and can provide those on request these include:

(a)	The daily amount of water taken by the Entitlement Holder from the waterway at the pumping station
(b)	The daily amount of water returned to the system waterway or tributary streams from the works of the Entitlement Holder

Latrobe Reserve Order 2013

The following information is provided in accordance with Section 11.1 of the Bulk Entitlement (Latrobe Reserve) Order 2013:

Annual 2015-16		Volume (ML)
(b)	Volume of water taken by Reserve Holder from Blue Rock Reservoir under this entitlement:	Nil
(c)	The amount of water in the Reserve Holder's share of Blue Rock Reservoir under this entitlement July 1 2015 June 30 2016	47,303 37,408
(d)	The amount of annual losses debited to the Reserve Holder's share of Blue Rock:	1,969
(e)	The annual amount of any internal spill of water from or to the Reserve Holder's share of storage in Blue Rock:	52 to Nil from
(g)	Any assignment of all or part of a water allocation available under this entitlement.	Nil
(h)	Any transfer of all or part of this bulk entitlement to any person.	Nil
(j)	Any failure by the Reserve Holder to comply with any provision of this bulk entitlement:	Nil
(k)	Any existing or anticipated difficulties experienced by the Reserve Holder in complying with this bulk entitlement.	Nil

SRW has recorded daily volumes and can provide those on request these include:

(f)	The implementation of a metering program: The metering program used for the Reserve Holder is that used by SRW for its bulk entitlement metering requirements.
(i)	Any amendment to this bulk entitlement. This bulk entitlement was amended to reflect the change in the drought Reserve's inflow and capacity share change to 18.87%

SRW has recorded daily volumes taken by the Reserve Holder and can provide this data on request.

Bulk Entitlement (Werribee River - Southern Rural Water)

The following information is provided in accordance with Section 18.1 of the Werribee Bulk Entitlement Order.

		Volume (ML)
Annual 2015-16	Volume of water taken by primary entitlement holders including outfalls:	
	• Bacchus Marsh	1,259.2
	• River diverters	396.9
	• Myrniong	51.05
	• Werribee	3,408.8
	Releases necessary to supply transfers of primary entitlements	0
	Water taken from:	
	• Bacchus Marsh Diversion Weir	2,361.7
	• Werribee Diversion Weir	7,894.0
	• Maddingley pumps	0
	Water taken by SRW from the system waterway at each of the diversion weirs:	
	• Lerderderg Weir to Goodmans Creek	0 (SRW's share 0)
	• Goodmans Creek to Merrimu Reservoir	0 (SRW's share 0)
	• Werribee Upper Diversion Weir to Pykes Creek	210.7
	Volume of water taken by primary entitlement holders:	
	• High and low reliability water shares	5,058.9
	• Myrniong	51.05
Bulk Entitlement Order		
Annual 2015-16	Credits granted (under clause 15)	Nil
	Temporary or permanent transfer of the bulk entitlement	Nil
	Bulk entitlement or licence transferred to the Authority	Nil
	SRW applied the following restrictions to primary entitlement holders in the Werribee and Bacchus Marsh irrigation districts and licensed diverters on the Werribee River:	
	Month HRWS LRWS Date Confirmed	
	July 2015 10% 0% 7 July 2015	
	October 2015 15% 0% 6 October 2015	
	Changes to this bulk entitlement	Nil
	New bulk entitlements granted	Nil

Compliance

- SRW has previously submitted an Environmental Management Plan to the Department of Environment, Land, Water and Planning. SRW has submitted a metering plan for the Werribee system in line with the bulk entitlement guidelines.
- SRW complied with all provisions of this bulk entitlement.
- SRW did not experience any difficulties in complying with this bulk entitlement.
- SRW has recorded daily volumes and can provide this on request. These include the daily flow passing each of the storages including Pykes Creek Reservoir, Melton Reservoir and Lake Merrimu. If required, SRW will also report on the daily passing flow on each of the following diversion structures: Upper Werribee Diversion Weir, Bacchus Marsh Diversion Weir, Lerderderg Diversion Weir, Goodmans Creek Diversion Weir and Werribee Diversion Weir.



Bulk entitlements

Bulk Entitlement (Maribyrnong - Southern Rural Water) Conversion Order 2000

The following information is provided in accordance with Section 19.1 of the Maribyrnong Bulk Entitlement Order.

		Volume (ML)
Annual 2015-16	Water released to supply licence entitlements	2.0
	SRW's share of Rosslynne Reservoir at the 30 June 2016	676
	Inflows, taking into account evaporation and measurement discrepancies	157.7
	Allowances for transfer and operating losses	0 (no irrigation water supplied)
	Water deducted for passing flow requirements	74.1
	SRW achieved full compliance with the passing flows	
	Water taken from the waterway by primary entitlement holders	5.6

Bulk Entitlement Order		
Annual 2015-16	Temporary or permanent transfers from this bulk entitlement	Nil
	Temporary or permanent transfer to SRW	Nil
	Alterations to Schedule 1 or 2	Nil
	Temporary transfers within the system	Nil
	Amendments to this bulk entitlement	Nil
	New bulk entitlements granted	Nil

Compliance

- SRW has previously submitted an Environmental Management Plan to Department of Environment, Land, Water and Planning. SRW has submitted a metering plan for the Werribee system in line with the Bulk Entitlement guidelines
- SRW have complied with all provisions of this bulk entitlement
- SRW again experienced difficulties in complying with the bulk entitlement passing flow requirement at the Sunbury gauging station due to the distance between the release point and the gauging site and the varying system losses during summer.

Bulk Entitlement (Tarago River - Southern Rural Water) Conversion Order 2009

The following information is provided in accordance with Section 15.3 of the Tarago Bulk Entitlement Order 2009.

		Volume (ML)
Annual 2015-16	Releases were made from the Tarago Reservoir to supply primary entitlements	900
Bulk Entitlement Order		
Annual 2015-16	Amendments	Nil

Compliance

- SRW has complied with the bulk entitlement.
- SRW is not aware of any failure to comply with the provisions of the bulk entitlement.
- SRW's Bulk Entitlement Metering Program was approved by the responsible minister in April 2012. No amendments were made in 2015-16.

Bulk Entitlement (Loy Yang B (Yallourn River) Southern Rural Water) Conversion Order 1996

The following information is provided in accordance with Section 12.1 of the Bulk Entitlement Order 1996.

		Volume (ML)
Annual 2015-16	Water taken by SRW at its pumping station	14,590
Bulk Entitlement Order		
Annual 2015-16	Temporary or permanent transfers of all or part of the bulk entitlement	Nil
	Temporary or permanent transfers of licences to this bulk entitlement	Nil
	Amendments	Nil

Compliance

- In accordance with Clause 11.4, the Entitlement Holder has a network of meters installed within its low quality water system that enables it to determine the low quality water usage by both the Loy Yang A and Loy Yang B power stations. This equipment is checked monthly for validity and annually for signal integrity.
- There have been no failures in complying with this bulk entitlement
- There are no existing or anticipated difficulties by the Entitlement Holder in complying with the Bulk Entitlement
- SRW has recorded daily volumes and can provide these on request:
 - a) daily amount of water taken by the Entitlement Holder from the waterway at the pumping station
 - b) daily amount of water returned to the system waterway or tributary streams from the works of the Entitlement Holder.

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Major water users

Number of customers

SRW mostly supplies water to customers for purposes that are farming or domestic, which are excluded from this report. The only water supply is through irrigation districts; across the rest of the coverage area, SRW issue licences to take and use water, but does not directly supply water.

The below table shows where SRW supplies water to commercial, tourism and recreational businesses in Werribee and Bacchus Marsh.

Customers by volume range	
Volumetric range – ML per year	No. customers
Equal to or greater than 200ML and less than 300ML	1
Equal to or greater than 300ML and less than 400ML	0
Equal to or greater than 400ML and less than 500ML	1
Equal to or greater than 500ML and less than 750ML	2
Equal to or greater than 750ML and less than 1,000ML	0
Greater than 1,000ML	0
Total no. customers	4

Financial report overview

Economic regulation

Economic regulation of Southern Rural Water (SRW) is guided by a range of legislation, including the Essential Services Commission Act 2001, the Water Industry Act 1994 as amended by the Water Legislation (Essential Services Commission and other Amendments Act 2003) and other water industry legislation (including the Water Act 1989, and the Environment Protection Act 1970). More information on the regulatory framework is set out within the Water Industry Regulatory Order (WIRO) made by the Governor-in-Council.

Pricing principles

SRW operates on a full cost recovery basis, ensuring pricing is sufficient to cover annual costs and to provide for future investment needs. Pricing is founded upon the following principles:

- SRW prices shall accord with Government and COAG policies, with particular reference to National Competition Policy
- Pricing shall meet the full cost of operation
- SRW shall set separate prices for each specific service supplied
- SRW prices shall be equitable and avoid cross subsidy
- SRW will engage with customer committees on pricing and take into account their recommendations in making pricing decisions
- SRW prices shall be set so as to contribute to the investment needs of the business concerned.

SRW's prices are submitted to the Essential Services Commission (ESC) for determination on an annual basis. On completion of the ESC's determination,

SRW publishes prices in The Weekly Times and communicates directly to customers through newsletters and fact sheets.

Financial management

Long-term financial viability is the key pillar of SRW's financial management. Finances are managed so that the organisation as a whole is economically sustainable and that each business unit fully recovers its own costs. The operations of SRW are separated into four discrete business units:

- Eastern Irrigation
- Western Irrigation
- Headworks
- Groundwater and Rivers.

Each business unit maintains its own financial records with an expectation that revenues are sufficient to cover direct costs and an equitable share of corporate and other shared costs. This information is provided in an open and transparent manner to our customer committees for consultation, along with being available to the broader customer base.

Performance 2015-16

Our operating loss before tax was \$5.83M compared to a budgeted loss of \$6.12M.

Southern Rural Water prices are approved by the Essential Services Commission to recover the full cost of operation. Whilst the full cost of operation includes funding for the future investment needs of the business, our pricing is designed to reimburse depreciation and capital charges associated with regulatory assets only.

Regulatory assets exclude acquisitions and construction prior to 1 July 2004, or assets funded directly by customer or government contribution. As reported by the Comprehensive Operating Statement, depreciation expense is largely associated

with non-regulatory assets. For the 2015-16 financial year, the Corporation recorded \$8.21M of non-recoverable depreciation.

The following table describes our financial position once these non-regulatory charges are excluded, which reports a \$4.85M surplus for the year 2015-16 financial year compared to a Corporate Plan budget of \$3.03M

The improvement in our result compared to Corporate Plan is reflected by:

- less expenditure on suppliers and materials
- lower net interest costs from
 - more cash on deposit; and
 - lower interest rates
- more water share auction receipts than expected.

From the perspective of our main operating business units, our financial results were an improvement on our Corporate Plan, and prior year results, as discussed above. We expect this outcome given stable, predominantly entitlement based revenue streams, and an expenditure base that was not subject to any significant unplanned cost pressures.

Significant changes in financial position

Expenditure on capital projects reached \$17.2M for the financial year (2014-15 \$13.1M).

Usually, the cash operating surplus of the Corporation is insufficient to fund our capital expenditure program, and it is necessary for Southern Rural Water to utilise debt facilities to fund our capital expenditure program. However, the capital contribution from the State Government and the receipt of a more water auction receipts has meant that we increased our debt facilities for the 2015-16 financial year less than corporate plan assumptions.

Total Interest Bearing Liabilities decreased by \$2.6M in the 2015-16 year, and our cash balances increased by \$1.4M. Together our net debt position moved from \$10.2M to \$9.0M.

Our net debt position is expected to increase to \$43.4M over the next three years (until the end of the 2018-19 financial year) as the capital works program intensifies.

Major changes or factors affecting performance

There were no major factors affecting performance other than those discussed in this report.

Subsequent events that will affect operations in future years

There were no subsequent events that will affect operations in future years, other than those already discussed in this report.

Five year performance summary

Performance indicator	2015-16	2014-15	2013-14	2012-13	2011-12
Internal Financing Ratio	46.34%	67.28%	42.28%	59.22%	85.72%
Gearing Ratio	1.50%	1.34%	1.43%	1.70%	0.57%
Interest Cover(Cash)	11.40	16.50	10.20	60.50	NA*
Return on Assets	-0.42%	-0.34%	-0.34%	-0.30%	-0.75%
Return on Equity	-0.40%	-0.32%	-0.33%	-0.25%	-0.63%

* NA = no net interest expense, so unable to calculate.

Capital expenditure

The major capital projects are listed in the table below:

Capital Plan expenditure 2015-16

Business		2015-16 Expenditure \$'000's
Eastern Irrigation	MID2030 Ph1A Nambrok-Denison Regulator Retrofit	3,205,750
	MID2030 Eastern regulator retrofit	1,693,468
	MID2030 LW Ph1A - Southern Tinamba Modernisation Design	172,189
	MID2030 Southern Cowwarr balancing storage	3,963,333
	MID2030 Rationalisation program	1,248,695
	General projects	1,664,167
Western Irrigation	WID 4/1 Piping	1,397,735
	General projects	209,020
Headworks	Glenmaggie gantry	175,407
	Glenmaggie crane	130,373
	Rosslyne access bridge	283,380
	Meyers creek channel	175,450
	Upper werribee access road	192,653
	Melton reservoir hydraulic assessment	368,001
	General projects	1,716,707
Groundwater and Rivers	General projects	115,873
Other	General projects	487,683
Total expenditure		17,199,884

Details of ICT expenditure

(\$ million)

BAU ICT expenditure	Non-BAU ICT expenditure	Operational expenditure	Capital expenditure
Total	Total =A+B	A	B
3,865	1,640	100	1,540

Consultancies

Each year we engage consultants to provide expert analysis and advice, to facilitate decision-making, and provide skills not currently available within our organisation.

GREATER THAN \$10,000

During 2015-16 we contracted 12 consulting firms for operating contracts greater than \$10,000 to provide advice, skills and services. The total cost of these consultancies in 2015-16 was \$407,257. Please refer to the table below for greater detail.

For comparison, during 2014-15 we engaged 10 consulting firms at a total cost of \$534,872.

Less than \$10,000

During 2015-16 we contracted 4 consulting firms for operating contracts less than \$10,000 to provide advice, skills and services. The total cost of these consultancies in 2015-16 was \$27,217.

For comparison, during 2014-15 we engaged 9 consulting firms at a total cost of \$52,373.

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee \$	Expenditure 2014-15 \$	Future expenditure \$
Adasa Sistemas SA	Operational data systems review	Feb-16	Mar-16	21,000	21,000	Nil
ESS Earth Sciences Pty Ltd	Probabilistic seismic hazard assessment study	Jul-15	Sep-15	22,250	22,250	Nil
Ethos NRM Pty Ltd	Native vegetation off-set review	Jul-15	Mar-16	57,000	33,478	Nil
Five Consulting (VIC) Pty Ltd	Business case review-Bacchus Marsh irrigation district	Nov-15	Jan-16	34,000	34,000	Nil
Five Consulting (VIC) Pty Ltd	Business case review-Werribee irrigation district	Nov-15	Jan-16	34,000	34,000	Nil
Groundwater Solutions	Local management plans review	Apr-16	Jun-16	27,000	26,940	Nil
Insync Surveys Pty Ltd	Major customer survey	Nov-15	Mar-16	24,000	23,242	Nil
Jacobs Group (Australia) Pty Ltd	Avon river and aquifer study *	Aug-15	Jun-16	82,000	69,000	Nil
Jacobs Group (Australia) Pty Ltd	Boneo groundwater management unit study *	Jul-15	Jul-15	20,000	18,468	Nil
Jacobs Group (Australia) Pty Ltd	Macalister nutrient model review	Feb-16	May-16	12,000	11,871	Nil
JMW Consultants Australia Pty Ltd	Business overlap review	May-15	Oct-15	26,000	20,676	Nil
Navire	Werribee land development feasibility study	Feb-16	Apr-16	25,000	21,405	Nil
Nolan Consulting Pty Ltd	Werribee district - REIP review	Aug-15	Oct-15	25,000	23,800	Nil
Votar Partners Pty Ltd	Information management strategy	Mar-16	May-16	12,000	11,200	Nil
Aecom Australia	Mitchell river technical review	Jun-16	Jun-16	36,000	35,926	Nil

* These projects were externally funded

Five year financial summary, 2011-12 to 2015-16

Revenue	2015-16 \$'000s	2014-15 \$'000s	2013-14 \$'000s	2012-13 \$'000s	2011-12 \$'000s
Fees and charges	25,931	25,474	25,123	24,301	21,985
Storage operator charges	3,710	3,678	3,427	3,514	3,541
Government grants	265	780	725	513	892
Other	4,403	4,819	2,009	2,133	2,404
Total revenue	34,309	34,751	31,284	30,461	28,822
Expenditure					
Operations and maintenance	19,855	19,391	17,883	17,655	19,018
Other	7,850	7,748	6,145	5,578	5,352
Earnings before interest,taxation and depreciation	6,604	7,612	7,256	7,228	4,452
Depreciation	11,521	11,354	10,856	10,265	13,179
Finance cost	914	917	1,107	490	263
Total expenditure	40,140	39,410	35,991	33,988	37,812
Equity					
Net operating statutory loss	(5,831)	(4,659)	(4,707)	(3,527)	(8,990)
Movement in retained earnings	(5,831)	(4,659)	(4,707)	(3,527)	(8,990)
Balance sheet					
Current assets	15,553	13,085	10,330	20,091	9,335
Non-current assets	1,273,315	1,236,808	1,236,329	1,231,023	1,232,046
Total assets	1,288,868	1,249,893	1,246,659	1,251,114	1,241,381
Current liabilities	13,844	9,605	9,888	11,423	9,091
Non-current liabilities	248,645	239,869	242,298	244,878	235,005
Total liabilities	262,489	249,474	252,186	256,301	244,096
Net cash flows from operations	6,211	8,835	6,773	7,739	6,022
Payments for property,plant and equipment	13,646	13,127	16,018	13,068	7,025
Financial result reconciliation					
Net operating statutory loss	(5,831)	(4,659)	(4,707)	(3,527)	(8,990)
Add back non-regulatory depreciation	8,205	8,895	8,696	8,375	10,859
Less renewals charge	(969)	(901)	(1,328)	(1,879)	(1,879)
Add non-regulatory asset transfers and write-offs	1,362	1,409	332	917	411
Add major projects expensed	2,087	1,175	791	376	527
Operating result	4,854	5,919	3,784	4,262	928

Comprehensive Operating Statement for the financial year ended 30 June 2016

	Notes	2015-16 \$'000s	2014-15 \$'000s
Revenue			
Service charges	2(a)	30,339	29,588
Chargeable works	1(d)	363	263
Government contributions	1(d),2(a)	265	686
Interest	1(d)	248	305
Other revenue	2(a)	250	278
Revenue from non-operating activities			
Government contribution for capital purposes	1(d), 2(a)	0	94
Sale of water and entitlement	2(a)	2,419	962
Delivery share—termination fee	2(a)	0	2,363
Net gain on disposal of assets	1(f),2(b)	425	212
Total revenue		34,309	34,751
Expenses from operating activities			
Bulk water	2(c)	1,301	740
Environmental contributions	1(e)	423	423
Employee benefits	1(e), 2(c)	14,617	14,390
Interest	1(e)	711	722
Financial accommodation levy	2(c)	203	195
Insurance	1(e)	453	775
Motor vehicle operating costs	1(e)	700	838
Professional services	1(e)	1,166	1,401
Property and occupancy	1(e)	546	564
Telecommunications	1(e)	383	439
Suppliers and materials	1(e)	6,133	5,246
Chargeable works	1(d)	363	263
Depreciation of regulatory asset base	1(e), 2(c)	3,316	3,110
Depreciation of other assets	1(e), 2(c)	8,205	8,254
Amortisation	1(e), 2(c)	642	641
Written down value of transferred assets	2(c)	104	622
Written down value of assets written off	2(c)	874	787
Total expenses		40,140	39,410
Net result before income tax expense		(5,831)	(4,659)
Income tax revenue	1(i), 3	1,744	1,477
Net result for the period		(4,087)	(3,182)
Other comprehensive income for the period			
Items that will not be reclassified to net result			
Net gain on revaluation of infrastructure, property, plant and equipment	8(b)	35,057	0
Income tax relating to net gain on revaluation of infrastructure, property, plant and equipment	3(e)	(10,517)	0
Other comprehensive income for the year, net of tax		24,540	0
Total comprehensive income for the period		20,453	(3,182)

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

Balance Sheet as at 30 June 2016

	Notes	2015-16 \$'000s	2014-15 \$'000s
Assets			
Current assets			
Cash and deposits	1(f), 4	9,113	7,708
Receivables	1(f), 5	5,848	4,771
Inventories	1(f), 6	133	159
Other current assets		328	257
Assets classified as held for sale	1(f), 7	131	190
Total current assets		15,553	13,085
Non-current assets			
Infrastructure, property, plant and equipment	1(f), 8(a)	1,270,844	1,234,023
Intangible assets	9	2,471	2,785
Total non-current assets		1,273,315	1,236,808
Total assets		1,288,868	1,249,893
Liabilities			
Current liabilities			
Payables	1(g), 10	4,716	3,175
Interest bearing liabilities	11	4,130	1,530
Employee benefits	1(g), 12	4,998	4,900
Total current liabilities		13,844	9,605
Non-current liabilities			
Payables		10	11
Interest bearing liabilities	11	15,220	15,210
Employee benefits	1(g), 12	126	132
Deferred tax liabilities	1(i), 3	233,289	224,516
Total non-current liabilities		248,645	239,869
Total liabilities		262,489	249,474
Net assets		1,026,379	1,000,419
Equity			
Contributed capital	13	409,220	403,713
Asset revaluation reserve	14	582,882	558,342
Accumulated funds	15	34,277	38,364
Total equity		1,026,379	1,000,419

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

Statement of Changes in Equity for the financial year ending 30 June 2016

	Notes	Contributed capital \$'000s	Asset revaluation reserve \$'000s	Accumulated funds \$'000's	Total \$'000's
Balance as at 1 July 2014		396,201	558,344	39,928	994,473
Prior year adjustment - Found assets		0	0	1,618	1,618
Balance as at 1 July 2014 (restated for Found assets)	1(n)	396,201	558,344	41,546	996,091
Net result for the year		0	(2)	(3,182)	(3,184)
Other comprehensive income		0	0	0	0
Total comprehensive income for the year		0	(2)	(3,182)	(3,184)
Transactions with the State Government in its capacity as owner		7,512	0	0	7,512
Balance as at 30 June 2015		403,713	558,342	38,364	1,000,419
Net result for the year		0	0	(4,087)	(4,087)
Other comprehensive income		0	24,540	0	24,540
Total comprehensive income for the year		0	24,540	(4,087)	20,453
Transactions with the State Government in its capacity as owner		5,507	0	0	5,507
Balance as at 30 June 2016		409,220	582,882	34,277	1,026,379

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

Cash Flow Statement for the financial year ended 30 June 2016

	Notes	2015-16 \$'000s	2014-15 \$'000s
Cash flows from operating activities			
Receipts from customers		33,076	33,929
Receipts from State Government		265	780
Payments to suppliers and employees		(27,973)	(27,187)
Interest received		115	176
Interest paid		(710)	(746)
Net Goods and Services Tax received from the ATO*		1,438	1,883
Net cash inflow from operating activities	22	6,211	8,835
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(13,646)	(13,127)
Payments for intangibles		(327)	(370)
Proceeds from sale of infrastructure, property, plant and equipment	2(b)	1,050	883
Net cash used in investing activities		(12,923)	(12,614)
Cash flows from financing activities			
Proceeds from borrowing		4,140	0
Repayment of borrowing		(1,530)	(1,030)
Proceeds from contributions by State Government in its capacity as owner	13	5,507	7,512
Net cash provided by financing activities		8,117	6,482
Net increase in cash held		1,405	2,703
Cash and cash equivalents at the beginning of the financial year		7,708	5,005
Cash and cash equivalents at the end of the financial year	4	9,113	7,708

*Goods and Services Tax received from the ATO is presented on a net basis.

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

Note 1 Significant accounting policies

(a) Establishment of the Corporation

Gippsland and Southern Rural Water Authority (SRW or the Corporation) was established on 1 July 1995, by a Ministerial Order under section 98 of the Water Act 1989, dated 30 June 1995. The Authority's name was changed on 1 July 2007 to Gippsland and Southern Rural Water Corporation under Section 85(1) of the Water Act 1989, inserted by Section 54 of the Water Governance Act 2006. The business name of the Corporation is Southern Rural Water (SRW).

The Corporation is a not for profit entity owned by the State Government of Victoria, reported and domiciled in Victoria.

(b) Basis of Accounting

General

The financial report includes separate financial statements for the Corporation as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements for the period ending 30 June 2016. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the Financial Management Act 1994 and applicable Ministerial Directions. The Corporation is a not for profit entity for the purposes of preparing the financial statements.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

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

The annual financial statements were authorised for issue by the Gippsland and Southern Rural Water Corporation Board of Directors on 30 August 2016.

The principal address is:

Gippsland and Southern Rural Water Corporation
88 Johnson Street,
Maffra, VIC, 3860

Accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

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

Functional and presentation currency

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

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the Corporation's operational cycle – see Note 1(g) for a variation in relation to employee benefits.

Rounding

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

Historical cost convention

This financial report has been prepared under the historical cost convention, as modified by the revaluation of financial assets, and certain classes of property, plant and equipment.

Accounting estimates

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

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

- estimation of useful lives
- the impairment of assets
- recognition of deferred tax assets and liabilities

- accrued income
- provisions
- contingent assets and liabilities
- the fair value of assets (i.e. infrastructure assets).

(c) Changes in accounting policies

All accounting policies are consistent with the 2014-15 reporting period.

(d) Revenue

Water Charges

Fixed water and service charges are recognised as revenue when levied.

Variable water charges are recognised as revenue when the meters are read. Meter readings are undertaken progressively during the year and at the end of each respective season, which aligns with the end of the financial year.

Sale of created water entitlement

Where the responsible minister approves an amendment to a Bulk Entitlement Order, as well as the sale of resulting new water entitlements, the Corporation recognises this revenue at the time these entitlements are sold. Total proceeds are recorded in the Comprehensive Operating Statement as revenue from non-operating activities.

Licence Application Fee Charges

Licensing application revenue is recognised as the work is performed by the Corporation, rather than on receipt of the application fee.

Chargeable Works

From time to time the Corporation undertakes capital works for its customers. The cost of these works is included as a separate line of expenditure and revenue in the Comprehensive Operating Statement.

Government grants and contributions

Government grants and contributions are recognised as operating revenue on receipt or when the Corporation obtains control of the contribution and meets certain other criteria as outlined by AASB 1004 Contributions, whichever is the sooner, and disclosed in the Comprehensive Operating Statement as government grants and contributions. However, grants and contributions received from the State Government, which were originally appropriated by the Parliament as additions to net assets or where the responsible ministers have indicated are in the nature of owners' contributions, are accounted for as Equity – Contributions by Owners in accordance with FRD 119A Transfers through Contributed Capital.

Interest

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

Lease or Rental Income

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

(e) Expenses

Interest

Interest is recognised as an expense in the period in which it is incurred, and includes interest on overdrafts and short and long-term borrowings.

Depreciation and Amortisation of Non-current Assets

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

Physical assets with indefinite useful lives are not depreciated, and this includes:

- earthen storage embankments
- tunnels and other excavations
- irrigation channel excavation and base material
- drain excavations.

Land is not depreciated.

Motor vehicles are depreciated on a diminishing balance basis over their estimated useful life, commencing from the time the asset is held ready for use.

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

Intangible assets with finite useful lives are amortised as an expense using the straight line method, commencing from the time the asset is available for use. The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. However, all intangible assets are assessed annually for impairment as outlined in Note 1(f).

Useful lives within each asset class are consistent with the previous year and fall within the following ranges:

Class of Asset	Periods
Buildings	10 to 50 years
Water infrastructure	
Storage embankments	350 years
Storage spillways	100 years
Storage discharge control structures	80 years
Storage civil works	50 years
Storage mechanical and electrical	25 years
Irrigation pipes	50 to 90 years
Irrigation structures, meters and pumps	25 to 75 years
Irrigation channels	100 years
Irrigation channel excavation and base material	Indefinite
Earthen storage embankments	Indefinite
Tunnel and other excavations	Indefinite
Drain excavations	Indefinite
Plant, equipment and other	
Machinery and tools	2 to 33 years
Computer equipment	4 to 10 years
Furniture and fittings	2 to 25 years
Motor vehicles	2 to 4 years
Plant	5 to 20 years

EMPLOYEE BENEFITS

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

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by the Corporation to the relevant superannuation plans in respect to the services of the Corporation's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and

any relevant compulsory superannuation requirements that the Corporation is required to comply with.

Repairs and maintenance

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

Environmental contributions

The Water Industry (Environmental Contributions) Act 2004 (the Act) amended the Water Industry Act 1994 to make provision for environmental contributions to be paid by water supply corporations. The Act establishes an obligation for a corporation to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008, in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation. Every year since 2008, the contribution period has been extended to cover the current reporting period. The contribution period has been further extended to cover the period 1 July 2016 until 30 June 2020.

The purpose of the environmental contribution is set out in the Act, and the funding may be used for the purpose of funding initiatives that seek to promote the sustainable management of water or address water-related initiatives.

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

Supplies and services costs are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

(f) Assets

Cash and Deposits

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

Receivables

Receivables consist of:

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

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

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

Contractual receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impaired receivables. Trade receivables are due for settlement no more

than 30 days from the date of recognition for water utility debtors, and no more than 30 days for other debtors.

Collectability of contractual receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amounts credited to the provision are recognised as an expense in the Comprehensive Operating Statement.

Inventories

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

Prepayments

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

Infrastructure, property, plant and equipment

Recognition of Non-Current Physical Assets

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water and drainage infrastructure, plant, equipment and motor vehicles, used by the

Corporation in its operations. Items with a cost or value in excess of \$2,000 (2015: \$2,000) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

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

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

Leasehold improvements

Leasehold improvements are recognised at fair value and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 10-year period (2015: 10 years).

Measurement of non-current physical assets

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

Revaluations are conducted in accordance with FRD 103F. Scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to carrying value. If the difference to carrying value is greater than 10 per cent, a management revaluation is undertaken while a movement greater than 40 per cent will normally involve an approved valuer (usually the Valuer-General Victoria) to perform detailed assessment of the fair value. If the movement in fair

value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

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

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

A formal revaluation of water infrastructure, land and buildings was undertaken in 2015-16 by the Valuer-General Victoria (VGV) and under the instructions of the Department of Treasury and Finance (DTF). Further details of the valuation exercise are provided in Note 8.

Revaluation of non-current physical assets

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

Revaluation decrements are recognised immediately as an expense in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited to the asset revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class of infrastructure, property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes. Asset revaluation reserves are not transferred to accumulated surplus/(deficit) on derecognition of the relevant asset.

Impairment of assets

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

- inventories
- financial instrument assets
- deferred tax assets.

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

The recoverable amount for most assets is measured at depreciated replacement cost. It is deemed that, in the event of the loss of an asset, the asset will be replaced unless a specific decision to the contrary has been made.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading asset revaluation reserve. However, to the extent

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

Gains and losses on disposal

Gains and losses on disposal are determined by comparing proceeds with the carrying amounts. These are included in the Comprehensive Operating Statement.

Assets classified as held for sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, as their carrying amount will be recovered principally through a sale transaction, rather than through continuing use. Assets are classified as held for sale when the Corporation considers that the sale is highly probable, the asset is available for immediate sale in its present condition and the sale is expected to be completed within 12 months from the date of classification. Assets are not depreciated or amortised while they are classified as held for sale. Assets classified as held for sale are classified as current assets.

Intangibles

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation. The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. However, all intangible assets are assessed for impairment annually.

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

	Software	Water allocation
Useful lives	Finite	Indefinite
Amortisation method used	3 to 10 years straight line	Not amortised or revalued
Internally generated/acquired	Acquired	Acquired
Impairment test/Recoverable amount testing	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists

Water allocation

The Corporation holds a water allocation within the Thomson Reservoir. This follows the purchase of 3,000ML of water allocation from Macalister Irrigation District water share owners in June 2016. The Minister for Water assigned this water allocation of 3,000ML to City West Water and Western Water for storage until the Corporation directs the delivery of the water.

The water allocation was acquired by the Corporation to enable the sale of new water allocations to Werribee and Bacchus Marsh irrigators.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Comprehensive Operating Statement on a straight-line basis over the period of the lease, in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

FINANCIAL ASSETS

Recognition

Financial instruments are initially measured at fair value. Subsequent to initial recognition, the financial instruments are measured as set out below:

Loans and receivables

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

Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired.

FAIR VALUE

Consistent with AASB 13 Fair Value Measurement, the Corporation determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment, financial instruments and for

non recurring fair value measurements such as assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

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

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

For the purpose of fair value disclosures, the Corporation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

The Valuer-General Victoria (VGV) is the Corporation's independent valuation agency.

The Corporation monitors changes in the fair value of each asset and liability through relevant data sources.

(g) Liabilities

Payables

Payables consist of:

- contract payables, such as accounts payable and unearned income. Accounts payable represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid, and arise when the Corporation becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax.

Contract payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract. The contractual payables are unsecured and are usually paid within 30 days of recognition.

INTEREST BEARING LIABILITIES

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

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

Provisions

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 discount rates that reflect the time value of money and risks specific to the provision.

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

Employee benefits

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

(i) Wages and salaries and annual leave

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

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

- undiscounted value – if the Corporation expects to wholly settle within 12 months

- present value – if the Corporation does not expect to wholly settle within 12 months.

(ii) Long service leave

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

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

The components of this current LSL liability are measured at:

- undiscounted value – if the Corporation expects to wholly settle within 12 months
- present value – if the Corporation does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Corporation before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The Corporation recognises termination benefits at the earlier of the following dates:

- a. when the Corporation can no longer withdraw the offer of those benefits

- b. when the entity recognises costs for a restructuring that is within the scope of AASB 137 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

On-costs

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

Performance payments

Performance payments for the Corporation's executive officers are based on a percentage of the annual salary package provided under their contract(s) of employment. Where the performance payment has been awarded, but not paid, a liability is recognised as the aggregate of the amounts accrued under the terms of the contracts to balance date.

(h) Equity

Contributions by owners

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

ASSET REVALUATION RESERVE

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

(i) Taxation

The Corporation is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The Corporation's deferred tax liabilities exceed the level of deferred tax assets and therefore a net deferred tax liability has been disclosed in the Balance Sheet.

(j) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 17) at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

(k) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note (refer to Note 18) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(l) Dividend policy

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer. At the date of this report, the Corporation does not expect to pay a dividend in respect of the 2015-16 financial year.

(m) Goods and services tax

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

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

(n) Prior year corrections**Found assets**

During the reporting period a number of land assets under the Corporation's control which had not been previously recognised in the Balance Sheet were identified as being incorrectly omitted. These assets have been recognised as an adjustment to opening accumulated surplus and the 2014-15 comparative figures for Infrastructure, property, plant and equipment.

A third balance sheet has not been presented to disclose the prior year adjustment as they were considered not material to the comparative amounts included in the Balance Sheet. The net changes are displayed in the following table:

2014-15 Restated Balances	
Non-current assets:	\$'000s
Infrastructure, property, plant and equipment	1,231,712
Found assets	
Land	2,311
Infrastructure, property, plant and equipment	1,234,023
Non-current liabilities:	
Deferred tax liabilities	223,823
Found assets	693
Deferred tax liabilities	224,516
Equity:	
Accumulated Funds	36,746
Found assets	1,618
Accumulated Funds	38,364

(o) New Accounting Standards and Interpretations issued that are not yet effective

Certain new Australian Accounting Standards (AASs) have been published that are not mandatory for the 30 June 2016 reporting period. DTF assesses the impact of all these new standards and advises the Corporation of their applicability and early adoption where applicable.

Please refer below for the detailed list of the AAS's issued but are not yet effective for the 2015-16 reporting period.

Standard/interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on the Corporation's financial statements
AASB 9 Financial Instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through Other Comprehensive Income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2018	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 potential impact will be the upfront recognition of revenue from licences that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening retained earnings if there are no former performance obligations outstanding.
AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period in accordance with the transition requirements.



Financial report

Standard/interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on the Corporation's financial statements
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1 Jan 2019	<p>The assessment has indicated that as most operating leases will come on Balance Sheet, recognition of lease assets and lease liabilities may cause net debt to increase.</p> <p>Depreciation of lease assets and interest on lease liabilities will be recognised in the Other Comprehensive Income with marginal impact on the operating surplus.</p> <p>The amount of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement.</p> <p>No change for lessors.</p>
<p>AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</p> <p>(AASB 116 & AASB 138)</p>	<p>AASB 2014-4 amends AASB 116 and AASB 138 to:</p> <ul style="list-style-type: none"> • establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; • clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset; and • clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. 	1 Jan 2016	The assessment has indicated that there is no expected impact, as the revenue-based method is not used by the Corporation for depreciation and amortisation.
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities (AASB 10, AASB 124 & AASB 1049)	The Amendments extend the scope of AASB 124 Related Party Disclosures to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on the Corporation's key management personnel (KMP), and the related party transactions.

No significant impact is expected from the following new standards, amendments and interpretations:

Standard/interpretation

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)

AASB 2014-1 Amendments to Australian Accounting Standards (Part E Financial Instruments)

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9

AASB 2014-9 Amendments to Australian Accounting Standards – Equity method in Separate Financial Statements

AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between and Investor and its Associate or Joint Venture

AASB 14 Regulatory Deferral Accounts

AASB 2014- 5 Amendments to Australian Accounting Standards arising from AASB 15

AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards

	2015-16 \$'000s	2014-15 \$'000s
2 Operating statement – disclosures		
2(a) Revenues		
Service charges		
Fixed charges		
Water service charges		
Irrigation, diversion and groundwater	22,622	22,220
Recycled water	635	626
Storage operator charges	3,710	3,678
Other charges		
Bore construction, application fees, transfer fees and information statements	1,249	1,261
	28,216	27,785
Variable usage charges		
Irrigation, diversion and groundwater	1,425	1,367
Recycled water	698	436
	2,123	1,803
	30,339	29,588

	2015-16 \$'000s	2014-15 \$'000s
2 Operating statement – disclosures continued		
2(a) Revenues continued		
Government contributions		
Operating		
State Government		
National framework for compliance and enforcement	150	225
Licensing local government dams	0	150
Youth employment scheme	0	9
Lindenow valley water security	0	172
Rural water corporation KPI benchmarking	0	50
Boneo groundwater management unit hydrogeological investigation	0	20
Online portal for potentially hazardous dams	0	60
Making licences authoritative	75	0
Boating safety (Melton/Pykes Creek)	18	0
Commonwealth Government		
Merrimu reservoir land revegetation project	22	0
	265	686
Non-operating		
State Government		
Boating safety (Glenmaggie)	0	94
	0	94
	265	780
Other revenue		
Royalties	41	53
Building rentals	18	20
Occupational licences	72	71
Other rentals, leases or agistments	57	59
Contributions	60	69
Other	2	6
	250	278
Sale of created water entitlement		
Sale of created water shares (i)	1,433	962
Sale of water (ii)	150	0
Sale of surface and groundwater licences (iii)	836	0
	2,419	962

	2015-16 \$'000s	2014-15 \$'000s
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2 Operating statement – disclosures continued

2(a) Revenues continued

(i) In 2013, the Corporation completed water saving projects from the MID 2030 leading works and MID 2030 Phase 1A projects in the Macalister Irrigation District. Water saving studies confirmed that the project had saved 2,881ML of water each year. In October 2014 the former Minister for Water approved the amendment of the Thomson/Macalister bulk water entitlement and the creation of these new water entitlements. Part of the second tranche of these entitlements, 205ML of high reliability shares and 288ML of low reliability shares, was sold by auction on 2 February 2016. The proceeds raised of \$0.828M have been recorded in the Comprehensive Operating Statement as revenue. During the financial year, further entitlements were placed on the market with a shelf price, over the period July - September 2015, and again between February - June 2016. The proceeds raised of \$0.605M have been recorded in the Comprehensive Operating Statement as revenue.

(ii) During 2015-16, the Corporation conducted auctions selling seasonal allocations from savings made through modernisation projects in the Macalister Irrigation District. The proceeds raised of \$0.15M have been recorded in the Comprehensive Operating Statement as revenue.

(iii) During 2015-16, the Corporation conducted three auctions selling unregulated groundwater and surfacewater licences. The auctions were conducted in the following areas:

- Merri River, which sold 350ML of surfacewater licensed volume.
- Curdies River, which sold 1,060ML of surfacewater licensed volume.
- Parwan Groundwater Management Unit, which sold 600ML of groundwater licensed volume.

The proceeds raised of \$0.836M have been recorded in the Comprehensive Operating Statement as revenue.

Delivery share—termination fee	0	2,363
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During 2014-15, delivery shares in the Werribee Irrigation District were relinquished by the Department of Environment, Land, Water and Planning, which incurs an infrastructure termination fee to finalise their exit from the irrigation district. The proceeds raised of \$2.363M were recorded in the Comprehensive Operating Statement as revenue.

2(b) Net gain on disposal of assets

The surplus from ordinary activities includes the following specific net gains and expenses

Proceeds from sale of infrastructure, property, plant and equipment	1,050	883
Written down value of disposed infrastructure, property, plant and equipment	(625)	(671)
Net gain on disposal	425	212

	2015-16 \$'000s	2014-15 \$'000s
2(c) Expenses		
Depreciation		
– Buildings	157	161
– Water infrastructure	10,171	9,942
– Machinery, fittings and equipment	286	332
– Motor vehicles	810	844
– Plant	97	85
	11,521	11,364
Depreciation		
– Depreciation of regulatory asset base	3,316	3,110
– Depreciation of other assets	8,205	8,254
	11,521	11,364
Depreciation is distinguished by:		
<ul style="list-style-type: none"> regulated asset base: expenditure that is recoverable from customers within prices authorised by the Water Industry Regulatory Order; and other assets: depreciation of assets acquired or constructed prior to 1 July 2004, or assets funded directly by customer or government contribution. 		
Amortisation		
– Software	642	641
Assets transferred/written off		
Written down value of transferred assets	104	622
Written down value of transferred assets represents the transfer of ownership of irrigation drains to landholders as part of the Corporation's nutrient reduction activities. Drains were transferred to landholders at no cost under this program.		
Written down value of assets written off	874	787
As assets, or components of assets are replaced, the Corporation charges the written down value of the replaced or scrapped asset to the Comprehensive Operating Statement within this category.		
Bulk water		
– Recycled water	1,301	740

Recycled water is supplied by Melbourne Water to the Corporation for distribution to customers in the Werribee Irrigation District.

	2015-16 \$'000s	2014-15 \$'000s
2 Operating statement – disclosures continued		
2(c) Expenses continued		
– Financial accommodation levy (FAL)	203	195
The FAL is the interest rate surcharge paid to the State Government as part of competitive neutrality arrangements agreed at COAG.		
– Rental expenses	201	223
Employee benefits		
Aggregate amount paid and accrued	16,445	15,649
Less capitalised employee benefit costs	(1,920)	(1,551)
Movement to:		
– Annual leave provision	(10)	41
– Long service leave provision	102	251
	14,617	14,390
Auditor's remuneration		
– Victorian Auditor-General for audit of financial statements	43	42
Bad and doubtful debts	50	53
3 Income tax expense (revenue)		
3(a) Income tax revenue		
Current tax	0	0
Movement in deferred tax	(1,744)	(1,477)
	(1,744)	(1,477)
3(b) Reconciliation of income tax revenue to prima facie tax payable		
Net result before income tax	(5,831)	(4,659)
Tax at the Australian tax rate of 30% (2015: 30%)	(1,749)	(1,398)
Tax effect of amounts which are not deductible in calculating taxable income		
Sponsorships and entertainment	5	5
Adjustment in respect of income tax of previous year	0	(84)
Income tax revenue	(1,744)	(1,477)
3(c) Income tax recognised in Other Comprehensive Income		
Net gain on revaluation of infrastructure, property, plant & equipment	35,057	0
Tax at the Australian tax rate of 30% (2015: 30%)	10,517	0
Total income tax recognised in Other Comprehensive Income	10,517	0

	2015-16 \$'000s	2014-15 \$'000s
3 Income tax expense (revenue) continued		
3(d) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Employee entitlement provision	1,537	1,509
Benefit of carry forward tax losses	117,177	114,773
	118,714	116,282
Offset against deferred tax liabilities	(118,714)	(116,282)
	0	0
3(e) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Cumulative depreciation and amortisation	101,503	100,862
Revenue in advance	0	(47)
Net gain on revaluation of infrastructure, property, plant and equipment	250,500	239,983
Offset from deferred tax assets	(118,714)	(116,282)
	233,289	224,516
Movement in deferred tax liabilities		
Carrying amount 1 July	224,516	225,993
Charged to Comprehensive Income Statement	10,517	0
Credited to Comprehensive Income Statement	(1,744)	(1,477)
	233,289	225,516
4 Cash and deposits		
Cash on hand	3	3
Cash at bank	1,361	559
Deposits at call	7,749	7,146
	9,113	7,708
4(a) Cash on hand		
These are non-interest bearing	3	3
4(b) Cash at bank		
The account is subject to floating interest rates which in 2015-16 varied between 1.25% and 1.5% (2015: 1.50% and 2.00%)	1,361	559
4(c) Deposits at call		
The deposits at call are subject to a floating interest rate of 1.70% at 30 June 2016 (30 June 2015: 1.95%)	7,749	7,146
5 Receivables		
Contractual		
Trade receivables	3,497	2,466
Provision for impaired receivables	(133)	(83)
Accrued income	1,873	1,938
	5,237	4,321

	2015-16 \$'000s	2014-15 \$'000s
5 Receivables continued		
Statutory		
GST input tax credit receivables	611	450
	5,848	4,771

5(a) Provision for doubtful debts

As at 30 June 2016, current receivables of the Corporation with a nominal value of \$102,666 were impaired. The ageing analysis of these receivables is as follows:

0 to 60 days	0	0
Over 60 days	103	53
	103	53

The total value of the provision for doubtful debts is \$132,716, which includes a \$30,050 general provision for the non-recovery of unspecified customer debt.

Movement in the provision for impaired receivables		
At 1 July	83	30
Provision for doubtful debts recognised during the year	50	53
	133	83

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

5(b) Past due but not impaired receivables

As at 30 June 2016, trade receivables of \$2.607M(2015: \$2.185M) were past due but not impaired. These relate to a number of independent water customers. Excluding a small number of recycled water charges, the Corporation's credit risk for water customers is mitigated by the Water Act (1989), where outstanding trade receivables are secured by a charge against the associated land or water share. The Corporation considers that underlying land and water share assets within each irrigation district provide adequate market value to support our trade receivable balance. The ageing analysis of these past due but not impaired receivables is as follows:

0 to 60 days	782	457
Over 60 days	1,825	1,728
	2,607	2,185

The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

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

All the Corporation's current and non-current receivables are denominated in Australian dollars and accordingly, the Corporation does not have any foreign exchange rate risk against these balances.

A summarised analysis of the sensitivity of receivables to interest rate risk can be found in Note 20(b).

5(d) Fair value and credit risk

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

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables mentioned above. As these receivables share the security described by Note 5(a), for the 2015-16 financial year the Corporation considered that this provided adequate collateral and the receivable value was not impaired.

Refer to Note 21 for more information on the financial risk management policies of the Corporation.

	2015-16 \$'000s	2014-15 \$'000s
6 Inventories		
Current		
Stores and consumables – at cost	133	159

	2015-16 \$'000s	2014-15 \$'000s
7 Assets classified as held for sale		
Freehold land held for sale	131	190

Freehold land held for sale is valued at carrying value, and represents surplus land currently on the market for sale. Refer to Note 8(c) for the valuation technique applied to specialised land.

7(a) Fair value measurement of non-financial physical assets held for sale as at 30 June 2016

	Carrying amount as at 30 June 2016 \$'000's	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾
		\$'000s	\$'000s	\$'000s
Freehold land for sale	131	0	0	131
Total of freehold land held for sale	131	0	0	131

Fair value measurement of non-financial physical assets held for sale as at 30 June 2015

	Carrying amount as at 30 June 2015 \$'000's	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾
		\$'000s	\$'000s	\$'000s
Freehold land for sale	190	0	0	190
Total of freehold land held for sale	190	0	0	190

	2015-16 \$'000s	2014-15 \$'000s
8(a) Infrastructure, property, plant and equipment Note 1(f)		
Classes of infrastructure, property, plant and equipment		
Land		
At fair value	27,692	21,778
Buildings		
At fair value	2,876	3,401
Less: accumulated depreciation	0	(578)
	2,876	2,823
Water infrastructure		
At fair value	1,224,660	1,235,367
Less: accumulated depreciation and impairment	0	(39,766)
	1,224,660	1,195,601
Machinery, fittings and equipment		
At fair value	4,108	3,987
Less: accumulated depreciation	(2,892)	(2,640)
	1,216	1,347
Motor vehicles		
At fair value	4,334	4,673
Less: accumulated depreciation	(1,714)	(1,579)
	2,620	3,094
Plant		
At fair value	1,287	1,122
Less: accumulated depreciation	(837)	(734)
	450	388
	1,259,514	1,225,031
Capital works in progress (at cost)	11,330	8,992
	11,330	8,992
Total infrastructure, property, plant and equipment	1,270,844	1,234,023

8(b) Movements in infrastructure, property, plant and equipment

	Land	Water infrastructure	Machinery, fittings and equipment	Plant	Motor vehicles	Buildings	Capital works in progress	Total
Year ended 30 June 2016	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
At 1 July 2015	21,778	1,195,601	1,347	388	3,094	2,823	8,992	1,234,023
Additions	0	0	0	0	879	0	13,957	14,836
Transfers	0	11,181	156	159	0	123	(11,619)	0
Revaluation	5,938	29,035	0	0	0	84	0	35,057
Disposals	(24)	(986)	(1)	0	(543)	3	0	(1,551)
Depreciation expense	0	(10,171)	(286)	(97)	(810)	(157)	0	(11,521)
At 30 June 2016	27,692	1,224,660	1,216	450	2,620	2,876	11,330	1,270,844
At 1 July 2015								
Gross carrying amount	21,778	1,235,367	3,987	1,122	4,673	3,401	8,992	1,279,320
Accumulated depreciation	0	(39,766)	(2,640)	(734)	(1,579)	(578)	0	(45,297)
Net carrying amount	21,778	1,195,601	1,347	388	3,094	2,823	8,992	1,234,023
At 30 June 2016								
Gross carrying amount	27,692	1,224,660	4,108	1,287	4,334	2,876	11,330	1,276,287
Accumulated depreciation	0	0	(2,892)	(837)	(1,714)	0	0	(5,443)
Net carrying amount	27,692	1,224,660	1,216	450	2,620	2,876	11,330	1,270,844
Year ended 30 June 2015								
At 1 July 2014	19,618	1,194,900	1,185	419	3,076	3,007	11,068	1,233,273
Additions	2,311	0	0	0	1,518	0	10,533	14,382
Transfers	0	12,049	495	54	0	31	(12,629)	0
Disposals	(151)	(1,406)	(1)	0	(656)	(54)	0	(2,268)
Depreciation expense	0	(9,942)	(332)	(85)	(844)	(161)	0	(11,364)
At 30 June 2015	21,778	1,195,601	1,347	388	3,094	2,823	8,992	1,234,023
At 1 July 2014								
Gross carrying amount	19,618	1,224,886	3,602	1,117	4,581	3,442	11,068	1,268,314
Accumulated depreciation	0	(29,986)	(2,417)	(698)	(1,505)	(435)	0	(35,041)
Net carrying amount	19,618	1,194,900	1,185	419	3,076	3,007	11,068	1,233,273
At 30 June 2015								
Gross carrying amount	21,778	1,235,367	3,987	1,122	4,673	3,401	8,992	1,279,320
Accumulated depreciation	0	(39,766)	(2,640)	(734)	(1,579)	(578)	0	(45,297)
Net carrying amount	21,778	1,195,601	1,347	388	3,094	2,823	8,992	1,234,023

8(c) Fair value measurement hierarchy for assets as at 30 June 2016

	Carrying amount as at 30 June 2016 \$'000s	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾ \$'000s	Level 2 ⁽ⁱ⁾ \$'000s	Level 3 ⁽ⁱ⁾ \$'000s
Land at fair value				
Non-specialised land	3,272	0	3,272	0
Specialised land	24,420	0	0	24,420
Total of land at fair value	27,692	0	3,272	24,420
Buildings at fair value				
Non-specialised buildings	2,876	0	0	2,876
Total of buildings at fair value	2,876	0	0	2,876
Water infrastructure at fair value				
Reservoirs and weirs	696,995	0	0	696,995
Tunnels	54,313	0	0	54,313
Irrigation channels and pipes	197,060	0	0	197,060
Irrigation drains	41,931	0	0	41,931
Irrigation structures, meters and pumps	234,361	0	0	234,361
Total of water infrastructure at fair value	1,224,660	0	0	1,224,660
Machinery, fittings and equipment at fair value				
Machinery and tools	559	0	0	559
Computer equipment	419	0	0	419
Furniture and fittings	238	0	0	238
Total of machinery, fittings and equipment at fair value	1,216	0	0	1,216
Motor vehicles and plant at fair value				
Motor vehicles	2,620	0	0	2,620
Plant	450	0	0	450
Total of motor vehicles and plant at fair value	3,070	0	0	3,070

Fair value measurement hierarchy for assets as at 30 June 2015

	Carrying amount as at 30 June 2015 \$'000s	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾ \$'000s	Level 2 ⁽ⁱ⁾ \$'000s	Level 3 ⁽ⁱ⁾ \$'000s
Land at fair value				
Non-specialised land	3,352	0	3,352	0
Specialised land	18,426	0	0	18,426
Total of land at fair value	21,778	0	3,352	18,426
Buildings at fair value				
Non-specialised buildings	2,823	0	0	2,823
Total of buildings at fair value	2,823	0	0	2,823
Water infrastructure at fair value				
Reservoirs and weirs	710,331	0	0	710,331
Tunnels	215,058	0	0	215,058

Fair value measurement hierarchy for assets as at 30 June 2015 continued

	Carrying amount as at 30 June 2015 \$'000s	Fair value measurement at end of reporting period using:		
		Level 1 (i) \$'000s	Level 2 (i) \$'000s	Level 3 (i) \$'000s
Irrigation channels and pipes	159,404	0	0	159,404
Irrigation drains	79,795	0	0	79,792
Irrigation structures, meters and pumps	31,016	0	0	31,016
Total of water infrastructure at fair value	1,195,601	0	0	1,195,601
Machinery, fittings and equipment at fair value				
Machinery and tools	606	0	0	606
Computer equipment	459	0	0	459
Furniture and fittings	282	0	0	282
Total of machinery, fittings and equipment at fair value	1,347	0	0	1,347
Motor vehicles and plant at fair value				
Motor vehicles	3,094	0	0	3,094
Plant	388	0	0	388
Total of motor vehicles and plant at fair value	3,482	0	0	3,482

Notes

(i) Classified in accordance with the fair value hierarchy, see Note 1(f).

Non specialised land

For non specialised land, an independent valuation was performed by the Valuer-General Victoria (VGV) to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate rate per square metre or per hectare has been applied to the subject asset. The effective date of the valuation is 30 June 2016.

To the extent that non-specialised land does not contain significant, unobservable adjustments, these assets are classified as a level 2 under the market approach.

Non specialised buildings

An independent valuation of non-specialised buildings was performed by VGV and used depreciated replacement cost to estimate fair value.

The effective date of the valuation is 30 June 2016.

As depreciation adjustments are considered as significant, unobservable inputs in nature, the buildings are classified as a level 3 fair value measurements.

Specialised land

The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land is classified as Level 3 assets.

CSO adjustments to land values have taken into account the planning restrictions applying to their use, as well as the restrictions and impacts of the existence of water infrastructure assets (drains, channels and reservoirs), but not the value of those assets (which are separately recorded as infrastructure assets). In the case of land used for reservoirs, the valuation performed by VGV recognises an associated CSO by valuing land above the full supply level at 80% of surrounding land values, and below the full supply level at 8% of adjacent land value (2014-15: 10%).

An independent valuation of the Corporations' specialised land was performed by VGV. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2016.

Water infrastructure

Water infrastructure is valued using the depreciated replacement cost method. This cost represents the replacement cost of the asset/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction includes structure services and finishes as applicable.

An independent valuation of the Corporation's water infrastructure was performed by VGV. Water Infrastructure assets are valued by VGV at fair value. As the Corporation is categorised as not-for-profit, fair value is assessed as depreciated replacement cost. The effective date of the valuation is 30 June 2016. Important aspects to this valuation approach were:

- replacement cost is determined on an 'Optimum Modern Equivalent' basis. This assessment calculates replacement cost by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained. In this way, value is not attributed to excess capacity, over design or redundancy
- depreciation is calculated using a straight line methodology, and in order to determine the depreciated value, condition assessments are used to calculate the remaining useful life.

As depreciation adjustments are considered as significant, unobservable inputs in nature, water infrastructure is classified as level 3 fair value measurements.

Machinery, fittings and equipment

Machinery, fittings and equipment are held at fair value. When machinery, fittings and equipment are specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

As depreciation adjustments are considered as significant, unobservable inputs in nature, machinery, fittings and equipment are classified as Level 3 fair value measurements.

Motor vehicles and plant

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

Plant is held at fair value. When plant is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

As depreciation adjustments are considered as significant, unobservable inputs in nature, motor vehicles and plant are classified as level 3 fair value measurements.

There were no changes in valuation techniques throughout the period to 30 June 2016.

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

8(d) Reconciliation of level 3 fair value at 30 June 2016

Asset type	Opening balance (\$'000s)	Additions (\$'000s)	Transfers (\$'000s)	Disposals (\$'000s)	Depreciation (\$'000s)	Impairment (\$'000s)	Revaluation (\$'000s)	Closing balance (\$'000s)
Specialised land	18,426	0	0	(24)	0	0	6,018	24,420
Non-specialised buildings	2,823	0	123	3	(157)	0	84	2,876
Reservoirs and weirs	710,331	0	2,196	0	(4,476)	0	(11,056)	696,995
Tunnels	215,058	0	0	0	(312)	0	(160,433)	54,313
Irrigation channels and pipes	159,404	0	7,741	(694)	(3,578)	0	34,187	197,060
Irrigation drains	79,792	0	39	(111)	(505)	0	(37,284)	41,931
Irrigation structures, meters and pumps	31,016	0	1,205	(181)	(1,300)	0	203,621	234,361
Machinery and tools	606	0	53	(1)	(98)	0	0	560
Computer equipment	459	0	88	0	(129)	0	0	418
Furniture and fittings	282	0	15	0	(59)	0	0	238
Motor vehicles	3,094	879	0	(543)	(810)	0	0	2,620
Plant	388	0	159	0	(97)	0	0	450

Reconciliation of level 3 fair value at 30 June 2015

Asset type	Opening balance (\$'000s)	Additions (\$'000s)	Transfers (\$'000s)	Disposals (\$'000s)	Depreciation (\$'000s)	Impairment (\$'000s)	Revaluation (\$'000s)	Closing balance (\$'000s)
Specialised land	16,267	2,311	0	(152)	0	0	0	18,426
Non-specialised buildings	3,007	0	31	(54)	(161)	0	0	2,823
Reservoirs and weirs	712,518	0	2,235	(3)	(4,419)	0	0	710,331
Tunnels	215,368	0	0	0	(310)	0	0	215,058
Irrigation channels and pipes	153,194	0	8,120	(307)	(1,603)	0	0	159,404
Irrigation drains	80,904	0	30	(628)	(514)	0	0	79,792
Irrigation structures, meters and pumps	32,916	0	1,664	(467)	(3,097)	0	0	31,016
Machinery and tools	539	0	200	0	(133)	0	0	606
Computer equipment	340	0	258	0	(139)	0	0	459
Furniture and fittings	305	0	37	(1)	(59)	0	0	282
Motor vehicles	3,076	1,518	0	(656)	(844)	0	0	3,094
Plant	419	0	54	0	(85)	0	0	388

8(e) Description of significant unobservable inputs to level 3 valuations (ii)

Asset class	Fair value at 30 June 2016 (\$'000's)	Valuation technique (i)	Significant unobservable inputs (i)
Specialised land	\$24,420	Market / Adjusted	Community Service Obligation (CSO) adjustment to market value
Non-specialised buildings (52)	\$2,876	Depreciated replacement cost	Building cost, cost approach using best available evidence from recognised building cost indicators and or quantity
Reservoirs (7)	\$651,402	Depreciated replacement cost	Cost per reservoir Useful life of reservoirs
Weirs (6)	\$45,593	Depreciated replacement cost	Cost per weir Useful life of weirs
Tunnels (3)	\$54,313	Depreciated replacement cost	Cost per tunnel Useful life of tunnels
Irrigation channels	\$184,788	Depreciated replacement cost	Cost per metre of channel Useful life of irrigation channels
Irrigation pipes	\$12,272	Depreciated replacement cost	Cost per metre of pipeline Useful life of irrigation pipes
Irrigation drains	\$41,931	Depreciated replacement cost	Cost per metre Useful life of irrigation drains
Irrigation structures, meters and pumps	\$234,361	Depreciated replacement cost	Cost per unit Useful life of irrigation structures
Machinery and tools	\$560	Depreciated replacement cost	Cost per unit Useful life of machinery and tools
Computer equipment	\$418	Depreciated replacement cost	Cost per unit Useful life of computer equipment
Furniture and fittings	\$238	Depreciated replacement cost	Cost per unit Useful life of the furniture and fittings
Motor vehicles	\$2,620	Depreciated replacement cost	Cost per unit Useful life of the motor vehicles
Plant	\$450	Depreciated replacement cost	Cost per unit Useful life of plant

Notes:

(i) Illustrations on the valuation techniques, significant unobservable inputs and the related quantitative range of those inputs are indicative and should not be directly used without consultation with VGV.

(ii) These significant unobservable inputs remain unchanged from 30 June 2015

9 Intangible assets

	Software \$'000s	Water allocation \$'000s	Implementation in progress \$'000s	Total \$'000s
Year ended 30 June 2016				
At 1 July 2015	2,688	0	97	2,785
Additions	0	255	73	328
Transfer	65	0	(65)	0
Amortisation	(642)	0	0	(642)
At 30 June 2016	2,111	255	105	2,471
At 1 July 2015				
Cost (gross carrying amount)	8,291	0	97	8,388
Accumulated amortisation	(5,603)	0	0	(5,603)
Net carrying amount	2,688	0	97	2,785
At 30 June 2016				
Cost (gross carrying amount)	8,045	255	105	8,405
Accumulated amortisation	(5,934)		0	(5,934)
Net carrying amount	2,111	255	105	2,471
Year ended 30 June 2015				
At 1 July 2014	2,858	0	198	3,056
Additions	0	0	370	370
Transfer	471	0	(471)	(0)
Amortisation	(641)	0	0	(641)
At 30 June 2015	2,688	0	97	2,785
At 1 July 2014				
Cost (gross carrying amount)	7,821	0	198	8,019
Accumulated amortisation	(4,963)	0	0	(4,963)
Net carrying amount	2,858	0	198	3,056
At 30 June 2015				
Cost (gross carrying amount)	8,291	0	97	8,388
Accumulated amortisation	(5,603)	0	0	(5,603)
Net carrying amount	2,688	0	97	2,785

	2015-16 \$'000s	2014-15 \$'000s
10 Payables		
Contractual		
Trade creditors	1,282	1,431
Accrued expenses	2,765	1,092
Deferred revenue *	421	158
Advances for capital and other works	140	398
	4,608	3,079
Statutory		
FBT payable	108	96
	4,716	3,175

*Deferred revenue balance represents our estimate of unearned income from our Licensing Applications business, which will be recognised as income as applications are completed.

Fair value

Due to the short-term nature of the current payables, their carrying value is assumed to approximate their fair value.

Foreign exchange and interest rate risk for trade and other payables

All the Corporation's current payables are denominated in Australian dollars and accordingly the Corporation does not face a foreign exchange rate risk against these balances.

A summarised analysis of the sensitivity of payables to interest rate risk can be found in Note 21.

11 Interest Bearing Liabilities

Current

Unsecured

Treasury Corporation of Victoria (TCV)	4,130	1,530
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Non-current

Unsecured

Treasury Corporation of Victoria (TCV)	15,220	15,210
Total interest bearing liabilities	19,350	16,740

Current interest bearing liabilities are all held with TCV, either as:

- An '11am' at call debt facility which has no fixed term to maturity
- Fixed - Semi Annual Credit Foncier facilities with repayments of interest and principal twice annually
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$100K) twice annually and a final \$3.0M maturity in June 2017.

Non-current interest bearing liabilities are all held with TCV, either as:

- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$130K) twice annually and a final \$3.18M maturity in June 2020
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$210K) twice annually and a final \$2.14M maturity in June 2021
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$75K) twice annually and a final \$2.5M maturity in June 2023
- Fixed - Rate facility with repayments of interest twice annually and a final \$2.8M maturity in June 2018
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$50K) twice annually and a final \$0.44M maturity in June 2025.

	2015-16 \$'000s	2014-15 \$'000s
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11 Interest Bearing Liabilities continued

These debt facilities are provided by TCV consistent with the Financial Accommodation issued by the Treasurer of Victoria to the Corporation, in accordance with section 8 of the Borrowing and Investment Powers Act 1987 .

The borrowings are not directly secured by assets of the Corporation but have the benefit of the Treasurer's guarantee to TCV dated 25 April 2002.

The borrowings are in Australian dollars and accordingly the Corporation does not face a foreign exchange risk in relation to these balances.

Loan facilities		
Total facilities	24,940	36,900
Used at balance date	19,350	16,740
Unused at balance date	5,590	20,160
Fair value		
Non-traded financial liabilities		
Treasury Corporation of Victoria (TCV)	20,694	17,836
	20,694	17,836

None of the facilities are readily traded on organised markets in standardised form.

The Corporation's financial liability maturities are as follows:

- within one year	4,130	1,530
- one to five years	11,580	9,700
- over five years	3,640	5,510
Total interest bearing liabilities	19,350	16,740

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

Australian dollar	19,350	16,740
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For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to Note 21(b).

	2015-16 \$'000s	2014-15 \$'000s
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12 Current and non-current liabilities - employee benefits

Current

All annual leave and long service leave entitlements that are, or will be, unconditional upon seven years of continuous service

Long service leave		
Unconditional and expected to settle within 12 months	1,342	1,476
Unconditional and expected to settle after 12 months measured at present value	1,550	1,308
Annual leave		
Unconditional and expected to settle within 12 months	1,088	1,069
Unconditional and expected to settle after 12 months measured at present value	1,018	1,047
	4,998	4,900

Non-current

Conditional long service leave measured at present value	126	132
--	-----	-----

Aggregate carrying amount

Current	4,998	4,900
Non-current	126	132
Total employee benefits	5,124	5,032

Number of employees at year end	166	163
---------------------------------	-----	-----

13 Contributed capital

Balance at beginning of reporting period	403,713	396,201
Capital transactions with the State Government in its capacity as owner arising from:		
Contribution – Macalister irrigation system (MID2030 Phase 1a project)	5,507	7,512
Closing balance	409,220	403,713

14 Asset revaluation reserve

	2015-16				2014-15			
	Land \$'000s	Buildings \$'000s	Water infrastructure \$'000s	Total \$'000s	Land \$'000s	Buildings \$'000s	Water infrastructure \$'000s	Total \$'000s
Asset revaluation reserve	10,607	1,662	546,073	558,342	10,609	1,662	546,073	558,344
Asset disposals	0	0	0	0	(2)	0	0	(2)
Revaluation increment on non-current assets	4,157	59	20,324	24,540	0	0	0	0
Closing balance	14,764	1,721	566,397	582,882	10,607	1,662	546,073	558,342

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

	2015-16 \$'000s	2014-15 \$'000s

15 Accumulated funds

Accumulated surplus at beginning of reporting period	38,364	39,928
Net result for the period	(4,087)	(1,564)
Accumulated surplus at end of reporting period	34,277	38,364

16 Lease commitments

The following commitments are inclusive of GST.

The Corporation leases a number of premises using operating leases under various terms and conditions, ranging from one to five years. Monthly rental payments are made, with these building lease commitments due for payment as follows:

– within one year	222	214
– one to five years	377	494
– over five years	11	46
	610	754

17 Commitments for expenditure

The following commitments are inclusive of GST

Capital

At 30 June 2016, the Corporation had the following other significant capital commitments

Capital commitments are likely to be exercised as follows:

– within one year	3,510	3,422
– one to five years	164	1,498
	3,674	4,920

Environmental

Environmental contribution commitments are likely to be exercised as follows:

– within one year	423	423
– one to five years	1,505	0
	1,928	423

	2015-16 \$'000s	2014-15 \$'000s
17 Commitments for expenditure continued		
Operating		
At the 30 June 2016, the Corporation had the following other significant operating commitments		
Operating commitments are likely to be exercised as follows:		
– within one year	1,110	1,349
– one to five years	473	1,110
	1,583	2,459

18 Contingent liabilities

Merri river

During 2015, the Corporation received an injury claim for damages that occurred at Jubilee Park, Woodford (North of Warrnambool). The Corporation is one of seven respondents. While the Corporation is unable to reliably estimate the financial effect, if any, which may arise from this matter, an adverse judgement is limited by an insurance deductible of \$50,000.

19 Superannuation

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

The Corporation makes the majority of its employer superannuation contributions in respect of its employees to Vision Super (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. The Defined Benefit category provides lump sum benefits based on years of service and final average salary. In certain circumstances a defined benefit member may be eligible to purchase a lifetime pension with up to 50% of their lump sum benefit. The accumulation category receives fixed contributions from the Corporation and the Corporation's legal or constructive obligation is limited to these contributions.

Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Operating Statement when they are made or due.

The Corporation contributes in respect of its employees to the following superannuation schemes.

Contributions are shown in the following table:

		2015-16 \$'000s	Contribution rate	2014-15 \$'000s	Contribution rate
Defined benefit schemes:					
(a) Government Superannuation Office – New Scheme	Employer contribution	109	9.5% - 10.3%	118	9.5% - 10.3%
(b) Government Superannuation Office – Revised Scheme	Employer contribution	10	17.30%	12	17.30%
(c) SAFE – State Employees Retirement Benefits Fund	Employer contribution	14	13.30%	29	13.30%
(d) Vision Super	Employer contribution	0	9.50%	0	9.25%
Accumulation schemes:					
(e) Vision Super	Employer contribution	774	9.50%	741	9.50%
(f) Other superannuation schemes	Employer contribution	833	9.50%	772	9.50%
	Total employer contribution	1,740		1,672	

As at 30 June 2016 and 30 June 2015, there were no loans to or from the Corporation with any of the above funds.

19(a) Unfunded superannuation liabilities – defined benefit schemes

Unfunded liabilities are defined as the difference between the present value of members' accrued benefits and the net market value of a superannuation scheme's assets at the reporting date. The Corporation is responsible for any unfunded liabilities arising from 1 July 1992 on defined benefits superannuation schemes which it sponsors in respect of its employees.

- State Superannuation Funds (items a, b and c)

The Corporation has no unfunded liability in respect of its employees who are members of schemes in these funds. This liability has been assumed by the State Government and is disclosed in its financial statements.

- Vision Super - defined benefits scheme past services liability (item d)

As provided under Paragraph 34 of AASB 119, the Corporation does not use defined benefit accounting for the defined benefit obligation under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit scheme is a multi-employer sponsored plan.

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of the Corporation in the Fund cannot be measured as a percentage compared with other participating employers. While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for accounting purposes. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119 because of the pooled nature of the Fund's defined benefit category.

Funding arrangements

The Corporation makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's actuary.

As at 30 June 2015, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit scheme. It was determined that the Vested Benefit Indexed (VBI) of the Defined Benefit scheme of which the Corporation is a contributing employer was 105.8% (103.4% at 30 June 2015).

The Australian Prudential Regulation Authority (APRA) has introduced a prudential standard (SPS160 - Defined Benefit Matters) to determine the funding requirements of a defined benefit (DB) arrangement. Under this standard:

- the VBI is the measure to determine whether there is an unfunded liability
- any unfunded liability that arises must be paid within three years.

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

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

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

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

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

19(a) Unfunded superannuation liabilities – defined benefit schemes continued

Employer contributions

Regular contributions

On the basis of the results of the 2015 interim actuarial investigation conducted by the Fund Actuary, the Corporation makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2016, this rate was 9.5% of members' salaries (9.5% in 2014-15). This rate will increase in line with the SG increases.

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

Funding calls

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

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

If either of the above occur, the fund has a shortfall for the purposes of SPS 160 and the fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. There may be circumstances where the APRA may approve a period longer than three years.

The fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including the Corporation) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's defined benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

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

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

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

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

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

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

Differences between calculations

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



19(a) Unfunded superannuation liabilities – defined benefit schemes continued

Retrenchment increments

During 2015-16, the Corporation was not required to make payments to the Fund in respect of retrenchment increments.

Latest actuarial investigation surplus amounts

The 2015 interim actuarial investigation identified the following in the defined benefit category of which the Corporation is a contributing employer:

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

The VBI surplus means that the market value of the funds' assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2015.

The total service liability surplus means that the current value of the assets in the Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

The Corporation was notified of the 30 June 2015 VBI during August 2015.

The 2014 full actuarial investigation

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

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

Prior actuarial investigation shortfall amounts

The Fund's prior actuarial investigation as at 31 December 2011 identified an unfunded liability of \$406M (excluding contributions tax) in the defined benefit category. The Corporation was informed of its share of the shortfall on 2 August 2012 and the Corporation share of the shortfall amounted to \$78,890 (excluding contributions tax) which has been accounted for in the 2011-12 and 2012-13 comprehensive operating statements with Employee Benefits and in the Balance Sheet in Current Liabilities Provisions

Accrued benefits

The Fund's liability for accrued benefits was determined in the 2015 interim actuarial investigation pursuant to the requirements of Australian Accounting Standard Board AAS 25 – Financial Reporting by Superannuation Funds follows:

	30 Jun 15 \$'000s	
Net market value of assets	2,379,200	
Accrued benefits (per accounting standards)	2,083,100	
Difference between assets and accrued benefits	296,100	
Vested benefits (minimum sum which must be paid to members when they leave the Fund)	2,277,800	
The financial assumptions used to calculate the accrued benefits for the defined benefit category of the Fund were:		
	2015-16	2014-15
Net investment return	7.00% p.a.	7.50% p.a.
Salary inflation	4.25% p.a.	4.25% p.a.
Price inflation	2.50% p.a.	2.75% p.a.

The next interim investigation will be held as at 30 June 2016 and the next full investigation will be as at 30 June 2017.

19(b) Accumulation schemes (items e and f)

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings. For the year ended 30 June 2016, this was 9.5% (9.5% in 2014-15) as required under Superannuation Guarantee legislation. Our commitment to accumulation plans is limited to making contributions in accordance with our minimum statutory requirements. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

The Superannuation Guarantee (SG) rate will remain at 9.5% for the next 5 years, increasing to 10% from 1 July 2021, and eventually to 12% from 1 July 2025.

20 Responsible persons and executive officer disclosures

20(a) Responsible persons

The names of the Responsible persons of Gippsland and Southern Rural Water Corporation during the financial year were:

The Hon Lisa Neville MP, Minister for Environment, Climate Change and Water (1/7/2015 - 22/5/2016)

The Hon Lisa Neville MP, Minister for Water (23/5/2016 - 30/6/2016)

Members of Corporation Board:

Mr. T Burgi OAM (Chairperson) (1/7/2015 - 30/6/2016)

Ms. D James AM (Deputy Chairperson) (1/10/2015 - 30/6/2016)

Mr. T Swingler (Director) (1/7/2015 - 30/6/2016)

Mrs. N Pye (Director) (1/7/2015 - 30/6/2016)

Mrs. K Calvert (Director) (1/10/2015 - 30/6/2016)

Ms. N Benjamin (Director) (1/10/2015 - 30/6/2016)

Mr. M Malouf (Director) (1/10/2015 - 30/6/2016)

Mrs. A Killeen (Director) (1/7/2015 - 30/9/2015)

Ms. G Bell (Director) (1/7/2015 - 30/9/2015)

Mr. M Coleman (Director) (1/7/2015 - 30/9/2015)

Mr. R Napper (Director) (1/7/2015 - 30/9/2015)

Mr. T Hemming (Director) (1/10/2015 - 20/10/2015)

Mr. C Rodda (Managing Director) (Accountable Officer) (1/7/2015 - 30/6/2016)

Mr P Byrnes (General Manager Technical Services) acted in the position of Chief Executive Officer and Accountable Officer from 24 December 2015 - 3 January 2016.

Ms J Granger-Wilcox (Manager People and Customer Service) acted in the position of Chief Executive Officer and Accountable Officer from 3 April 2016 - 10 April 2016

Remuneration of responsible persons

Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet.

Other relevant interests are declared in the Register of Members' Interests which each member of the Parliament completes.

	2015-16	2014-15
Remuneration received or due and receivable from the Corporation in connection with the management of the Corporation.	528,197	520,204

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

	Number	Number
\$0-\$9,999	4	0
\$10,000-\$19,999	0	0
\$20,000-\$29,999	6	6
\$30,000-\$39,999	0	0
\$40,000-\$49,999	0	0
\$50,000-\$59,999	1	1
\$260,000-\$269,999	0	0
\$270,000-\$279,999	0	0
\$280,000-\$289,999	0	1
\$290,000 - \$299,999	1	0
	12	8

20(b) Executive officers' remuneration

The numbers of executive officers, other than responsible persons, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent represents the equivalent to all executive officers working 38 ordinary hours per week for the reporting period.

Several factors have affected total remuneration payable to executives over the year. Some executives received a bonus payment. These bonus payments depend on the terms of individual employment contracts.

	Total remuneration		Base remuneration	
	2016	2015	2016	2015
\$140,000–\$149,999	0	0	0	0
\$150,000–\$159,999	1	0	1	1
\$160,000–\$169,999	0	3	1	2
\$170,000–\$179,999	2	0	1	0
\$180,000–\$189,999	0	0	0	0
\$190,000–\$199,999	0	0	0	0
\$210,000–\$219,999	0	0	0	0
Total number of executives	3	3	3	3
Total annualised employee equivalent*	3	3	3	3
Total amount	\$503,393	\$504,439	\$494,983	\$479,859

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

20(c) Payments to other personnel

There were no payments to other personnel, other than responsible persons and executive officers.

20(d) Other related party transactions

There were no retirement benefits paid in conjunction with the retirement of responsible persons, nor were there any transactions between the Corporation and any responsible person other than those which occurred within the normal arms length transaction between the Corporation and its customers (2014-15: Nil).

21 Financial instruments

21(a) Financial risk management objectives and policies

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. This note presents information about the Corporation's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk.

The Corporation's Board of Directors has the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. The Corporation uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, and other price risks and ageing analysis for credit risk.

Risk management is monitored by the Audit and Risk Policy Committee under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as credit risk, use of financial instruments, and investment of excess liquidity.

Specifically, the Corporation manages financial risk by adoption of a Treasury Management Policy that is consistent with State Government Treasury Management Guidelines. The Treasury Management Guidelines conform with the Borrowing and Investment Powers Act 1987 (BIP Act), which provides statutory corporations their authority to borrow and invest.

DTF requirements dictate that all new borrowings must be approved by the Treasurer of Victoria. Annually, a Financial Accommodation approval is provided by the Treasurer which is consistent with the Corporation's budget planning, and cash requirements. At 1 July 2015, the Corporation held a Financial Accommodation approval for \$24.94M of borrowings (1 July 2014 \$36.9M of borrowings).

In accordance with DTF guidance, in order to minimise credit risk exposure to the Corporation, the Treasury Management Policy limits investment of surplus funds to financial institutions approved by DTF. During the 2016 financial year, surplus funds were invested with the National Australia Bank and the Treasury Corporation of Victoria only.

21(b) Risk exposures

The main risks the Corporation is exposed to through its financial instruments are market, credit and liquidity risks, as described below.

21(b)(i) Market risk

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

Objectives, policies and processes used to manage these risks are disclosed in the paragraphs below.

Interest rate risk

The Corporation's exposure to market interest rates relates primarily to the Corporation's funds invested, and borrowed, with the Treasury Corporation of Victoria. Both investment of funds and short-term borrowings are held at variable market rates. The Corporation's non-current borrowings are at fixed interest rates.

The Corporation has minimal exposure to interest rate risk through its holding of cash assets and other financial assets. The Corporation manages this risk by maintaining a conservative investment portfolio whereby investment of surplus funds is restricted to DTF approved financial instruments that offer fixed or floating interest rates tied to prevailing market rates.

Interest rate risk on borrowed funds is managed by entering into debt facilities with a balanced term profile to avoid a concentration of maturities. In this way, the Corporation's aggregate interest rate is an average of recent market rates, which limits exposure to interest repricing in any one period.

Foreign exchange risk

The Corporation has no exposure to changes in the foreign exchange rate.

Other price risk

The Corporation has no significant exposure to other price risk.

Market risk sensitivity analysis

The sensitivity analysis below has taken into consideration past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets. The Corporation believes that a movement of 1% in interest rates is reasonable over the next 12 months.

	Carrying amount			Interest rate risk			
	Floating interest rate \$'000s	Fixed interest rate \$'000s	Non-interest bearing \$'000s	+1% Result \$'000s	+1% Equity \$'000s	-1% Result \$'000s	-1% Equity \$'000s
30 June 2016							
Financial assets							
Cash assets and deposits at call	9,110	0	3	91	91	(91)	(91)
Receivables	0	0	5,237	0	0	0	0
	9,110	0	5,240	91	91	(91)	(91)
Financial liabilities							
Payables and accruals	0	0	4,608	0	0	0	0
Interest bearing liabilities	4,130	15,220	0	41	41	(41)	(41)
Advances for capital and other works	0	0	140	0	0	0	0
	4,130	15,220	4,748	41	41	(41)	(41)
Total	4,980	(15,220)	492	50	50	(50)	(50)

21(b) Risk exposures continued

21(b)(i) Market risk continued

30 June 2015	Carrying amount			Interest rate risk			
	Floating interest rate \$'000s	Fixed interest rate \$'000s	Non-interest bearing \$'000s	+1% Result \$'000s	+1% Equity \$'000s	-1% Result \$'000s	-1% Equity \$'000s
Financial assets							
Cash assets and deposits at call	7,705	0	3	77	77	(77)	(77)
Receivables	0	0	4,321	0	0	0	0
	7,705	0	4,324	77	77	(77)	(77)
Financial liabilities							
Payables and accruals	0	0	3,079	0	0	0	0
Interest bearing liabilities	500	16,240	0	5	5	(5)	(5)
Advances for capital and other works	0	0	398	0	0	0	0
	500	16,240	3,477	5	5	(5)	(5)
Total	7,205	(16,240)	847	72	72	(72)	(72)

21(b) Risk exposures continued

21(b)(i) Market risk continued

	Balance Sheet Notes	Nature of balance	Terms and conditions
Financial Assets			
Cash assets and deposits at call	4(a), 4(b) and 4(c)	Cash is stated at its nominal amount. Surplus funds are held in the bank account with excess requirements placed on term deposit.	The Bank account attracted an average 1.38% (2015: 1.75%) interest rate for the year and funds retained in cash management accounts an average 1.82% (2015: 2.20%).
Receivables	5	Receivables are stated at amortised cost due less any provision for doubtful debts.	Normal terms are 30 days from date of invoice. The interest rate applied against overdue accounts is 6.30% for 2015-16 (2014-15: 7.60%), and from time to time, this rate is reviewed for consistency with market interest rates. As interest is derived from overdue accounts only, price sensitivity for interest rate risk is considered insignificant and not separately calculated.
Financial Liabilities			
Payables and accruals	10	Creditors and accruals are recognised for future amounts to be paid in respect of goods and services received, whether or not billed to the Corporation.	Terms for the payment of creditors are negotiated with the supplier and as the Corporation makes payment within these terms, interest charges are not incurred by the Corporation.
Interest bearing liabilities	11	Short and long-term interest bearing liabilities must be borrowed from Treasury Corporation of Victoria.	Short-term borrowings at a fixed rate of 1.915% at 30 June 2016 (2015: 2.165%). Term borrowings: \$3.2M at 3.656% maturing June 2017 \$2.8M at 1.89% maturing June 2018 \$4.22M at 4.10% maturing June 2020 \$4.24M at 4.125% maturing June 2021 \$3.55M at 4.50% maturing June 2023 \$1.34M at 2.266% maturing June 2025
Advances for capital and other works	10	Advances for capital and other works are recognised for amounts received in advance for recoverable works, as well as security deposits held in respect of works programs.	Advances and security deposits are refunded upon successful completion of works, or otherwise brought to account as revenue where required to undertake completion or remediation of works. Interest is not payable by the Corporation on these balances.

The exposure of the Corporation's borrowings to interest rate changes and the contractual repricing dates are disclosed at Note 21(b)(iii)

21(b)(ii) Credit risk

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

The Corporation's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists principally of irrigation customers, large commercial and public sector enterprises supplied under a bulk entitlement order, as well as State Government departments. Notwithstanding the ongoing monitoring of these debts, the Corporation considers recoverability as virtually certain given covenants established by the Water Act, 1989, and the credit worthiness of the State Government.

An analysis of the ageing of the Corporation's receivables at the reporting date has been provided in Note 5.

21(b)(iii) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days from the date of resolution.

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and by continuously monitoring forecasts and actual cash flows, and matching the maturity profiles of financial assets and financial liabilities. Annually, the Corporation completes a Corporate Plan which includes financial estimates for a five year period. This plan incorporates a cashflow forecast that then facilitates application to DTF for any necessary Financial Accommodation. Financial Accommodation establishes the Corporation's approval to establish borrowing facilities. At 30 June 2016, the Corporation had not accessed \$5.59M (2015: \$20.16M) of this Financial Accommodation.

In light of the Corporation's planned capital expenditure program, and our ongoing need for debt funding to support this program, the Corporation's ability to meet liabilities as they fall due is reliant upon the issue of a suitable annual borrowing approval by the Treasurer.

The Corporation's financial liability maturities have been disclosed in Note 11.

21(c) Fair value measurements

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

The Corporation has adopted the amendment to AASB 7 Financial Instruments: Disclosures. This requires disclosure of fair value measurements by level, using the following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All Corporation financial assets and liabilities, other than interest bearing liabilities, are categorised as level 1.

The following table presents the Corporation's financial assets and liabilities measured and recognised at fair value.

	2016		2015	
	Carrying amount \$'000s	Fair value \$'000s	Carrying amount \$'000s	Fair value \$'000s
Financial Assets				
Cash assets and deposits at call	9,113	9,113	7,708	7,708
Receivables	5,237	5,237	4,321	4,321
	14,350	14,350	12,029	12,029
Financial Liabilities				
Payables and accruals	4,608	4,608	3,079	3,079
Interest bearing liabilities	19,350	20,694	16,740	17,836
Advances for capital and other works	140	140	398	398
	24,098	25,442	20,217	21,313

Cash, cash equivalents and non-interest bearing financial assets and financial liabilities are carried at cost which approximates their fair value. The fair value of financial liabilities is based upon market prices, where a market exists or by discounting the expected future cash flows at current interest rates.

	2015-16 \$'000s	2014-15 \$'000s
22 Reconciliation of the net result for the period to net cash flows from operating activities		
Net loss for the period before income tax	(5,831)	(4,659)
Add/(less) non-cash flows in the net result for the period		
Depreciation and amortisation	12,164	12,005
Gain on sale of fixed assets	(425)	(212)
Written down value of transferred assets	104	622
Written down value of destroyed, lost or decommissioned assets	874	787
Change in assets and liabilities		
Increase/(Decrease) in inventories	26	(2)
Decrease/(Increase) in current receivables	(1,173)	93
Decrease in other current assets	43	111
Increase in provision for employee benefits	234	322
Decrease/(Increase) in payables	195	(232)
Net cash flows from operating activities	6,211	8,835

23 Ex-gratia expenses

Property damage expenses (i)	15	0
(i) Payments for water damage to properties due to pipeline leaks (not being in settlement of a legal liability).		

24 Events occurring after the balance date

There were no events occurring after the balance date in 2015-16.



Compliance certificate

Financial report

Gippsland and Southern Rural Water Corporation Statutory Certification

We certify the attached financial statements for Gippsland and Southern Rural Water Corporation have been prepared in accordance with Standing Direction 4.2 of the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

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

As at the date of signing, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 30 August 2016.

TERRY BURGI
Chairperson
Gippsland and Southern Rural Water Corporation
Dated on 30 August 2016

CLINTON RODDA
Managing Director
Gippsland and Southern Rural Water Corporation
Dated on 30 August 2016

STUART WRIGGLESWORTH
Chief Financial Officer
Gippsland and Southern Rural Water Corporation
Dated on 30 August 2016



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INDEPENDENT AUDITOR'S REPORT

To the Board Members, Gippsland and Southern Rural Water Corporation

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of Gippsland and Southern Rural Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Gippsland and Southern Rural Water Corporation as at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
31 August 2016


for Dr Peter Frost
Acting Auditor-General

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Performance report

Financial performance indicators

KPI number	Key performance indicator		2014-15 result	2015-16 result	2015-16 target	% Variance to prior year	Notes	% Variance to target	Notes
Cash interest cover									
F1	<u>Net operating cash flows before net interest and tax</u> Net interest payments	times	16.5	11.4	7.7	-30.7%	3	48.6%	7
Gearing ratio									
F2	<u>Total debt (Including finance leases)</u> Total assets	x 100	1.34%	1.50%	1.40%	11.9%	5	7.2%	
Internal financing ratio									
F3	<u>Net operating cash flow</u> Net capital expenditure	x 100	67.30%	45.52%	25.40%	-32.4%	4	79.2%	6
Current ratio									
F4	<u>Current assets</u> Current liabilities (excluding long-term employee provisions and revenue in advance)	times	1.36	1.12	0.78	-17.5%	6	45.0%	6
Return on assets									
F5	<u>Earnings before net interest and tax</u> Average assets	x 100	-0.34%	-0.42%	-0.10%	-24.3%	2	-322.9%	8
Return on equity									
F6	<u>Net profit after tax</u> Average total equity	x 100	-0.32%	-0.40%	-0.40%	-26.3%	1	-0.8%	
EBITDA Margin									
F7	<u>Earnings before interest, tax, depreciation and amortisation</u> Total revenue	x 100	23.22%	20.53%	22.40%	-11.6%	2	-8.40%	

Notes

Significant variances to prior year

Since the 2014-15 year, the following changes to our financial results have occurred:

A deterioration to operating result by \$1.17M, resulting from:

- greater purchases of recycled water (\$0.56M)
- greater expenditure on suppliers and materials (\$0.83M)
- no delivery termination fee in 2015-16 (2014-15: \$2.36M), partially offset by:
- increased service charges for irrigation, diversion and groundwater (\$0.80M)
- increased sale of water entitlements (\$1.46M)
- less expenditure on insurance costs (\$0.32M)

A reduced operating result has resulted in:

1. slightly decreased return on equity as government equity levels (MID2030 1a project) were increased, and the net loss is higher
2. slightly decreased return on assets and EBITA margin, as the net loss is higher
3. less receipts from customers, increased payments to suppliers, thus reducing cash interest cover.

An increasing capital expenditure program, and more debt has resulted in:

4. less of the capital expenditure program funded from operating cashflows
5. marginally increased gearing, as debt is higher than previous year.

The cost savings achieved and deferral of some aspects of the MID2030 1a capital program has resulted in:

6. more cash on deposits for the State Government portion, increasing the current asset ratio.

Significant variances to target

The 2015-16 target is derived from the 2015-16 Corporate Plan of the Corporation. Since the 2015-16 Corporate Plan was finalised, the following changes to our projection have occurred:

A better than forecast operating result by \$0.19M, resulting from:

- more water share auction receipts than expected (\$1.92M), partially offset by:
- greater expenditure on suppliers and materials (\$1.84M)
- lower net interest costs from more cash on deposit and lower interest rates (\$0.11M)

An improved operating result and reduced capital expenditure have resulted in:

6. less of the capital expenditure program funded from operating cashflows, with forecast additional loan funding not required due to greater cash and deposits on hand.
7. improved cash interest cover, as net interest costs are lower than expected.
8. reduced return on assets as operating loss is less than expected, and asset values less than expected.

Water services performance indicators

KPI number	Key performance indicator		2014-15 result	20115-16 result	2015-16 target	% Variance to prior year	Notes	% Variance to target	Notes
Rural water supply deliveries									
WSR1	<u>Number of orders delivered</u>								
	Total number of orders	x 100	93.07%	86.84%	82.00%	-6.7%	2	5.9%	3
Unavailability of domestic and stock supply									
WSR2	Duration that domestic and stock service is unavailable in excess of on-property storage requirements/ length of water season		0.00%	0.0%		0.0%	1	0.0%	4
Groundwater supply									
WSR3	<u>Number of transfers processed within target period</u>								
	Total number of transfers processed	x 100	95.80%	92.10%	99.70%	-3.9%		-7.6%	5

Notes

Significant variances to prior year

1. This indicator is not applicable.
2. Increased rain events, and reduced allocation during 2015-16 contributed to customers cancelling orders before delivery compared to 2014-15.

Significant variances to target

3. The target is derived from the Water Plan 3 submission (in October 2012). Since then, the Corporation has recorded a significantly better result as customers in Werribee and Bacchus Marsh have been encouraged to use our automated water ordering system.
4. This indicator is not applicable.
5. The 2015-16 season proved to be a drier than usual year with a 49% increases in applications received and processed. This additional volume contributed to a slight slow down in processing times.



Performance report

Customer responsive performance indicators

KPI number	Key performance indicator		2014-15 result	2015-16 result	2015-16 target	% Variance to prior year	Notes	% Variance to target	Notes
Billing complaints									
CR4	Number of complaints per 100 customers	number	0.007	0.003	0.005	-57.1%	1	-40.0%	1

Notes:

- The target presented is a five year average of immediate past performance. While the percentage decrease from 2014–15 and target appears significant, as this represents 1 and 2 new complaints only, this remains a very low number of complaints to the Corporation and no further action is proposed.

Environmental performance indicators

KPI number	Key performance indicator		2014-15 result	2015-16 result	2015-16 target	% Variance to prior year	Notes	% Variance to target	Notes
Total net CO ₂ emissions									
E2	Net tonnes CO ₂ equivalent	tonnes	53.0	43.0	47.0	-18.9%	1	-8.5%	2

Notes:

- The decrease in net CO₂ emissions since 2014-15 is a result of purchasing less offsets in 2015-16. The decrease in gross offsets since 2014-15 is a small decrease (Pre-offset CO₂ emissions: 2014-15 - 1342 tonnes; 2015-16 - 1310 tonnes).
- Our purchase of offsets for 2015-16 was based on gross emissions in 2014-15. As gross emissions for 2015-16 decreased, while our purchase also decreased, our net CO₂ emissions for 2015-16 ended up marginally lower than target.

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Compliance certificate

Gippsland and Southern Rural Water Corporation Certification

We certify that the accompanying Performance Report of Gippsland and Southern Rural Water Corporation, in respect of 2015-16 financial year, is presented fairly in accordance with the Financial Management Act 1994.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Environment, Climate Change and Water and as set out in the 2015-16 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets for these indicators, and an explanation of any significant variances between the actual result and the performance target and/or between the actual results in the current year and the previous year.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the Performance Report to be misleading or inaccurate.



TERRY BURGI
Chairperson
Gippsland and Southern Rural Water Corporation
Dated on 30 August 2016



CLINTON RODDA
Managing Director
Gippsland and Southern Rural Water Corporation
Dated on 30 August 2016



STUART WRIGGLESWORTH
Chief Financial Officer
Gippsland and Southern Rural Water Corporation
Dated on 30 August 2016

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Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010Website www.audit.vic.gov.au**INDEPENDENT AUDITOR'S REPORT****To the Board Members, Gippsland and Southern Rural Water Corporation***The Performance Report*

I have audited the accompanying performance report for the year ended 30 June 2016 of Gippsland and Southern Rural Water Corporation which comprises the performance report, the related notes and the corporation certification.

The Board Members' Responsibility for the Performance Report

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the performance report of Gippsland and Southern Rural Water Corporation in respect of the 30 June 2016 financial year presents fairly, in all material respects.

MELBOURNE
31 August 2016


for Dr Peter Frost
Acting Auditor-General

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Disclosure index

The Annual Report of Southern Rural Water is prepared in accordance with all relevant Victorian legislation. This index helps to identify our compliance with statutory disclosure requirements.

Ministerial Directions

REPORT OF OPERATIONS – FRD Guidance

Legislation	Disclosure required	Page number
Charter and purpose		
FRD 22G	Manner of establishment and the responsible Minister	1
FRD 22G	Purpose, functions, power and duties	1
FRD 22G	Initiatives and key achievements	2-3
FRD 22G	Nature and range of services provided	1
Management and structure		
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Financial and other information		
FRD 10	Disclosure index	98-100
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FRD 22G	Workforce data, employment and conduct principles	15
FRD 22G	Occupational health and safety policy	18-19
FRD 22G	Summary of the financial results for the year	39-40
FRD 22G	Significant changes in financial position during the year	40
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FRD 22G	Subsequent events	40
FRD 22G	Application and operation of Freedom of Information Act 1982	12
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FRD 22G	Statement on National Competition Policy	32
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Financial Report

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FRD 20A	Accounting for State Motor Vehicle Lease Arrangements prior to 1 February 2004	*
FRD 21B	Responsible person and executive officer disclosures	81-82
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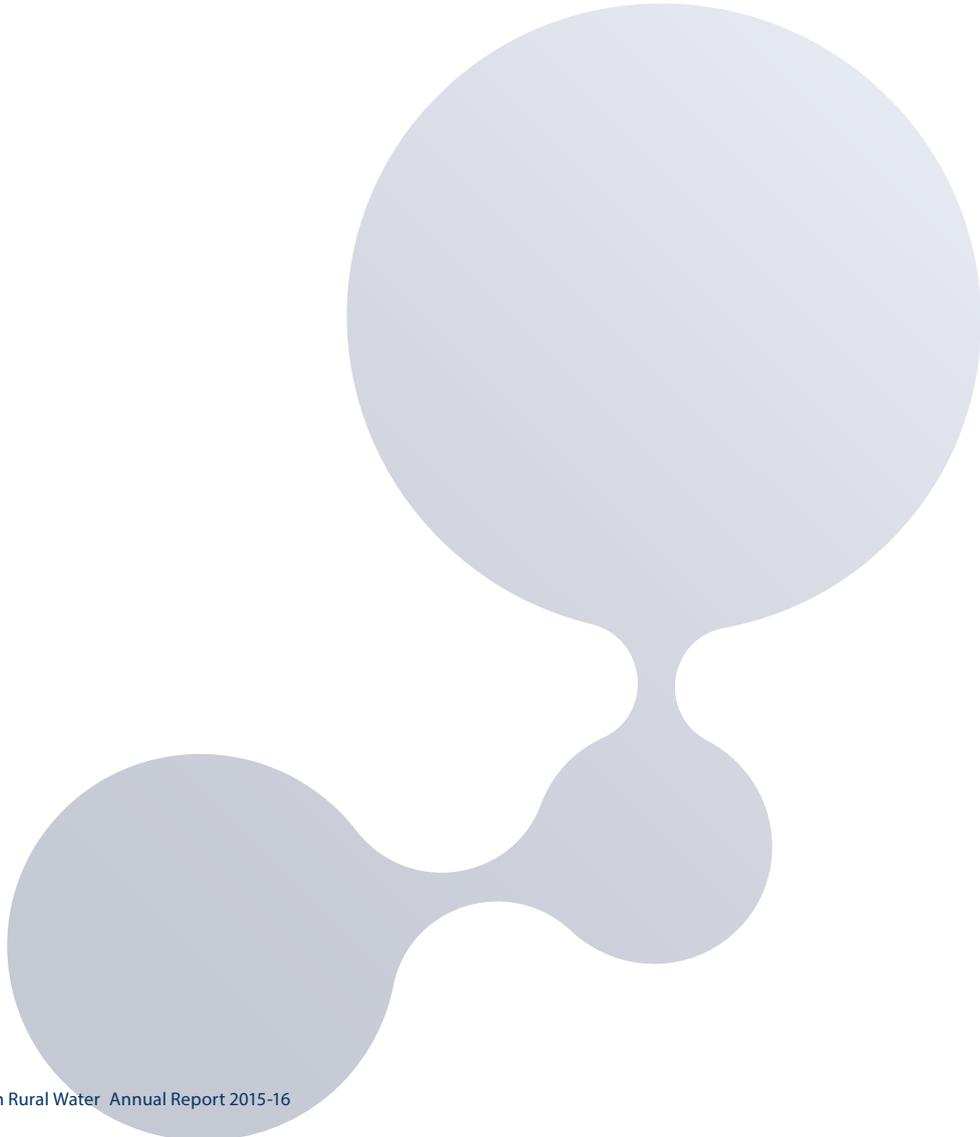
* nothing to report



Disclosure index

Legislation	Disclosure required	Page number
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* nothing to report



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About this report

This Annual Report has been prepared for the financial year 1 July 2015 to 30 June 2016.

This report is printed on Revive Laser paper. This paper is:

- Made in Australia by an ISO 14001 certified mill. No chlorine bleaching occurs in the recycling process
- FSC Recycled Certified
- Certified carbon neutral under the Department of the Environment's National Carbon Offset Standard (NCOS), an Australian Government initiative.

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