

4

1

i

2015-16

OUR PURPOSE IS TO PROVIDE EXEMPLARY WATER and Sanitation Services that Contribute to the Health and Wellbeing of Current and Future Generations.

Ř

60

o k



TO PROVIDE EXEMPLARY WATER AND SANITATION SERVICES THAT CONTRIBUTE TO THE HEALTH AND WELLBEING OF CURRENT AND FUTURE GENERATIONS.

OUR ASSETS

9.775 kms of sewer mains kms of water supply mains

water pressure reducing stations

water supply tanks

sewage pumping stations

water pumping stations

kms of recycled water supply mains

sewage treatment plants

KEY STATISTICS

1.8 million population served

712,451 residential properties

new customers in 2015-16

52,836 business customers

number of employees

CONTENTS

About Us	2
A Message from the Chair and Managing Director	3
How we Create Value for our Community	4
2015-16 Strategic Commitments	6
Year in Review	
Financial Summary	22
Five-Year Financial Summary	23
Corporate Information	25
Risk Management Attestation	38
Annual Financial Report	
Directors' Report	40
Statement of Comprehensive Income	42
Balance Sheet	43
Statement of Changes in Equity	44
Cash Flow Statement	45
Notes to the Financial Statements	46
Statutory Certification	88
Auditor-General's Audit Report	89
Additional Information	
Performance Report	92
Auditor-General's Audit Report	96
Water Consumption and Drought Response	98
Environmental and Social Sustainability Reporting	100
Annual Reporting of Major Non-Residential Water Users	105
Bulk Entitlements Report	106
Disclosure Index	108

ABOUT US

Yarra Valley Water is Melbourne's largest retail water utility, providing essential water and sanitation services to more than 1.8 million people.

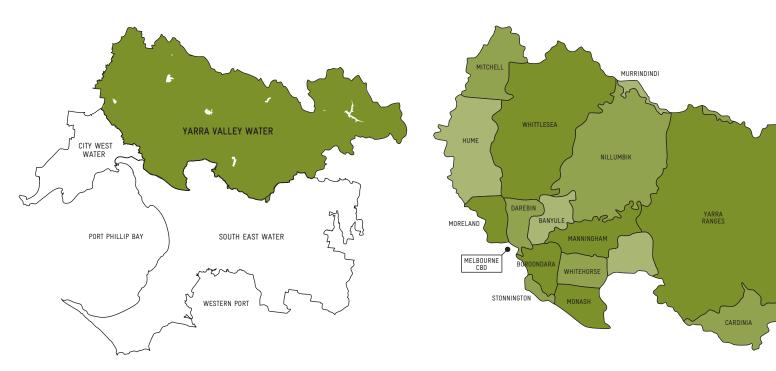
We manage more than \$3.6 billion of infrastructure across approximately 4,000 square kilometres. Our service area covers most of Melbourne's northern and eastern suburbs, from Wallan in the north to Warburton in the east.

On 1 July 2012, Yarra Valley Water became a statutory corporation, incorporated under the *Water Act 1989*. Our activities are overseen by an independent Board of Directors, appointed by the State Government of Victoria.

During the 2015-16 financial year, we were accountable to the Minister for Environment, Climate Change and Water, the Hon Lisa Neville MP for the period 1 July 2015 to 22 May 2016 and to the Minister for Water, the Hon Lisa Neville MP from 23 May 2016 to 30 June 2016. Yarra Valley Water's obligations regarding the performance of its functions and the exercise of its statutory powers are defined in the Statement of Obligations, issued by the Minister in accordance with Section 4I (2) of the *Water Industry Act* 1994. Yarra Valley Water is required to monitor compliance with the obligations set out in the Statement, report on non-compliance and take remedial action in relation to non-compliance.

The Essential Services Commission is the economic regulator of the Victorian water sector. The Commission's role includes the regulation of prices, service standards and market conduct across the water industry in Victoria. Yarra Valley Water is subject to regulation by the Commission.

We buy bulk water from Melbourne Water for distribution to our customers. We are also responsible for removing and treating sewage. Most sewage is transferred to Melbourne Water's Eastern or Western Treatment Plants. The rest is treated at our nine regional plants, several of which recycle water for use in homes, sports fields and public spaces.



YARRA VALLEY WATER SERVICE AREA

YARRA VALLEY WATER COUNCIL BOUNDARIES

A MESSAGE FROM THE CHAIR AND MANAGING DIRECTOR

We are pleased to submit Yarra Valley Water's 2015-16 Annual Report.

In 2015-16, we continued to execute against our 2020 Strategy. The strategy is anchored in our purpose statement:

Our purpose is to provide exemplary water and sanitation services that contribute to the health and wellbeing of current and future generations.

Broader coverage of our 2020 Strategy initiatives and our business activities over the past year can be found in the 2015-16 Strategic Commitments section of this Annual Report.

This year, Yarra Valley Water has delivered \$20 million savings in operating costs as part of our ongoing commitment to making every cent count. We believe that, by improving our own productivity, we can continue to support the standards of living enjoyed by current and future generations in Victoria.

We delivered a better than targeted financial result in 2015-16. In relation to revenue, this was mainly due to higher water and sewer usage charges from increased customer demand, additional service charges from customer growth and higher trade waste revenue from increased volumes and the identification of new trade waste customers. Additional revenue was also delivered from development related activities including new customer contributions and sale of plumbing related products and services.

From an expenditure perspective, we incurred higher wholesale charges as a result of increased customer demand, impairment of land and buildings and additional operating costs associated primarily with a 12% increase in emergency civil maintenance volumes largely associated with the warm, dry weather experienced over the year. This increase, together with transitional issues associated with moving to a new maintenance contract, contributed to a temporary increase in our response times in addressing network faults. While this was disappointing, overall customer satisfaction was not impacted and a recovery in response times was evident towards the end of the financial year.

Savings were achieved in finance charges due to lower borrowing levels (as a result of lower capital expenditure) and the effective management of the debt portfolio to take advantage of market conditions to reduce finance charges in the short and long-term.

In 2016, Yarra Valley Water was included in the Australian Centre of Corporate Social Responsibility (ACCSR) CSR Top 10 for the first time. This recognises those organisations with the strongest corporate social responsibility capabilities based on the ratings of their employees against various criteria. This ranking is included within the ACCSR's annual 'State of CSR report', which is the largest ongoing research study of CSR capabilities, practices and trends in Australia and New Zealand. From a planning perspective, our approach in 2015-16 was guided by the policy direction emerging from the State Government's Water for Victoria Discussion Paper. We are long-term advocates of communities being at the centre of water policy and we are firmly committed to responding to climate change by adopting a restorative environmental approach.

We remain committed to driving extraordinary performance by further developing a vibrant organisational culture with highly engaged staff. In February, we completed the Aon Hewitt Employee Engagement Survey and achieved an overall engagement score of 80%, placing us in the top quartile of all organisations who use this survey and significantly higher than the Australian average.

A new Yarra Valley Water Board was appointed on 1 October 2015. We would like to offer our thanks to the previous Board for its high-quality stewardship. The results of its efforts can be seen in the ongoing performance of Yarra Valley Water. The new Board has rapidly picked up its responsibilities and looks forward to guiding the organisation to even higher levels of performance.

We also wish to pay tribute to and thank the Yarra Valley Water staff for their support, efforts and achievements over the past year. It has been a strong year of results and sets a great platform for the achievement of the goals the organisation has set itself for the next year.

In accordance with the *Financial Management Act 1994*, we are pleased to present Yarra Valley Water's Annual Report for the year ending 30 June 2016. It is compliant with all statutory reporting requirements.

Sue T O'Connor Chair

Patrick J McCafferty Managing Director

HOW WE CREATE VALUE FOR OUR COMMUNITY

Our 2020 Strategy is anchored in a statement of purpose that articulates why we exist – the unique contribution we make to society. This purpose keeps the organisation focused and aligned on what is important: providing exemplary water and sanitation services that contribute to the health and wellbeing of current and future generations.

Six strategic commitments underpin this purpose, which, when achieved collectively, will represent extraordinary results for our customers and community, our shareholder, our people and our stakeholders.

Water and sanitation are essential services, and fundamental to a healthy, prosperous society. We rely on the environment and ecosystem services, and are impacted by threats such as climate change. We recognise we have an impact on the health of the environment through the delivery of our services. As a member of our community, including as a service provider and employer, we contribute to the health and wellbeing of current and future generations. In 2015, we took an in-depth look at our value creation process, exploring the ways in which Yarra Valley Water contributes to the community and recognising that these may be both positive and negative. Value is traditionally described in financial terms, but we know the value we provide extends far beyond our financial performance. We are therefore taking an integrated approach, considering our contribution also to Human, Social and Natural Capital, and exploring how we can measure and manage our performance in these areas and incorporate this broader view of value creation into our decision-making and planning. This is how we will enhance the liveability of Melbourne now and into the future.

2020 STRATEGY

OUR PURPOSE IS TO PROVIDE EXEMPLARY WATER AND SANITATION SERVICES THAT CONTRIBUTE TO THE HEALTH AND WELLBEING OF CURRENT AND FUTURE GENERATIONS.



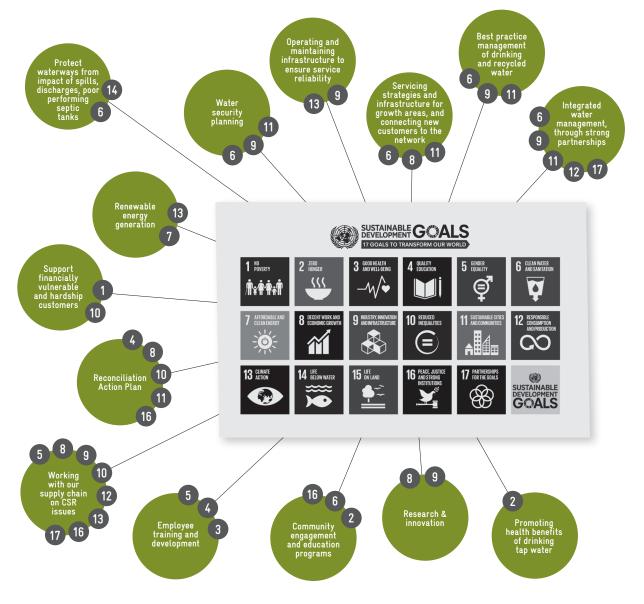
WE ARE YARRA VALLEY WATER

The Sustainable Development Goals (SDGs) set out a consensus vision for a sustainable future and provide an important lens through which to view our Strategy and the value we provide. Across our range of activities we interact with the SDGs in many different ways and deliver outcomes that support the goals and their targets. Through our commitment to the UN Global Compact, we have been contributing to the conversation about how to implement these goals.

In July 2016, the Sustainable Development Solutions Network and Bertelsmann Stiftung produced the first official Index and Dashboard that shows country performance against indicators linked to the SDGs. The Index and Dashboard indicate priority areas in which Australia can take action to improve including:

- Official development assistance (% Gross National Income)
- Annual change in forest area
- CO₂ emission from energy consumption
- + CO_2 from fuels and electricity output
- Share of renewable energy
- Prevalence of adult obesity
- Sustainable nitrogen management index (relates to sustainable use of nitrogen in agricultural systems)

Yarra Valley Water is directly contributing to several of these action priority areas and is currently exploring the potential to increase this contribution over coming years.



PROVIDE EXEMPLARY SERVICE

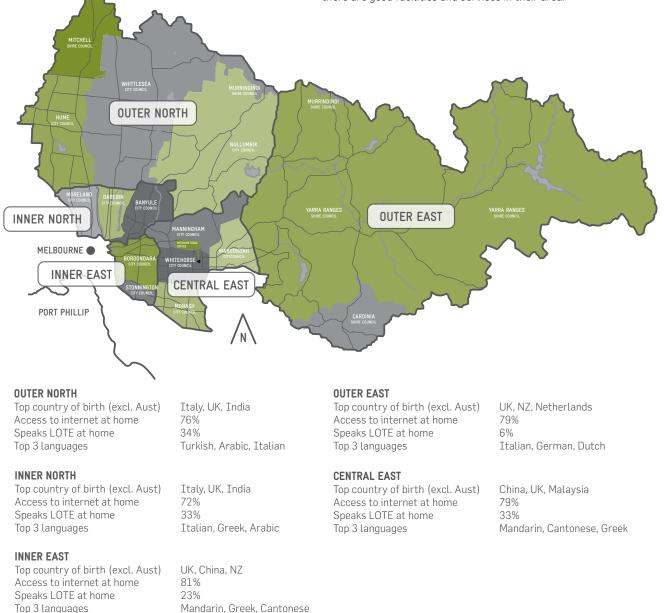
Our philosophy

Yarra Valley Water is a customer service organisation. We provide the most essential of essential services that are crucial to the health and wellbeing of the community, and a fundamental part of everyday life. This responsibility drives us to put the customer and our community at the centre of everything we do.

Our customers

Yarra Valley Water services approximately 30% of the Victorian population. The population in the Yarra Valley Water region is expected to grow by in excess of 500,000 people (25%) by 2036.

We serve a culturally diverse population with 28% of people in our region speaking a language other than English compared with the Victorian average of 23%. Ratings for health and wellbeing in the community we serve are consistent with Victorian averages, while 87% of our customers believe there are good facilities and services in their area.



Year in review

Customer research

We have continued to undertake extensive research with customers and stakeholders to ensure our service aligns with what is valued – high quality drinking water and reliable water and sanitation services at a fair price.

Following events of recent years, such as extreme drought and subsequent price increases associated with new water supplies, overall customer satisfaction levels have improved and remain strong at 88%.

Overall customer satisfaction

(% result describes those who said the service met or exceeded their expectations)

	2015-16	2014-15
Residential – Customer satisfaction	88%	86%
Non-residential – Customer satisfaction	86%	84%
Residential – Satisfaction with service interactions	90%	91%
Non-residential – Satisfaction with service interactions	83%	84%
Activity-related customer satisfaction		
Infrastructure faults	90%	90%
Telephone service	90%	92%

Complaints

Our complaints per 1,000 customers, registered by the Energy and Water Ombudsman at 30 June 2016, was 0.52 and for the second consecutive year was the lowest of the metropolitan water businesses.

Customer-centric digital business

Meeting our 2020 Strategy commitments means transforming Yarra Valley Water into a customer-centric digital business – one in which our digital services are organised for and around our customers, stakeholders and community. Our new Digital Strategy answers the question: *How should Yarra Valley Water evolve and adapt to thrive in an increasingly digital world*? It also defines the principles we will follow to complete this transformation.

Yarra Valley Online Water (launched in 2014-15) gives our customers greater choice in how they interact with us. At 30 June 2016, 74,873 customers have registered and 160,828 transactions have been undertaken using the portal. Along with other initiatives, the transactions processed via self-service contributed to an 8% reduction in transaction calls to our call centre.

easyACCESS

Our easyACCESS system streamlines and automates services for solicitors, plumbers, builders and developers through online processing and self-service. In 2015-16, we expanded the service to the land development industry, offering direct access to land development applications. Approximately 30% of developer customers are now using this system.

Outage map

In March 2016, we launched a publicly accessible interactive faults and planned works map available through the Yarra Valley Water website.

Integrated contact centre

This year we began a major upgrade of our existing customer contact management systems. The project will see the rollout of a modern technology platform for an integrated contact centre service that enables staff to manage all types of customer interaction more efficiently. We are also updating our processes, practices, reporting and training to maximise the benefits of this new technology.

PROVIDE EXEMPLARY SERVICE

Culturally and Linguistically Diverse (CALD) community

Customer satisfaction with our Language Other Than English (LOTE) program continues to be very high. Approximately 94% of all customers surveyed said that our LOTE service was better than any other similar service they use. Over the last financial year we took more than 15,000 calls in Mandarin, Arabic, Greek and Cantonese. We have twelve multi-lingual customer service officers providing a dedicated service for this customer segment.

With more than a quarter of our customers born overseas, Yarra Valley Water is focused on the service and support we provide to our Cultural and Linguistically Diverse (CALD) community. We have continued our strong focus on supporting CALD customers through ongoing consultation and collaboration with our community partners. We expanded the development of our CALD communications, including print, online and a series of animations. We develop these targeted communications based on direct feedback from customers and advocate groups, and translate them into multiple languages as well as plain English.

Vulnerable customers

Affordability of water remains a growing challenge across Victoria. Recent studies identify that 42% of Melbourne households are particularly vulnerable to financial hardship. We are striving to increase all of our customers' knowledge of the help available, particularly for those experiencing difficulty paying for essential water and sewerage services. Overall, 79% of our financially vulnerable customers rated their relationship and Yarra Valley Water service as better, or much better, than other utilities.

Choose Tap

In 2015-16, we continued to promote the benefits of tap water as a positive alternative to bottled water and other beverages through our Choose Tap community outreach program.

One in five customers recalled the Be Smart, Choose Tap campaign. Of these, 20% started using their own refillable water bottle, 19% consumed more water than before and 15% stopped buying bottled water.



We have a specific program for children, encouraging them to drink water instead of sugary drinks. In 2015-16 this program:

- reached 17,926 children aged 3-5 years old and 9,297 primary school aged children;
- distributed 1,273 posters to Early Learning Centres, educating kids on the importance of keeping hydrated; and
- distributed more than 3,250 Big Books About Water to primary schools.

Service reliability

Drinking water quality

Nothing is more important than providing our customers with safe drinking water. Melburnians enjoy some of the best drinking water in Australia – its colour, smell and taste are the envy of many other capitals.

This year we received 2.9 complaints for every 1,000 customers, compared with our record low result of 2.6 per 1,000 in 2014-15. The long-term trend in terms of water quality complaints shows a steady reduction in complaints. Water quality complaints this year are 15% below the average for the last 5 years.

Customer research shows that 91% of customers are satisfied with the overall quality of drinking water provided.

Water and sewer interruptions

	2015-16	2014-15
Sewer service interruptions per 1,000 customers	12.1	10.8
Water service interruptions per 1,000 customers	0.19	0.20

The increase in sewer service interruptions in 2015-16 compared with 2014-15 shown in the table above was due to a longer and drier than usual summer peak period.

In 2015-16, we worked to maintain reliability in water and sanitation services by replacing 48 kilometres of water pipes and 43 kilometres of sewer pipes that had reached the end of their service life.

Maintaining the integrity of recycled water systems

In October 2015, a cross-connection between the drinking water and recycled water supplies was discovered at Mt Ridley College, Craigieburn. Our recycled water is treated to an extremely high standard and an independent health assessment confirmed there were no reported instances of illness as a result of the cross-connection.

In response to this incident, we have undertaken an extensive review of our policies and procedures regarding the construction, operation and ongoing inspection of recycled water infrastructure. We have identified and are implementing a number of improvements.



ENABLE EXTRAORDINARY PERFORMANCE

Our philosophy

Workplace culture is a critical determinant of business performance. Over the last decade, Yarra Valley Water has invested in developing a strong, vibrant workplace culture and high levels of engagement, as well as developing leadership capabilities of staff.

To track our workplace culture progress and develop targeted improvement strategies we use a number of internationally recognised benchmarking tools including:

- the Aon Hewitt Employee Engagement Survey, which provides insights on the perceived effectiveness of workplace practices and is a key indicator of staff engagement levels
- the Human Synergistics 360 degree feedback tool (LSI), which measures managers' overall effectiveness
- the Human Synergistics Organisational Culture Inventory (OCI), which measures an organisation's culture through determining the expected behaviours within the organisation.

Year in review

In June 2015, Yarra Valley Water achieved a world-class OCI result. This survey was not conducted in 2015-16 and the next measure-up will be in 2017.

Engagement

In February, we completed the Aon Hewitt Employee Engagement Survey and achieved an overall engagement score of 80% with a participation rate of 93.9%. When we undertook the survey in 2014, our engagement score was 78% – well above the Australia and New Zealand average score of 57%.

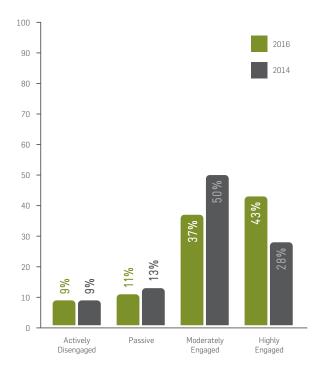
The engagement score is based on responses to six questions within three categories: Say, Stay and Strive. Each category increased from the 2014 result:

- Say: from 84.5% to 85.5%
- Stay: from 71.5% to 74.5%
- Strive: from 68.5% to 74.5%

A significant increase in the Strive score indicates employees' willingness to 'go the extra mile'.

The results (in the following chart) show that 43% of staff are now 'highly engaged', representing a 15% improvement from 2014 and placing Yarra Valley Water in the middle of the top quartile of all organisations using this survey.

EMPLOYEE ENGAGEMENT SURVEY (AON HEWITT) RESULTS – FEBRUARY 2016



Developing our people

Yarra Valley Water continues to invest in building the capability of our employees to deliver on our 2020 Strategy. The Leadership 2020 Program aims to strengthen both core behavioural and leadership capabilities in our people managers. In 2015-16 we delivered programs including "Difference-making conversations" and "Develop and Coach". A personal development and wellbeing program for all staff called "Thrive" was also delivered.

Capability Framework

The Yarra Valley Water Capability Framework describes the critical capabilities that will enable us to achieve our 2020 Strategic Commitments, and in particular, the Extraordinary Performance commitment. In 2015-16, we embedded the Capability Framework into every job across the organisation, integrating the framework and job capability profiles into our online Human Resources system and people related processes.

Diversity

The diversity of our people is fundamental to extraordinary performance. As an employer, we recognise our responsibility to create an inclusive workplace and ensure equality and fair treatment across the business.

In 2014-15, the Board approved Yarra Valley Water's Diversity Strategy – a roadmap to implementing the programs, practices, measures and targets we need to attract and retain a diverse workforce.

The Yarra Valley Water 2015-2018 Diversity Strategy articulates our commitment over the next three years to ensure we implement programs, practices, measures and targets that attract and retain a diverse workforce.

This year, we focused on gender equity and management training, as well as a review of policies, processes and practices.

In October 2015, we undertook a staff Diversity Census, to gain a better understanding of the make-up of the current Yarra Valley Water workforce. More than 80% of the workforce completed the survey. We will use the census data to ensure our people, processes, programs and benefits accurately reflect the needs of our workforce.

Diversity Census key outcomes:

- 29% of respondents are born overseas with 10% arriving in Australia in the last five years
- 14% of respondents are single, followed by 22% in a relationship/defacto, 63% married and 1% identified as widowed
- Just under 4% of respondents identified as non-heterosexual
- Four staff identified as Aboriginal or Torres Straight Islanders (approximately 1%)
- 60% of the workforce have one or more children
- Our workforce was a match for the diversity of our customers (based on available data for our area of operations).

To help increase diversity on our Executive Team, we created a new "General Manager Intern" rotation role, which has provided opportunities for developing next-in-line management.

Women at Yarra Valley Water

Ensuring women's full and effective participation and equal opportunities for leadership at all levels of decisionmaking in political, economic and public life is a clear societal expectation, and one of the targets within the UN's Sustainable Development Goals. As of the beginning of March 2016, the proportion of women in leadership positions at Yarra Valley Water is as follows:

	% Female
Directors	50%
Senior leaders and people managers	38%
Overall workforce	48%

Gender equality is a key priority in our diversity strategy. To ensure that we achieve gender balance, in 2015-16 we implemented a review of our recruitment policies and processes, with a particular focus on ways to improve applicant diversity, training our people managers to avoid unconscious bias, and examining our Code of Conduct and supporting policies to ensure they support diversity and inclusiveness.

AT YARRA VALLEY WATER, 38% OF MANAGERS ARE WOMEN COMPARED TO 18.9% IN THE ELECTRICITY, GAS, WATER AND WASTE SERVICES SECTOR.



WE MAKE EVERY CENT COUNT

Our philosophy

We have an important role to play in sustaining Victoria's productivity. Melburnians do not get to choose their water supplier – this is determined by their location. We therefore have a responsibility to ensure that our services are delivered as efficiently as possible. In doing this, we strive to reduce pressure on household budgets. For business customers, it means ensuring that the cost of water and sanitation services does not impact on their competitiveness.

We continue to advocate for and participate in industry benchmarking to create an environment to stimulate innovation and increase productivity, both for ourselves and across the broader sector. We are also working in collaboration with the water industry to identify potential savings through shared innovations and joint procurement.

Because most of our investment decisions are long-term, we have an obligation to make financial decisions that optimise community value and inter-generational equity.

We manage our finances responsibly to strike a balance between meeting our customers' needs and ensuring appropriate returns to the State Government. We pay a return to the Government in the form of an annual dividend paid from operating profits, income tax equivalent payments, and a Financial Accommodation Levy, which is designed to ensure competitive neutrality, and an Environmental Contribution. The Government uses these funds to deliver other benefits to Victorians.

We strive to operate at optimal efficiency by improving our business processes, eliminating waste and managing risks. We are focused on delivering better outcomes for the same cost or the same outcomes at a lower cost. Our capital infrastructure planning meets community needs through 'just in time' investment and uses innovative design and solutions to avoid future costs.

Year in review

In 2015-16, we delivered significant efficiency initiatives that reduced expenditure by approximately \$20 million compared with our Water Plan.

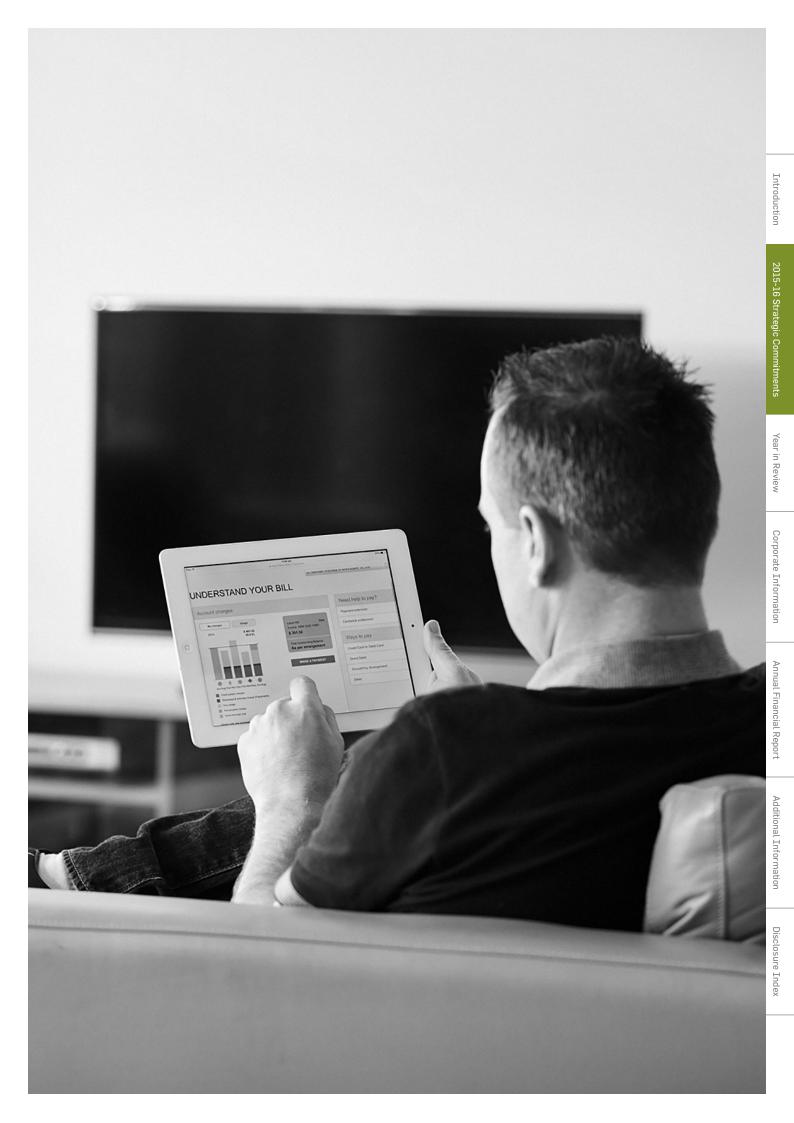
We delivered these savings through a range of initiatives including business process improvements, exploiting the functionality of new business systems and a critical review of all expenditure, including the deferral or elimination of some activities. These initiatives focus on the delivery of service outcomes at a lower cost, therefore capturing real productivity gains across the business.

We designed our new debt collection strategy to reduce the age and amount of outstanding debt, as well as reduce the value of bad debt write offs. The new strategy helps prevent customers from falling into deeper debt cycles, which is consistent with our early intervention philosophy. The partnership arrangement with our mercantile agencies focuses on softer debt collection for very early aged overdue debt. This new strategy is continuing to reduce the level of bad debts from \$4.0M in 2013-14 to \$4.5M in 2015-16.

During the first quarter of 2015-16, we applied a \$100 credit adjustment on residential customer bills with usage charges. This was achieved through a range of initiatives including major productivity savings by Yarra Valley Water. The Government Water Rebate will continue to be applied annually for the next two years, finishing in 2017-18. This rebate to customers will be delivered without compromising customer service levels and will assist in taking pressure off customer bills.

Agile and lean delivery techniques for new systems and processes have reduced costs and delivered business value sooner. Agility has enabled us to respond rapidly to changing business priorities, driven enterprise collaboration and engagement in technology delivery.





WE ARE SAFE

Our philosophy

Workplace safety and wellbeing is a fundamental consideration in everything we do. This encompasses physical and mental health and wellbeing. To successfully fulfil our 2020 Strategy commitment 'We Are Safe', we must deliver the following outcomes:

- · Safety exists as each person's responsibility.
- We make our workplaces safe.
- We carry out our work without harming ourselves or others.

Measuring our safety performance

We measure our safety performance using the Significant Injury Frequency Rate (SIFR). SIFR is the number of significant injuries (lost time injuries and medical treatment injuries) per million hours worked.

We benchmark our safety culture using the Global Safety Index (GSI) Safety Culture Index (SCI).

Year in review

We have focused on three key pillars – promoting a safety and wellbeing culture, providing appropriate systems and governance and ensuring a safe workplace.

During 2015-16, this has resulted in our safety culture index results improving from 72.4 in 2014 to 76.5 in 2016. Our safety culture index result has improved by more than 80% since we first measured this in 2012 when our result was 39.2.

The diagram opposite shows Yarra Valley Water exceeded the aspirational benchmark of 80 in four of the nine safety culture index dimensions (management commitment, safety as a priority, supportive environment and personal priorities). We also achieved improvements across each of the other five survey dimensions.

The strong results in our safety culture index survey for 2014 and 2016 have been reflected in significant improvement in our SIFR performance in 2014-15 and sustained SIFR performance in 2015-16.

Our injury frequency rate at 30 June 2016 was 3.9, representing a small increase from 2015 (3.3), but a very large reduction of 63.2% in the SIFR from 2014, when our result was 10.6.

Other key initiatives in 2015-16 include:

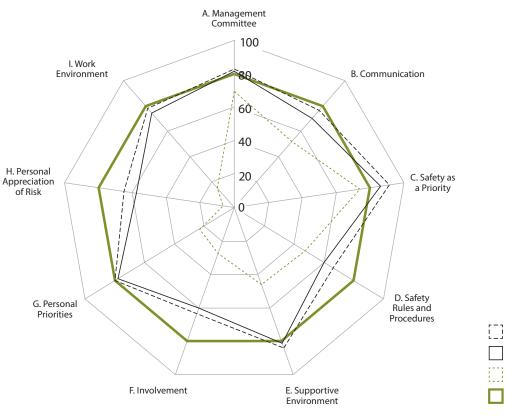
- running a series of initiatives to improve safety literacy, increase employee engagement and promote awareness of safety issues
- commencing work to advance our safety due diligence framework through alignment of information in reporting structures to enable our people to effectively discharge their safety responsibilities
- concentrating on improving understanding of our high-risk areas
- continuing to build our safety management system, with a focus on consistent work processes and safety literacy across the organisation
- transforming the way our people interact with contractors to ensure that the level of management that we apply to contractors is appropriate to the nature of the work undertaken
- expanding the way our people work to achieve extraordinary safety by retaining corporate knowledge through formalised safe work procedures.

Health and wellbeing

Our health and wellbeing program features multiple initiatives and activities to help our people make positive lifestyle changes that support a safe and healthy approach at work and at home. These include health checks, an active social club, fitness groups, staff support officers and regular information seminars focusing on mental and physical health.

A key component of our approach to health and wellbeing in 2015-16 was our highly successful Thrive program. Introduced in 2015, Thrive was designed to help staff become more aware of the ideas, attitudes and everyday actions that can lead to greater personal fulfilment.

YARRA VALLEY WATER SAFETY CULTURE INDEX 2012-16







WE WORK IN HARMONY WITH THE ENVIRONMENT

Our philosophy

The long-term wellbeing of our community and the strength of the economy is dependent on the environment. We are committed to ensuring that our environmental impact never exceeds the carrying capacity of nature and work to give back more than we take by looking for opportunities to deliver restorative outcomes. In doing so, we aim to work, with others, across the whole of the water cycle to provide fully integrated and resilient water systems.

We recognise that Yarra Valley Water's activities have an impact on the environment, and have identified our key impacts. We are working continuously to lessen these impacts and have been focused on:

- being greenhouse gas neutral
- · protecting and enhancing waterways
- reducing the water we extract from rivers for consumption by customers.

A fundamental priority is to ensure that our water and wastewater services are resilient to climate change, drought and population growth. We are proactively engaging with these challenges and developing robust strategies so that we can continue to ensure the resilience of our systems.

Towards a restorative environmental approach

Through 2015-16, we further strengthened our environmental commitment by adopting a restorative environmental approach. The approach recognises that as a planet we have now gone beyond the carrying capacity of nature.

Our restorative commitment goes beyond a reactive measure of harm prevention towards a proactive model where we aim to do 'more good, rather than less bad', making sure our environmental assets remain in the positive. We are not seeking to be restorative at the expense of any other value we deliver to our customers. On the contrary – we believe these values exist in harmony. In 2015-16 we have committed to being energy neutral by 2025. We expect to save money in doing this, which ultimately means lower bills for our customers.

Year in review

Greenhouse Gas Emissions

We are committed to continuing to be a carbon-neutral organisation. To date, we have achieved this through the use of offsets generated by our Showerhead Exchange Program. During 2015-16, we developed a strategy to remain neutral at the lowest community cost, by purchasing international offsets when the offsets generated by our Showerhead Exchange Program run out. This strategy is dynamic and heavily influenced by external factors such as energy prices, changes in technology and Government policy.

We continue to invest in our existing assets to achieve efficiencies in energy use and therefore our greenhouse gas emissions. In 2015-16, we completed an upgrade at Craigieburn Sewage Treatment Plant, which included replacing the aeration diffusers – this delivered an improved efficiency. We also implemented electrical sub-metering of processes within our treatment plants, which will allow us to measure and benchmark sub-processes to allow future optimisation.

Waste-to-energy facility

In 2015-16, we commenced construction of an innovative waste-to-energy facility at our Aurora Sewage Treatment Plant site in Melbourne's north. This innovative facility uses a bacteria-based process to convert organic waste into biogas, which is then used to generate clean, green, sustainable energy. We estimate that when operating at full capacity the plant will produce the equivalent of 25% of Yarra Valley Water's total power consumption. This energy will fully power the facility and the adjacent treatment plant, while the surplus (enough to power around 1,500 homes) can be exported to the electricity grid as renewable energy. Income from the facility will completely cover its construction and maintenance costs and the profits will be used to keep customers' water bills down.

Most importantly, the plant will reduce greenhouse gas emissions and recycle approximately 33,000 tons of organic waste every year – waste that would otherwise end up in landfill.

The first facility of its type linked to a sewage treatment plant in Australia, our waste-to-energy facility will redefine the role that a water utility can play in managing a city's waste.

Healthy waterways

In order to protect and enhance waterways, we set a selfimposed limit of 87 tons of nitrogen discharged per year, which represents our contribution to sustainable levels in Port Phillip Bay. Through investing in upgrades at our sewage treatment plants to reduce nutrient discharges and by maximising the use of recycled water to avoid discharge to waterways, we have continued to ensure that we do not exceed this limit.

Nutrient discharges are not the only pressure on our water ways, and our focus has shifted to managing our impacts on the overall health of the water ways that we discharge to.

An outcomes-based approach to waterways

We are strengthening our existing partnerships to improve liveability outcomes in Melbourne. Along with Melbourne Water and relevant local councils, we have committed approximately \$25 million over the period from 2013 to 2018 to prevent wastewater overflows into the Merri Creek.

We have partnered with Melbourne Water, the Department of Environment, Land, Water and Planning (DELWP) and local councils to develop an outcomes-based approach for waterway investment. This approach aims to identify the outcomes that we are trying to achieve (including waterway health, amenity and biodiversity) and then to determine which investments are required to deliver them at the lowest cost to the community.

During 2015-16, we tested this approach with a pilot study focused on the Merri Creek. The study found that the main threats to the waterway's health come from polluted urban runoff rather than wastewater overflows and, therefore, the currently planned expenditure would not deliver the desired outcomes. We have developed an action plan to target these key threats, delivering agreed outcomes for the waterway at a lower community cost.

Community sewerage

We remain focused on providing modern sanitation services to properties with poorly performing septic tanks that cause pollution in our local waterways. Many homes in Melbourne were built before sewerage infrastructure was available. As a result, more than 13,000 homes in the northern and eastern suburbs use septic tank systems to manage their domestic wastewater. Many of these systems do not meet current environmental standards.

Our ongoing community sewerage program provides sewerage servicing solutions to the properties that are not able to meet the standards and present a potential risk to public health and local waterways. The program is being rolled out in areas posing the greatest environmental risk first, and we are reviewing this to ensure that our prioritisation process uses the best available data. Construction of the North Warrandyte sewerage system is almost complete and construction of the Donvale sewerage system has commenced.

In 2015-16, we connected 123 of these properties to our services and there are many more new services currently under construction.

Park Orchards

We are undertaking a community sewerage trial in Park Orchards for properties with septic tanks or small on-site treatment plants. Rather than installing traditional piped sewerage we are investigating upgrading existing septic systems. We have made no decisions about the feasibility of this as a long-term solution. Our aim is to minimise community costs and maximises environmental outcomes. We expect the trial to run until 2019.

Efficient water use

Despite the easing of water restrictions, per capita water consumption remained low at 168 litres per day, which is well below pre-drought levels.

Leak detection

We have an active leak detection program, which allows us to reduce the amount of avoidable loss of precious water resources as well as saving money for our customers. This program comprises a range of proactive and reactive measures including improved flow monitoring systems, analysis of aggregate billing data, and advanced analytics software that detects bursts and leaks which may not necessarily be visible to the public.

In 2015-16, our leak detection programs prevented over three gigalitres (equivalent to 1,200 Olympic swimming pools) of water from being lost from our water supply system.

Collaborating for the best whole-of-water-cycle outcomes in the Northern Growth Corridor

In 2010, the Victorian Government extended metropolitan Melbourne's northern urban growth boundary to include an additional 16,300 hectares between Craigieburn and Wallan. This development area will see 100,000 new residential homes and up to 1,050 hectares of employment land in the future.

To ensure the Northern Growth Corridor's waterways are protected as development continues, we are collaborating with Melbourne Water, local councils and DELWP to develop effective water management practices. This includes integrated planning around the role that recycled stormwater can play in augmenting the region's water supply.

For additional information on our environmental performance and outcomes we have delivered, see the Additional Information section from page 91.



WE STAND FOR AN EXCEPTIONAL WATER INDUSTRY

Our philosophy

To maintain our community's living standards into the future, the entire water sector needs to continually improve its services, environmental performance and productivity. Our contribution is magnified by working closely with others in the water sector – sharing knowledge, providing leadership and learning from each other.

The Melbourne water industry's comparative competition model means our services and cost outcomes are constantly measured against other water utilities, which encourages us to identify better ways of working and opportunities to improve performance. We can then share these innovations or improved practices with other utilities to lift the overall performance of the sector.

We understand that we are part of a natural cycle that does not start or stop at the borders of our service area. Close collaboration with other utilities, DELWP, councils, developers and local communities is critical to improving outcomes from whole-of-water-cycle management.

To stand for an exceptional water industry, we must also understand that we exist within larger systems at the local, national and global scale, and remain appropriately connected and involved with others at each level.

Our 2020 Strategy commits us to enhancing water industry performance, adopting best practices and innovations of others, and actively working with others to achieve great things for the community. In order to achieve these outcomes we have focused on optimising the value that we deliver for our community, including collaboration with our key stakeholders and exploring innovative opportunities to deliver our services in the most sustainable way.

We believe that we can have a meaningful role in Melbourne's liveability. We will do this by continuing to stand for an exceptional water industry, and beyond this, by working with others outside the water sector to improve the health of our community to create and sustain liveable cities; and to encourage stronger community participation and social inclusion.

Year in review

Over the last 12 months, we have:

- Partnered with South East Water and City West Water to explore the potential of digital metering technology in Melbourne.
- Commenced shared service agreements with Lower Murray Water to provide strategic human resources services and support. This leverages our strong capabilities and track record in building a high performance organisational culture, and will lower overall industry costs by widespread adoption of ready-made human resource solutions.
- Implemented our stakeholder engagement framework to help us build strong and constructive relationships, effectively manage risks, leverage opportunities and ensure our Strategy remains relevant to the changing external environment. Our last stakeholder survey measure-up showed that 93% of key stakeholders agreed that Yarra Valley Water had elevated industry performance during 2015-16.
- Embedded the Supplier Code of Conduct into our procurement processes and carried out the first assessment of our key suppliers against this Code.
- Built on our hardship and vulnerable customer collaborations driving policy, programs and infrastructure advancements that help corporate, government and community organisations to work together to give vulnerable customers the support they need.
- Strengthened our commitment to sustainability by signing up to the UN Global Compact, the world's largest corporate sustainability initiative.
- Joined the Global Compact Network Australia and became a member of the national Environment Leadership Group Steering Committee.



WE SUPPORT

- Embedded the UN Sustainable Development Goals in our Strategy by identifying opportunities for improvement, additional focus or engagement.
- Expanded the Choose Tap campaign to include program partners from a range of health organisations to promote the benefits of drinking tap water in a healthy lifestyle. We also continued to grow this successful program with other Victorian, Australian and international water businesses – 12 Australian water utilities have joined the 'Choose Tap Coalition', and over 35 partners.
- Worked with our partners in the water industry to raise awareness of the impact that wet wipes and other non-soluble waste products have on the sewerage system.
- Continued our successful collaboration with local councils to help food businesses improve their trade waste management, which reduces sewer spills due to fat blockages.
- Commenced a Reconciliation Action Plan which will set out our commitments and actions to contribute to reconciliation in Australia.
- Shared our easyACCESS self-service system for property development with other water businesses. Our unique use of FICO, the business rules engine behind easyACCESS, was recognised internationally in 2015 winning the prestigious FICO Decision Management Award in the United States.
- Worked with the World Health Organisation providing training and capacity building around water safety in countries such as Sri Lanka, Malaysia and the Philippines.
- Actively supported WaterAid, a charity that transforms the lives of the world's poorest and most marginalised people by improving access to safe water, sanitation and hygiene.
- Launched our Innovation Collective, which will provide a structure and process to facilitate the development of breakthrough ideas across the business. In addition, a social idea management tool called The Hub was launched to encourage collaboration across the organisation.

- In 2016, Yarra Valley Water was included in the Australian Centre of Corporate Social Responsibility (ACCSR) CSR Top 10 for the first time. This recognises those organisations with the strongest corporate social responsibility capabilities based on the ratings of their employees against various criteria. This ranking is included within the ACCSR's annual 'State of CSR report', which is the largest ongoing research study of CSR capabilities, practices and trends in Australian and New Zealand. This year's report, 'Pathway to the Sustainable Development Goals', focuses on how organisations are engaging with the sustainable development goals. Yarra Valley Water's experience of mapping our activities to the sustainable development goals was featured in a case study within the report.
- Participated in two national research projects: resource recovery from wastewater and understanding city-scale water-related energy use and greenhouse gas emissions.
- Partnered with the water industry's Technology Appraisal Group and Intelligent Water Network to identify new technologies for trial in our area.
- Took part in an international research project focused on fostering innovation within water utilities with Welsh Water (UK), Severn Trent Water (UK), Anglian Water (UK), Scottish Water (UK), Orange County (USA), Mayniland Water (Philippines) and Vitens (The Netherlands).



CASE STUDY

Today our global population is large enough to cause adverse environmental impacts of global proportion. We face resource depletion, environmental degradation and climate change. These risks and impacts are not recorded on our balance sheets or reported against. These impacts are called externalities and are now large enough to be significant. Although the costs are not accounted for, society does pay indirectly.

Current accounting methods, that 40 years ago could capture 90 per cent of a company's value, now only capture between 20 to 30 per cent of a company's value. In addition to describing and measuring Financial Capital¹, we also need to describe and measure Natural Capital², Social Capital³ and Human Capital⁴ if our accounts are to capture the externalities associated with our activities and therefore present the true value. This is consistent with integrated reporting which is an emerging approach to corporate reporting that involves describing a company's overall value creation story.

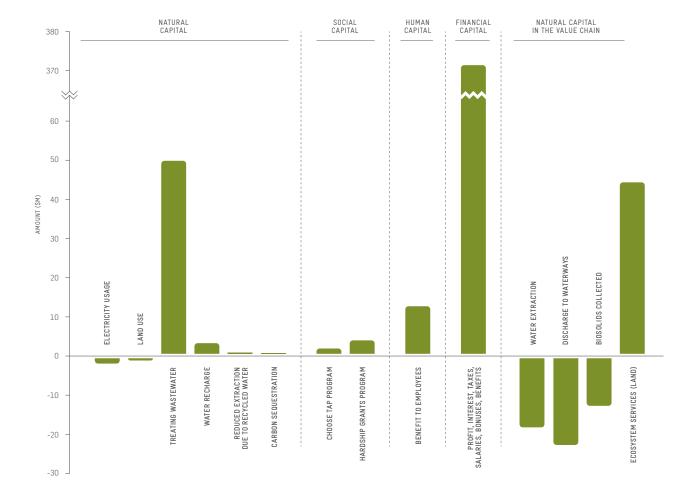
As a provider of an essential service that supports the health and wellbeing of Melbourne, it is clear that the value we generate for the community is much more than our financial contribution. In order to optimise our positive impacts and minimise negative impacts, we need to be able to measure, monitor and compare our performance across all the capitals. This integrated approach challenges our existing decision-making processes and requires us to develop new ways of thinking and evaluating what we do. Some call this moving from maximising corporate value towards maximising stakeholder value. In 2015-16, Yarra Valley Water took an important step forward by quantifying our impacts across the different capitals. This is a global challenge, and we have used leading thinkers in this field – GIST Advisory and Trucost – to deliver an integrated profit and loss report to capture the monetary valuation of our Natural, Social, Human and Financial Capital externalities. Both companies advise organisations on evaluating their performance to include externalities. GIST Advisory was founded by Pavan Sukhdev, who is a leading thinker in this area and is a UNEP Goodwill Ambassador and Chair of the Advisory Board for the global initiative TEEB (The Economics of Ecosystems and Biodiversity).

The initial company-level view, showing the positive and negative impacts across the capitals is captured in the chart opposite. It is not a comprehensive account, as it has not been possible at this stage to include all programs and factors, in particular for the natural and social capital elements. We believe that these initial results are a useful start for this broader exploration of how we meaningfully communicate our performance.

We welcome feedback and input from our stakeholders on how this can translate into our business and wider industry.

Definitions of the Capitals:

- 1. Financial Capital is the pool of funds that is available to an organisation for use in the production of goods and services, and is obtained through financing, such as debt, equity or grants, or generated through operations or investment.
- 2. Natural Capital is the world's stock of natural assets which include geology, soil, air, water and all livings things, that provide goods or services that support the prosperity of an organisation.
- Social Capital is the institutions and relationships established within and between communities, groups of stakeholders and other networks, and the ability to share information, to enhance individual and collective wellbeing.
- 4. Human Capital relates to people's competencies, capabilities and experience, and their motivations to innovate.



VALUE GENERATED ACROSS OUR BUSINESS

YARRA VALLEY WATER ANNUAL REPORT 2015-16 21

YEAR IN REVIEW

FINANCIAL SUMMARY

Yarra Valley Water recorded a net profit after tax of \$56.6 million in 2015-16. The net profit after tax result is \$5.8 million higher than the 2014-15 result and \$26.0 million higher than budgeted. The additional profit was generated primarily as a result of increased water consumption demand (residential customer usage 5.8% increase and non-residential customer usage 7.4% increase above budget). Other key factors contributing to the favourable annual profit against budget were:

- Higher water and sewer service charges revenue from customer growth and trade waste volumetric charges from the identification of new trade waste customers.
- Growth in developer related activity, primarily customer contributions and new metering connection products and services revenue.
- Lower than budgeted borrowings due to additional cash receipts, lower capital expenditure payments and the effective management of the debt portfolio to take advantage of market conditions to decrease finance costs in the short and long-term.

Capital expenditure of \$262 million was incurred during the year to renew, augment and upgrade water and sewer infrastructure. Yarra Valley Water focuses on the efficient and effective use of its capital expenditure to deliver the planned outcomes through innovative management of its capital program of works. A final dividend of \$24.3 million for the 2014-15 financial year and a capital repatriation payment of \$8.6 million for the 2015-16 financial year were paid during the year. The amount of the final dividend for the year ended 30 June 2016 will be determined after consultation between the Board, the Water Minister and the Treasurer of Victoria.

During 2015-16, total assets have increased by \$185 million as a result of the growth in infrastructure, property, plant and equipment.

Total liabilities increased by \$149 million in 2015-16 largely as a result of additional borrowings of \$162 million which were used to fund capital investments for our water and sewerage infrastructure. This growth in borrowings was significantly below the budgeted increase of \$231 million. Increased cash flow from higher than planned revenues primarily from water sales and developer related activity along with lower payments for infrastructure, property, plant and equipment and savings in finance charges has ensured we have minimised the growth in our borrowing levels.

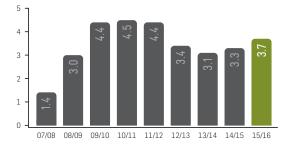
FIVE-YEAR FINANCIAL SUMMARY

Statement of Comprehensive Income	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Service revenue	907,953	844,346	916,868	700,836	697,588
Other revenue	111,064	88,142	71,991	61,955	77,590
Total revenue	1,019,017	932,488	988,859	762,791	775,178
Operating and other expenses	715,774	643,780	716,520	512,181	507,367
Depreciation and amortisation	97,490	94,294	86,009	75,632	75,980
Finance costs	123,942	121,373	120,368	108,349	104,783
Total expenses	937,206	859,447	922,897	696,162	688,130
Profit before income tax	81,811	73,041	65,962	66,629	87,048
Income tax	(25,242)	(22,249)	(20,363)	(20,248)	(26,284)
Net profit after tax	56,569	50,792	45,599	46,381	60,764

Statement of Financial Position	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Current assets	188,616	170,982	181,733	138,015	141,243
Non-current assets	4,350,521	4,182,941	4,141,830	3,873,914	3,605,832
Total assets	4,539,137	4,353,923	4,323,563	4,011,929	3,747,075
Current liabilities	369,343	371,562	392,565	307,624	510,475
Non-current liabilities	2,613,979	2,463,189	2,395,242	2,301,388	1,901,698
Total liabilities	2,983,322	2,834,751	2,787,807	2,609,012	2,412,173
Net assets	1,555,815	1,519,172	1,535,756	1,402,917	1,334,902

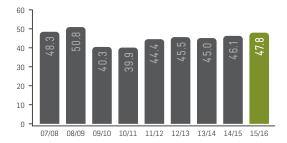
YEAR IN REVIEW

RETURN ON EQUITY (%)



Return on equity has increased compared with the previous year primarily as a result of additional net water sales, developer revenue and lower finance charges, partially offset by the impairment of land and buildings and higher taxation expense.

GEARING RATIO (%) INTEREST BEARING DEBT TO ASSETS

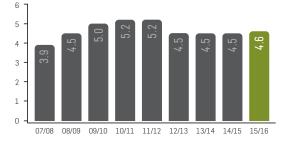


Gearing ratio has increased slightly as the borrowing levels have increased at a greater rate than the assets.

$\begin{array}{c} 2.5 \\ 2.0 \\ 1.5 \\ 1.0 \\ 0.5 \\ 0 \end{array} \begin{pmatrix} 9.7 \\ 0.7 \\ 0.8 \\ 0 \end{pmatrix} \begin{pmatrix} 9.7 \\ 0.7 \\ 0.8 \\ 0 \end{pmatrix} \begin{pmatrix} 9.7 \\ 0.7 \\ 0.8 \\ 0 \end{pmatrix} \begin{pmatrix} 9.7 \\ 0.7 \\ 0.8 \\ 0 \end{pmatrix} \begin{pmatrix} 9.7 \\ 0.7 \\ 0.8 \\ 0 \end{pmatrix} \begin{pmatrix} 9.7 \\ 0.7 \\ 0.7 \\ 0 \end{pmatrix} \begin{pmatrix} 9.7 \\ 0.7 \\ 0.7 \\ 0 \end{pmatrix} \begin{pmatrix} 9.7 \\ 0.7 \\ 0.7 \\ 0 \end{pmatrix} \begin{pmatrix} 9.7 \\ 0.7 \\ 0.7 \\ 0 \end{pmatrix} \begin{pmatrix} 9.7 \\ 0.7 \\ 0.7 \\ 0 \end{pmatrix} \begin{pmatrix} 9.7 \\ 0.7 \\ 0.7 \\ 0 \end{pmatrix} \begin{pmatrix} 9.7 \\ 0.7 \\ 0.7 \\ 0 \end{pmatrix} \begin{pmatrix} 9.7 \\ 0.7 \\$

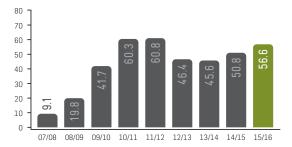
Interest cover has decreased primarily due to lower net operating cash flows largely caused by timing differences between payments for bulk water purchases and billing of customers.

RETURN ON AVERAGE ASSETS (%)



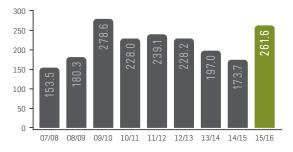
Return on average assets has increased slightly from last year due to additional net water sales and developer activity revenues.

NET PROFIT AFTER TAX (\$M)



The profit performance has increased from the previous year primarily as a result of higher revenues from service, usage, trade waste charges and continued growth in developer activity levels.

CAPITAL EXPENDITURE (\$M)

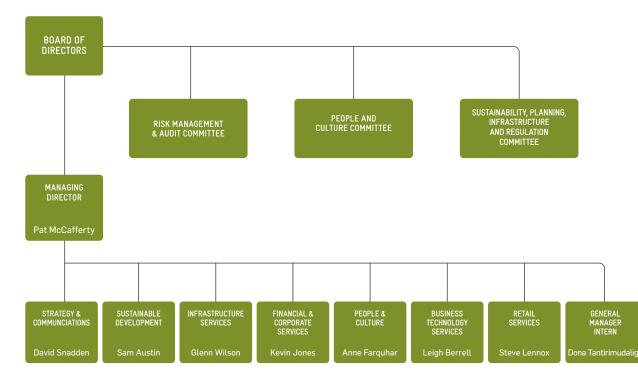


Capital expenditure has increased compared with the prior year primarily as a result of major infrastructure work including Amaroo Main Sewer. We continue to focus on the achievement of efficient outcomes through innovative design and delivery of our capital expenditure program.

INTEREST COVER (TIMES)

CORPORATE INFORMATION

ORGANISATIONAL CHART



A HIGH STANDARD OF CORPORATE GOVERNANCE

The Yarra Valley Water Board has overall responsibility for corporate governance, which includes:

- setting the strategic direction
- establishing goals for management and monitoring the achievement of these goals
- monitoring the performance of the business.

We are committed to ensuring that a robust corporate governance framework is in place and we review the framework regularly to ensure it aligns with best practice. While being a statutory water corporation under the *Water Act 1989*, nevertheless, we have compared our practices with the 3rd Edition of the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations, issued in March 2014. This has shown that our Corporate Governance Framework is substantially compliant with the relevant ASX Principles and Recommendations.

This Statement sets out the main corporate governance practices in place during the 2015-16 financial year.

CORPORATE INFORMATION

BOARD

Following the announcement by the Hon Lisa Neville MP, Minister for Water, of the Government's intention to re-advertise all non-executive director positions across the Victorian water sector, and after an extensive interview process, Director appointments were made effective from 1 October 2015.

The Yarra Valley Water Board now comprises eight independent non-executive Directors and one executive Director, who is the Managing Director, with the non-executive Chair and non-executive Directors being appointed by the Minister for Environment, Climate Change and Water. The Managing Director is appointed by the Board in accordance with the *Water Act 1989*.

The Directors come from a wide range of backgrounds and bring to the Board an appropriate mix of skills and experience.

Sue O'Connor – Chair BAppSc (RMIT), GDipBus Mgt (Monash), FAICD

Sue O'Connor became a Director and Chair of Yarra Valley Water on 1 October 2015. She has been a Non-Executive Director/Chair for over ten years. Sue is currently a Director of Mercer Superannuation, Transport Accident Commission and State Trustees Limited, Director and immediate Past Chair of YMCA Victoria. She was previously Deputy Chair and Director of Goulburn Valley Water (2008 - 2015).

Sue brings to the board table over 25 years of senior leadership experience of successfully growing and transforming customer focused, technology dependent businesses operating in disrupted markets. This included 13 years at Telstra Corporation where Sue successfully led the establishment of a number of new businesses and completion of major cross-company transformation programs.

Committee Membership:

- Risk Management and Audit Committee
- People and Culture Committee
- Sustainability, Planning, Infrastructure and Regulation Committee

Rob Skinner – Deputy Chair BE (Hons), MSc (Birm), FIEAust, MAICD

Rob Skinner became a Director of Yarra Valley Water on 1 October 2015 and was appointed as Deputy Chair of the Board on 16 December 2015. He is a Professorial Fellow and Director at Monash University's Water for Liveability Centre, Chair of WaterAid Australia, Deputy Chair of the Co-operative Research Centre for Water Sensitive Cities and Board member of the International Centre of Excellence for Water Resources Management. He is a Distinguished Fellow of the International Water Association (IWA) and Chair of the IWA's Cities of the Future Program.

Rob was Managing Director at Melbourne Water (2005 - 2011) and prior to that the Chief Executive Officer of the City of Kingston (1996 - 2005). Over the past 20 years, he has been on a number of boards and involved in numerous advisory panels and reviews related to water policy and strategy in Victoria and elsewhere. He was appointed to the Australian Water Partnership Committee in October 2015.

Committee Membership:

- Sustainability, Planning, Infrastructure and Regulation Committee (Chair)
- People and Culture Committee

Gregory Camm MBA, BBus, CPA, SFFin, MAICD

Greg Camm became a Director of Yarra Valley Water on 1 October 2013. He retired from his role as Chief Executive Officer of Superpartners Ltd in 2012. Greg was previously the Managing Director and Chief Executive Officer of AMP Financial Services (New Zealand 2005 - 2007) and held a number of senior executive positions with the Australia and New Zealand Banking Group (1989 - 2005) including Managing Director, Australian Retail Banking (2004 - 2005).

He is a Director of Mecu Ltd, trading as Bank Australia (2011 - current) and Bottlecyclers Pty Ltd (2010 - current), and a Trustee/Director of the Australian Cancer Research Foundation.

Committee Membership:

- People and Culture Committee
- Sustainability, Planning, Infrastructure and Regulation Committee

Susan Friend BCom, LLB, CA (NZ), MAICD

Sue Friend became a Director of Yarra Valley Water Limited on 1 January 2010. Her appointment was transferred to Yarra Valley Water Corporation with effect from 1 July 2012.

Sue has a background in audit, internal audit and forensic accounting gained from 15 years working with PricewaterhouseCoopers. She is a Board Member of Melbourne Market Authority and an Independent Audit Committee Member of the Municipal Association of Victoria. Sue is currently a consultant with Sapere Research Group, a global expert services firm.

Committee Membership:

- · Risk Management and Audit Committee (Chair)
- Sustainability, Planning, Infrastructure and Regulation Committee

Victor Perton BEc, LLB, LLM, Dip Chinese Law, GAICD

Victor Perton became a Director of Yarra Valley Water on 1 October 2015. He has experience on significant public sector boards including the Transport Accident Commission and the Federal Government's Council on Australia Latin America Relations. He has chaired public sector inquiries and committees on technology, justice, equal opportunity, regulatory efficiency, subordinate legislation and several other topics. His current private-sector work includes advice on board governance, leadership, assessment and search. He is a member of the Advisory Committee of the Global Integrity Summit.

His life experience includes 18 years as a parliamentarian, practice as a barrister, mediator, arbitrator, businessman, private sector board service and mentor. Victor is a former Commissioner to the Americas building investment, global supply chains and expatriate and alumni networks. His work there included promotion of Victoria's water expertise to enhance government to government relations and to support Victorian exporters.

Victor served as Senior Adviser in the Australian G20 presidency supporting the Australian Treasurer's leadership of the Finance Track comprising G20 Finance Ministers and Central Bank Governors. He played an important engagement role in the Brisbane G20 Leaders Summit, which the then Australian Prime Minister described as "the most important gathering Australia has ever hosted".

Committee Membership:

- Risk Management and Audit Committee
- Sustainability, Planning, Infrastructure and Regulation Committee

Anita Roper BBus (Mgt), GAICD

Anita Roper became a Director of Yarra Valley Water on 1 October 2015. She is currently a Board Member of the Fitzroy Football Club and Board Member of the Victorian Public Sector Commission Advisory Board. Anita was previously a non-executive director of Pacific Hydro, including Chair of the Board's Health, Safety, Sustainability and People Committee, a member of AngloGold Ashanti's Global Panel on Sustainability and Board Member of the Women's Network for a Sustainable Future and a member of the Board of Inquiry into the Hazelwood Coal Mine Fire.

Anita has over 30 years' experience in senior management roles working with business, governments, communities and multi-lateral agencies in Australia, Canada, the UK and the USA. Her executive career spans the private and public sectors including Chief Executive Officer at Sustainability Victoria and Global Director of Sustainability with Alcoa in New York.

Committee Membership:

People and Culture Committee (Chair)
Sustainability, Planning, Infrastructure and Regulation Committee

Eric Sjerp BSc (Geol. Geog.), MEIANZ, MAICD

Eric Sjerp became a Director of Yarra Valley Water on 1 October 2015. He was a Director at East Gippsland Water from 2003 to September 2015. He is an Environmental Scientist with extensive professional experience throughout Australia and is currently Managing Director and Principal Consultant of Ethos NRM. Eric has been involved on numerous other Boards including Southern Rural Water, East Gippsland Environmental Sustainability Advisory Board, East Gippsland Catchment Management Authority Lands Advisory Committee and East Gippsland TAFE Industry Advisory Committee. He is a past Executive Officer of the Gippsland Lakes Management Council.

Committee Membership:

- Risk Management and Audit Committee
- Sustainability, Planning, Infrastructure and Regulation Committee

CORPORATE INFORMATION

BOARD

Helen Thornton BEc, CA, GAICD

Helen Thornton became a Director of Yarra Valley Water on 1 October 2015. She was the Vice President Risk Management at BlueScope Steel and has had a career as a Risk and Finance Executive in the manufacturing industry, as well as significant audit experience in professional service teams. Helen is involved on a number of Boards including the Risk and Audit Committee at the Department of Environment, Land, Water and Planning, Legal Practitioners Liability Committee and Zoological Parks and Gardens Board and she was previously on the Boards' of Big Sky Building Society and Rural Finance Corporation.

Committee Membership:

- Risk Management and Audit Committee
- Sustainability, Planning, Infrastructure and Regulation Committee

Pat McCafferty – Managing Director BBus (Acc), Exec. MBA, GAICD, FWCLP, FIWA

Pat McCafferty was appointed Managing Director of Yarra Valley Water on 1 July 2014.

He has extensive experience across the water sector and has held General Manager roles at Yarra Valley Water since 2001, covering a wide range of strategic and operational leadership positions, including planning, economic regulation, finance, marketing and customer operations.

Pat is an Executive Council Member of the Institute of Water Administration and Deputy Chair of the Water Services Association of Australia.

Committee Membership:

- People and Culture Committee
- Sustainability, Planning, Infrastructure and Regulation Committee

Kevin Jones – Corporate Secretary CA, FCCA, FGIA, FCIS, GAICD, BA (Hons), ALCM

Kevin Jones has been Corporate Secretary of Yarra Valley Water Corporation since 1 July 2012. He is responsible for ensuring compliance with statutory and regulatory requirements, for governance functions and for ensuring that the decisions of the Board of Directors and its Committees are implemented.

Retirement of Directors on 30 September 2015

Peter Wilson AM BCom (Hons), MA, FCPA, FAICD, FCPAHRI, FCIPD

Professor Peter Wilson was originally appointed a Director of Yarra Valley Water Limited on 1 January 2007 and was appointed as Chairman on 1 July 2008. His appointment transferred to Yarra Valley Water Corporation with effect from 1 July 2012. He made a significant contribution to Yarra Valley Water and the water industry at large and his leadership as Chairman of the Board was exemplary.

Peter has a background in economics, commerce and strategy development and has held senior executive positions in a number of organisations. He was Executive Director General Manager at AMCOR, Chief Executive Officer of the Energy 21 Group and Managing Director, Asia Pacific Division at the ANZ Banking Group.

Peter is the National President of the Australian Human Resources Institute, a Director of the World Federation of People Management Associations based in Geneva, the Chair of Australian Network on Disability Ltd, a Director of the Vincent Fairfax Ethics in Leadership Foundation and was Chairman of Vision Super Pty Ltd until the end of his rotational term on 30 June 2014 and continues as a Director of Vision Super Pty Ltd.

Peter is an Adjunct Professor in Management at the Monash Business School at Monash University and a Member of the Advisory Board to the Harvard Business Review.

David Middleton BE (Civil), ME (Env), MBA (Tech Mgt), GAICD

David Middleton was originally appointed a Director of Yarra Valley Water Limited on 1 October 2011. His appointment was transferred to Yarra Valley Water Corporation with effect from 1 July 2012. He made an invaluable contribution to Yarra Valley Water as a Director, including his role as Deputy Chairman of the Board, Chairman of the Human Resources, Remuneration and Safety Committee and a member of the Sustainability, Planning, Infrastructure and Environment Committee and the Risk Management and Audit Committee.

David is Executive Director, Water Markets for CH2M Hill Australia Pty Ltd, a design, construction and operations firm. He has previously held senior roles with Thames Water Asia Pacific Pty Ltd and operational roles with Melbourne Water Corporation, Western Region Water Corporation and Goulburn Valley Region Water Corporation. David is a Director of CH2M Hill Australia Pty Ltd and Halcrow Pacific Pty Ltd.

David was appointed as Chair of City West Water effective from 1 October 2015.

Dean Comrie BSc (Hons), Grad Cert (Env Eng), MBA, MAICD

Dean Comrie was originally appointed a Director of Yarra Valley Water Limited on 1 October 2011. His appointment was transferred to Yarra Valley Water Corporation with effect from 1 July 2012. He made an invaluable contribution to Yarra Valley Water as a Director, including his role as Chairman of the Sustainability, Planning, Infrastructure and Environment Committee and a member of the Human Resources and Remuneration Committee.

Dean was a Project Director with SP AusNet where he had responsibility for the maintenance and capital delivery contracts for SP AusNet's gas and electricity distribution networks. He is now General Manager at Greencap, an integrated risk management and compliance services provider.

Dean has extensive experience in the utilities sector and has held a variety of executive and non-executive positions, including as Managing Director of Ecowise Environmental, a specialist consulting and technical service provider to the water sector.

Steve McArthur MAICD

Steve McArthur was originally appointed a Director of Yarra Valley Water Corporation on 1 October 2012. He made an invaluable contribution to Yarra Valley Water as a Director, including his role as a member of the Risk Management and Audit Committee, and the Sustainability, Planning, Infrastructure and Environment Committee.

Steve is the Chairman of the Melbourne Market Authority and has served as a committee member, President and Chairman of a number of local community and sporting groups.

Steve was Shadow Minister for Water Resources (1999 - 2002) and Shadow Minister for Agriculture (2000 - 2002).

Therese Ryan LLB, GAICD

Therese Ryan was originally appointed a Director of Yarra Valley Water Corporation on 1 October 2013. She made an invaluable contribution to Yarra Valley Water as a Director, including her role as a member of the Human Resources, Remuneration and Safety Committee, and the Sustainability, Planning, Infrastructure and Environment Committee.

Therese was formerly Vice President, General Counsel for General Motors International Operations, Shanghai.

Therese previously held general counsel roles with GM Holden Ltd (2001 - 2006) and Qenos Pty Ltd. She is currently a Director of Burson Group Ltd, Victorian Managed Insurance Authority, VicForests, Metropolitan Fire Brigade, a Director/ Trustee of WA Local Super and an independent member of the Audit Committee of the City of Melbourne.

Therese was appointed as Chair of Gippsland Water effective from 1 October 2015.

CORPORATE INFORMATION

BOARD

Board Charter

The Board Charter sets out clearly the role, responsibilities and powers of the Board and incorporates all aspects of Board governance, along with referencing the source of the items included in the Charter.

The Charter was reviewed by the Board during the year and, as a result, the Board endorsed a number of minor modifications.

Code of Conduct

The Board has adopted a Directors' Code of Conduct based on the Code of Conduct issued by the Public Sector Standards Commissioner.

Declaration of private interests

All Directors have completed a declaration of private interests.

All executives, senior managers, officers and contractors/ consultants with delegation to approve expenditure in excess of \$20,000 have completed a declaration of private interests.

Independent professional advice

The Board has adopted a number of measures to ensure that independent judgement is achieved and maintained. Directors are entitled to seek independent professional advice on matters relating to the business of Yarra Valley Water at the Corporation's expense, subject to the prior approval of the Chair. No Director exercised this right during the year.

Board performance review

In accordance with the Board Policy, an externally facilitated Performance Review of the Board was conducted in March/ April 2016. Being mindful that the majority of Directors had only recently been appointed, nevertheless, the Board viewed this as an opportunity to review its operational effectiveness.

The Board discussed the findings of the review and a number of actions have been implemented to further improve the performance of the Board.

Induction and training

The Board has adopted a training and development policy for Directors. This policy facilitates appropriate training and development opportunities for Directors to enable them to fulfil their role, broaden their knowledge and share this knowledge with the rest of the Board.

All newly appointed Directors are required to undertake an induction program to help them understand their role and encourage fulfilment of their Board responsibilities. The induction program includes an overview of the Yarra Valley Water business, the water industry and the linkages with Government.

Directors also attend seminars and other events to broaden their exposure to water industry issues and initiatives.

With new Directors being appointed in October 2015, an induction program was conducted which included the provision of Reference Manuals, briefings by the Managing Director and the Executive Team, attendance at the Water Industry Director Development Program and ongoing briefings on key business issues.

BOARD COMMITTEES

The Board has established the three Committees of Directors to assist it in carrying out its responsibilities and to allow detailed consideration of complex issues. Each Board Committee has its own terms of reference, which set out the Committee's objectives, duties and responsibilities, composition, meetings, authority and reporting responsibilities.

At Board meetings, where the minutes of Committee meetings are presented, the Chair of the Committee highlights the key issues considered by the Committees.

At its April 2016 meeting, the Board reviewed the structure of its Committees and adopted a revised structure, along with revised Committees' responsibilities and Terms of Reference.

The Committees are as follows:

Risk Management and Audit Committee	The Risk Management and Audit Committee assists the Board in fulfilling its duties and responsibilities relating to risk management, the effectiveness of internal controls and the accounting and reporting practices of the business, reviewing financial reports and overseeing the audits conducted by the internal and external auditors.
	The majority of Committee members have financial expertise.
People and Culture Committee	The People and Culture Committee assists the Board in reviewing strategies and policies to ensure that critical actions and plans are in place to implement and develop the business' people and culture, the adequacy of the Executive Remuneration Framework, the Management Succession Plan and the Corporation's Diversity Policy, Strategy and Action Plans.
Sustainability, Planning, Infrastructure and Regulation Committee	The Sustainability, Planning, Infrastructure and Regulation Committee assists the Board in reviewing the effectiveness and efficiency of the business' asset management practices in relation to water and sewerage infrastructure, reviewing and recommending the adoption of the business' Price Submission, overseeing the audits conducted in the Integrated Audit Program and monitoring innovative developments.

CORPORATE INFORMATION

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

	Board of Directors Meetings	Risk Management and Audit Committee Meetings	#Human Resources, Remuneration and Safety Committee Meetings	##Sustainability, Planning, Infrastructure and Environment Committee Meetings	#People and Culture Committee Meetings	##Sustainability, Planning, Infrastructure and Regulation Committee Meetings
S O'Connor (1)	8 of 8	3 of 3	2 of 2	2 of 2	1 of 1	1 of 1
P Wilson (2)	3 of 3	1 of 1	1 of 1	1 of 1	-	-
G Camm (3)	10 of 11	1 of 1	2 of 2	3 of 3	0 of 1	0 of 1
D Comrie (4)	3 of 3	-	1 of 1	1 of 1	-	-
S Friend (5)	11 of 11	4 of 4	-	3 of 3	-	1 of 1
S McArthur (6)	3 of 3	1 of 1	-	1 of 1	-	-
P McCafferty (7)	11 of 11	-	3 of 3	2 of 2	1 of 1	1 of 1
D Middleton (8)	3 of 3	1 of 1	1 of 1	1 of 1	-	-
V Perton (9)	7 of 8	2 of 3	-	2 of 2	-	l of l
A Roper (10)	7 of 8	-	1 of 2	2 of 2	1 of 1	1 of 1
T Ryan (11)	3 of 3	-	1 of 1	1 of 1	-	-
E Sjerp (12)	8 of 8	3 of 3	-	2 of 2	-	1 of 1
R Skinner (13)	5 of 8	-	1 of 2	1 of 2	1 of 1	1 of 1
H Thornton (14)	7 of 8	3 of 3	-	2 of 2	-	1 of 1

The Human Resources, Remuneration and Safety Committee was replaced by the People and Culture Committee on 27 April 2016.

The Sustainability, Planning, Infrastructure and Environment Committee was replaced by the Sustainability, Planning, Infrastructure and Regulation Committee on 27 April 2016.

- (1) Sue O'Connor was appointed as Corporation Chair from 1 October 2015, a member of the Risk Management and Audit Committee, Human Resources, Remuneration and Safety Committee, and Sustainability, Planning, Infrastructure and Environment Committee on 28 October 2015 and a member of the People and Culture Committee, and Sustainability, Planning, Infrastructure and Regulation Committee on 27 April 2016.
- (2) Peter Wilson retired as a Director and the Corporation Chair on 30 September 2015.
- (3) Greg Camm ceased being a member of the Risk Management and Audit Committee and was appointed a member of the Human Resources, Remuneration and Safety Committee on 28 October 2015 and a member of the People and Culture Committee, and Sustainability, Planning, Infrastructure and Regulation Committee on 27 April 2016.
- (4) Dean Comrie retired as a Director on 30 September 2015.
- (5) Sue Friend was appointed a member of the Sustainability, Planning, Infrastructure and Regulation Committee on 27 April 2016.
- (6) Steve McArthur retired as a Director on 30 September 2015.
- (7) Pat McCafferty was appointed a member of the Sustainability, Planning, Infrastructure and Environment Committee on 28 October 2015 and a member of the People and Culture Committee, and Sustainability, Planning, Infrastructure and Regulation Committee on 27 April 2016.
- (8) David Middleton retired as a Director on 30 September 2015.
- (9) Victor Perton was appointed as a Director from 1 October 2015, a member of the Risk Management and Audit Committee, and Sustainability, Planning, Infrastructure and Environment Committee on 28 October 2015 and a member of the Sustainability, Planning, Infrastructure and Regulation Committee on 27 April 2016.

- (10) Anita Roper was appointed as a Director from 1 October 2015 and a member of the Human Resources, Remuneration and Safety Committee, and Sustainability, Planning, Infrastructure and Environment Committee on 28 October 2015 and a member of the People and Culture Committee, and Sustainability, Planning, Infrastructure and Regulation Committee on 27 April 2016.
- (11) Therese Ryan retired as a Director on 30 September 2015.
- (12) Eric Sjerp was appointed as a Director from 1 October 2015, a member of the Risk Management and Audit Committee, and Sustainability, Planning, Infrastructure and Environment Committee on 28 October 2015 and a member of the Sustainability, Planning, Infrastructure and Regulation Committee on 27 April 2016.
- (13) Rob Skinner was appointed as a Director from 1 October 2015, the Corporation Deputy Chair on 16 December 2015 and a member of the Human Resources, Remuneration and Safety Committee, and Sustainability, Planning, Infrastructure and Environment Committee on 28 October 2015 and a member of the People and Culture Committee, and Sustainability, Planning, Infrastructure and Regulation Committee on 27 April 2016.
- (14) Helen Thornton was appointed as a Director from 1 October 2015 and a member of the Risk Management and Audit Committee, and Sustainability, Planning, Infrastructure and Environment Committee on 28 October 2015 and a member of the Risk Management and Audit Committee, and Sustainability, Planning, Infrastructure and Regulation Committee on 27 April 2016.

CORPORATE INFORMATION

OUR EXECUTIVE TEAM

Pat McCafferty BBus (Acc), Exec.MBA, GAICD, FWCLP, FIWA Managing Director

As Managing Director, Pat is also a member of the Board.

Refer to details under Directors.

Sam Austin BE (Civil) General Manager, Sustainable Development

Sam is responsible for the provision of water and sewerage services to new customers. He manages the planning and procurement of new infrastructure and the connection of new customers to the network. Sam works closely with the development industry and has the challenge of developing new and innovative sustainable servicing strategies to meet commercial and environmental objectives.

Leigh Berrell BAppSc (CompSci) (Hons), GradCert BT, MBA, GAICD Chief Information Officer

Leigh is responsible for the strategic direction of information technology to achieve the business objectives of Yarra Valley Water. This includes the development and delivery of the Digital Strategy, Enterprise Architecture and IT projects. Leigh is also responsible for the operation, maintenance and support of IT systems, sourcing and procurement of IT products and services and the management of IT vendors.

Anne Farquhar Cert Bus Mgt General Manager, People and Culture

Anne is responsible for developing and implementing the human resources strategy for the business, including workplace planning, organisational culture and learning and development. Anne is also responsible for developing and maintaining systems for recruitment, succession planning and performance management.

Kevin Jones CA, FCCA, FGIA, FCIS, GAICD, BA (Hons), ALCM Chief Financial Officer and Corporate Secretary

Kevin is responsible for overall business management reporting, statutory accounting, financial planning, treasury and taxation. His role also includes statutory compliance, occupational health and safety, corporate governance, insurance, risk management, auditing, property management, legal services and records management.

Steve Lennox BBus (Acc), CPA, ACIS, AGIA General Manager, Retail Services

Steve is responsible for customer billing and responding to customers' enquiries. He is primarily responsible for meter reading, billing management, debt collection, Customer Contact Centre operations, commercial services and the development and implementation of support programs for customers in financial difficulty.

David Snadden BE (Civil), Exec.MBA General Manager, Strategy and Communications

David is responsible for corporate strategy, regulation, planning, marketing and communications. His role includes long-term strategic planning, water security, pricing and economic regulatory affairs, customer insights, marketing programs, community and stakeholder engagement, and communications programs. David is also responsible for representing the business in water industry policy and reform activities.

Glenn Wilson BE (Civil), BBus (Admin) General Manager, Infrastructure Services

Glenn is responsible for managing the water and sewerage infrastructure to ensure that it achieves our desired customer service levels and environmental performance. He is primarily responsible for strategy development, planning, operation, maintenance and renewal of water and sewerage infrastructure.

"WE ARE SAFE"

Yarra Valley Water is committed to the safety and wellbeing of our staff, partner organisations and members of the public. Our safety commitment "We Are Safe" is embedded in everything we do.

Our 2020 Strategy Safety outcomes are:

- · Safety exists as each person's responsibility.
- We make our workplaces safe.
- We carry out our work without harming ourselves or others.

These safety outcomes are supported by our "We Are Safe Behaviours" Statement, compliance with occupational health and safety legislation and using our accredited Safety Management System.

OUR PEOPLE

We believe that a great culture delivers great outcomes. It provides the foundation for a high-performing workplace where we collaborate with partners and stakeholders to deliver exceptional outcomes for our customers and the environment. Creating this constructive workplace culture requires a holistic approach, encompassing all aspects of the employment life cycle, such as recruitment, communication, role clarity, recognition, development, equity and leadership. Our focus on culture ensures we employ the right staff, provide them with clear direction and challenging work, enable performance through strong leadership and honest feedback, and provide ongoing development through targeted learning opportunities.

FAIR TREATMENT AT WORK – DISCRIMINATION

At Yarra Valley Water, it is our strategic intent to create a vibrant workplace achieving exceptional business outcomes, successful partnerships and personal satisfaction. We are committed to providing fair and equitable treatment for all employees in the workplace including partners, contractors, work experience students, suppliers and agents, both on and off site, when on Corporation business.

We do not tolerate discrimination and take a proactive approach to ensure reasonable and proportionate measures are in place to monitor and improve practices and behaviours. All employees are required to comply with relevant Federal and State legislation that establishes grounds on which discrimination is illegal including but not limited to the Acts relating to Occupational Health and Safety, Equal Employment Opportunity, Discrimination and Human Rights.

RECRUITMENT

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

DIVERSITY

The diversity of our people is fundamental to extraordinary performance and we recognise the responsibility we have in creating an inclusive workplace and ensuring equality and fair treatment across the business. In 2015, the Board approved our Diversity Strategy, which is the roadmap to implementing the programs, practices, measures and targets we need to attract and retain a diverse workplace.

EMPLOYMENT DATA

_	Full Time	Part Time	Casual	Total	FTE 2015-16	
Female	181	78	22	281	237.1	240.8
Male	281	12	12	305	289.6	296.8
Total	462	90	34	586	526.7	537.6

	FTE 2015-16	FTE 2014-15
Executive	8	8
Senior Manager	118.4	104.3
Administration and Field Staff	400.3	425.3
Total	526.7	537.6

CORPORATE INFORMATION

LEGISLATIVE COMPLIANCE

Information and Communication Technology (ICT) expenditure

For the 2015-16 reporting period, Yarra Valley water had a total ICT expenditure of \$27.02 million, with the details shown below.

Business as usual (BAU)		NON BAI	J	
BAU ICT Expenditure \$'000	Total ICT Expenditure \$'000	Operational Expenditure \$'000	Capital Expenditure \$'000	ICT Depreciation \$'000
12,536	14,482	1,494	12,988	24,116

Privacy and Data Protection Act 2014

Yarra Valley Water complies with the Information Privacy Principles set out in the *Victorian Privacy and Data Protection Act 2014*.

As the holder of our customers' confidential and personal information, Yarra Valley Water is conscious of the need to ensure that this information is protected and to prevent any unauthorised access to, and improper use of, that information.

A Privacy Policy and Code of Practice is in place for our employees, contractors and agency staff to ensure that customer information is protected.

Protected Disclosure Act 2012

Yarra Valley Water has procedures in place to help employees and contractors understand the requirements and obligations under the *Protected Disclosure Act 2012* and to facilitate the making and handling of disclosures and the notification of such disclosures to the Independent Broad-based Anticorruption Commission. These procedures are available to the public at Yarra Valley Water's office.

There have been no disclosures received by Yarra Valley Water in 2015-16 for notification to the Independent Broad-based Anti-corruption Commission in relation to the operation, activities or officers of Yarra Valley Water.

Freedom of Information Act 1982

Yarra Valley Water is committed to ensuring information is accessible to customers in compliance with the *Freedom* of *Information Act 1982*.

During 2015-16, 12 requests were received for access to documents under the *Freedom of Information Act 1982*.

Requests were fulfilled as follows:

Full access to all documents	9
Full access to some documents – others in part	
 Total	12

Requests for access to Yarra Valley Water documents under the *Freedom of Information Act 1982* are to be made in writing and addressed to:

Peter Thatcher Assistant Corporate Secretary Yarra Valley Water Private Bag 1 Mitcham, Victoria, 3132

Each application must be accompanied by a \$27.90 application fee and clearly identify the documents sought. General enquiries relating to Freedom of Information can be made by telephoning (03) 9872 1238 between 8.30 am and 4.30 pm, Monday to Friday.

Building Act 1993

Yarra Valley Water maintains its Head Office Complex in accordance with the *Building Act 1993*.

Victorian Industry Participation Policy Disclosures

Yarra Valley Water implements the Victorian Industry Participation Policy (VIPP) in accordance with section 9 of the *Victorian Industry Participation Policy Act 2003*.

During 2015-16, the corporation commenced four projects which are expected to utilise 95 per cent local content to which a VIPP plan was not required as the procurement activity was local by nature.

One project, totalling \$4.3 million required a VIPP plan. In completing this project, 10 existing jobs and 100 per cent local content are committed to being used.

National Competition Policy

Competitive neutrality seeks to enable fair competition between government and private sector business. Any advantages or disadvantages that a government business may experience, simply as a result of government ownership should be neutralised.

Yarra Valley Water continues to comply with the requirements of the National Competition Policy.

Other information

The following information is available from Yarra Valley Water on request, subject to the *Freedom of Information Act 1982*:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers;
- details of shares held by any senior officer as nominee or held beneficially in a statutory authority or authority;
- details of publications produced by the entity about itself, and how these can be obtained;
- details of changes in process, fees, charges, rates and levies charged by the entity;
- details of any major external reviews carried out on the entity;
- details of major research and development activities undertaken by the entity;

- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services;
- details of assessments and measures undertaken to improve the occupational health and safety of employees;
- a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes;
- a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved;
- · details of all consultancies and contractors including:
 - consultants/contractors engaged
 - services provided
 - expenditure committed to for each engagement.



RISK MANAGEMENT ATTESTATION

The Directors of the Corporation certify that Yarra Valley Water has risk management processes in place consistent with the National Risk Management Standard AS/NZS ISO 31000:2009 and an internal control system in place that enables our executive to understand, manage and satisfactorily control our risk exposures.

The Directors of the Corporation verify that Yarra Valley Water has complied with the Ministerial Standing Direction 4.5.5 – "Risk Management Framework and Processes". Yarra Valley Water's Risk Management and Audit Committee has verified this.

This attestation has been made in accordance with the resolution of the Directors of the Corporation on the 26th day of August 2016.

Borro -1

Sue T O'Connor Chair

Patrick J McCafferty Managing Director

ANNUAL FINANCIAL REPORT 2015-16

YARRA VALLEY WATER ABN 93 066 902 501



DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

The Directors of Yarra Valley Water Corporation present their report for the financial year ended 30 June 2016.

Directors

The names of the Corporation's Directors in office during the financial year are as follows. Directors were in office for this entire period, unless otherwise stated.

Sue Therese O'Connor Chair	Appointed 1 October 2015
Robert Clive Skinner Deputy Chair	Appointed 1 October 2015
Patrick John McCafferty Managing Director	
Gregory Joseph Camm	
Susan Elizabeth Friend	
Victor John Perton	Appointed 1 October 2015
Anita Michelle Roper	Appointed 1 October 2015
Eric Sjerp	Appointed 1 October 2015
Helen Lynette Thornton	Appointed 1 October 2015
Peter Snowden Wilson	1 July 2015 to 30 September 2015
Dean Matthew Comrie	1 July 2015 to 30 September 2015
Stephen James McArthur	1 July 2015 to 30 September 2015
David Anthony Middleton	1 July 2015 to 30 September 2015
Therese Anne Ryan	1 July 2015 to 30 September 2015

Particulars of the Directors' and Corporate Secretary's qualifications, experience and special responsibilities (if any) are set out in the Corporate Information Section of this Annual Report.

Directors' attendance at meetings

The number of Directors' meetings and Board Committee meetings held, and the number of meetings attended by each of the Directors of the Corporation during the financial year is set out in the Corporate Information Section of this Annual Report.

Principal activities

The principal activities of the Corporation during the course of the financial year were the provision, within its district, of retail water supply and sewerage services and the collection of trade waste.

There were no significant changes in the nature of these activities during the year.

Dividends

A final dividend of \$24.3 million for the year ended 30 June 2015 was paid on 17 December 2015.

The amount of the final dividend for the year ended 30 June 2016 will be determined after consultation between the Board, the Minister for Water and the Treasurer of Victoria.

Capital Repatriation

A capital repatriation of \$8.6 million for the year ended 30 June 2016 was paid on 29 June 2016.

Review of operations

A review of the operations of Yarra Valley Water during the year ended 30 June 2016 and the results of those operations are contained in this Annual Report.

State of affairs

Prices in 2016-17 will decrease by an average of 0.1%. The typical residential customer's bill will decrease in 2016-17 by 0.2% and residential customers will continue to receive the \$100 Government Water Rebate, which will be delivered by passing on significant savings in operating costs as part of the Corporation's ongoing commitment to productivity.

Except as provided above, there were no significant changes in the state of affairs of the Corporation during the year ended 30 June 2016 not otherwise disclosed in the Annual Report.

Events subsequent to balance sheet date

Except as provided above, no matter or circumstance has arisen that, in the opinion of the Directors, has significantly affected or may significantly affect the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.

Environmental regulation

Yarra Valley Water is subject to environmental regulation in respect of its operations. Yarra Valley Water holds a Corporate Licence issued by the Environment Protection Authority Victoria (EPAV) under the *Environment Protection Act 1970*. The licence imposes conditions about discharges, reporting obligations and other matters concerning the operation of seven sewage treatment plants.

During the financial year, Yarra Valley Water did not comply with all conditions of the EPAV corporate licence due to the following events:

- reported an odour complaint attributed to the operations of the Lilydale Sewage Treatment Plant; and
- the maximum pH limit was exceeded in the treated effluent discharged from the Craigieburn Treatment Plant.

Yarra Valley Water maintains an Environmental Management System certified to ISO 14001: (2004).

Further particulars of specific environmental performance measures are set out in the Additional Information section of this Annual Report.

Directors' Deed

Yarra Valley Water entered into a Deed with each Director under which it is required to provide access to its books and to maintain insurance coverage for at least seven years after the Director ceases to be a Director.

Insurance of officers

During the financial year, the Corporation paid premiums in respect of contracts to insure Directors, former Directors and Officers of the Corporation against certain liabilities.

Some of the contracts of insurance prohibit disclosure of the nature of the liabilities insured and the amount of the premium.

Rounding of amounts to nearest thousand dollars

The amounts in this Report and the Annual Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

This Report is made in accordance with a resolution of the Directors of Yarra Valley Water on the 26th day of August 2016.

Sue T O'Connor Chair

Patrick J McCafferty Managing Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

Note	2016 \$'000	2015 \$'000
Revenue 1, 4	1,019,017	932,488
Expenses 1,5	(813,264)	(738,074)
Finance costs	(123,942)	(121,373)
Profit before income tax	81,811	73,041
Income tax expense 1, 6 (a)	(25,242)	(22,249)
Net profit after tax	56,569	50,792
Other comprehensive income		
Decrease from revaluation of infrastructure assets 12(b)	(71,305)	(51,674)
Increase from revaluation of land 12(b)	74,445	135
Decrease from revaluation of crown land	(190)	-
Increase from revaluation of buildings 12(b)	1,961	-
Defined benefit superannuation plan actuarial gain / (loss) 1, 20	(2,225)	616
Deferred income tax on items of other comprehensive income 1, 6(b)	10,288	15,247
Other comprehensive income, net of tax	12,974	(35,676)
Total comprehensive income	69,543	15,116

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

BALANCE SHEET AS AT 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
ASSETS			
Current assets			
Cash	8	1,136	360
Receivables	3(b),9	183,031	165,688
Other	10	4,449	4,934
Total current assets		188,616	170,982
Non-current assets			
Infrastructure, property, plant and equipment	12(a)	4,157,374	3,977,983
Intangible assets	11(a)	190,020	199,622
Defined benefit superannuation asset	1,13(c)	1,755	4,426
Receivables	3(b),9	1,372	910
Total non-current assets		4,350,521	4,182,941
TOTAL ASSETS		4,539,137	4,353,923
LIABILITIES			
Current liabilities			
Unearned income	16	21,191	23,122
Current tax payable	6(d)	10,150	4,912
Provisions	15	17,006	16,070
Payables	3(b),14	90,190	96,758
Borrowings	3(a)	230,806	230,700
Total current liabilities		369,343	371,562
Non-current liabilities			
Provisions	17	2,109	1,998
Unearned income	16	7,986	7,953
Net deferred tax	1,6(e)	663,784	674,938
Borrowings	3(a)	1,940,100	1,778,300
Total non-current liabilities		2,613,979	2,463,189
TOTAL LIABILITIES		2,983,322	2,834,751
NET ASSETS		1,555,815	1,519,172
EQUITY			
Contributed equity	18	468,697	477,297
Retained earnings	1,20	230,171	199,510
Asset revaluation reserve	19	856,947	842,365
TOTAL EQUITY		1,555,815	1,519,172

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

2016	Note	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation reserve \$'000	Total \$'000
Balance at 1 July 2015		477,297	199,510	842,365	1,519,172
Net profit after tax		-	56,569	-	56,569
Other comprehensive income after tax	19,20	-	(1,608)	14,582	12,974
Total comprehensive income		-	54,961	14,582	69,543
Transactions with owners in their capacity as	s owners				
Capital repatriation	18	(8,600)	-	-	(8,600)
Dividends Paid	7	-	(24,300)	-	(24,300)
Balance at 30 June 2016		468,697	230,171	856,947	1,555,815

2015	Note	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation reserve \$'000	Total \$'000
Balance at 1 July 2014		477,297	179,448	879,011	1,535,756
Net profit after tax		-	50,792	-	50,792
Other comprehensive income after tax	19, 20	-	367	(36,043)	(35,676)
Total comprehensive income		-	51,159	(36,043)	15,116
Transfer asset revaluation reserve to retained earnings		-	603	(603)	-
Transactions with owners in their capacity as owners					
Dividends paid	7	-	(31,700)	-	(31,700)
Balance at 30 June 2015		477,297	199,510	842,365	1,519,172

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

Note	2016 \$'000	2015 \$'000
Cash flow from operating activities		
Receipts from customers	982,475	927,436
Payments to suppliers and employees	(741,383)	(658,885)
Goods and services tax refunded (net)	25,908	22,695
Income tax paid	(21,027)	(19,614)
Interest and other costs of finance paid	(122,124)	(121,397)
Interest received	164	12
Net cash inflow from operating activities 29(a)	124,013	150,247
Cash flows from investing activities		
Proceeds from sale of intangibles, infrastructure, property, plant and equipment	5,924	2,165
Payments for acquisition of infrastructure, property, plant and equipment	(247,139)	(165,798)
Payments for acquisition of intangible assets	(11,108)	(18,709)
Net cash outflow from investing activities	(252,323)	(182,342)
Cash flows from financing activities		
Proceeds from borrowings	275,106	241,700
Repayment of borrowings	(113,200)	(178,200)
Proceeds of developer security deposits	80	310
Dividends paid 7	(24,300)	(31,700)
Capital repatriation 18	(8,600)	-
Net cash inflow from financing activities	129,086	32,110
Net increase in cash held	776	15
Cash at beginning of year	360	345
Cash at end of year 8, 29(b)	1,136	360

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, the requirements of the *Financial Management Act* 1994 and applicable Ministerial Directions.

The financial report of Yarra Valley Water Corporation (the Corporation) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 26 August 2016.

b. Basis of accounting preparation and measurement

The financial report has been prepared on an accruals and going concern basis and is prepared on a historical cost basis, except for infrastructure, property, plant and equipment, and the defined superannuation asset which have been measured at fair value. All amounts are presented in Australian dollars, unless otherwise stated, and have been rounded to the nearest thousand dollars or, in other cases, to the nearest dollar.

The following is a summary of the material accounting policies adopted by the Corporation in the preparation of the financial report. Accounting policies are 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.

The accounting policies have been consistently applied, unless otherwise stated.

c. Prior period adjustment

During the financial year, Yarra Valley Water reassessed its valuation of the infrastructure assets. The modifications provide more relevant information in light of the changes in the tax treatment of the assets, specifically, their tax depreciation rates as represented by the tax amortisation benefit included in the valuation model. In addition, management reassessed certain critical assumptions embedded in the valuation model and identified that these required adjustments reflect the business environment and expected operations going forward that were present at 30 June 2015. We identified that the existing terminal growth rate used in the previous valuation assessment was too low. These operating conditions and business environment were prevalent as at 30 June 2015 and do not reflect a change in estimate.

The restatement will decrease the depreciation expense as a result of the decrease in fair value.

Refer to note 12 for detailed disclosure on the valuation model adopted and the assumptions applied to determine the fair value of the infrastructure assets. The below table reflects the differences in two key assumptions which the valuation is highly sensitive to, highlighting a comparison between the valuation previously recognised and restate value.

These have been restated as a result of increased analysis of the facts and circumstances that existed as at 30 June 2015.

Assumption	2015 Valuation	Restated Valuation
Weighted average cost of capital (WACC)	6% - 6.25%	5.8% - 6.4%
Terminal value growth rate	2.5%	3.5%

The following table illustrates the impact on the balance sheet as at 30 June 2015. The valuation has not been restated as at 30 June 2014 as it is not practicable to do so. A restatement as at 30 June 2014 requires significant estimation of information and high level of difficulty in distinguishing objectively between circumstances that existed at such earlier date and those that have eventuated since then. As such, due to the inherent risk in value of an asset from over 2 years ago, management believe it is impractical to revalue the 30 June 2014 balance with an appropriate degree of precision.

Financial statement account	Restated amount (\$'000s)	Restatement increase (decrease) (\$'000s)	Amount disclosed in 2015 financial statements (\$'000s)
Infrastructure assets	3,525,600	(116,574)	3,642,174
Total assets	4,353,923	(116,574)	4,470,497
Net deferred tax liabilities	645,507	(34,966)	680,473
Total liabilities	2,834,751	(34,966)	2,869,717
Net assets	1,519,172	(81,608)	1,600,780
Asset revaluation reserve	653,981	(81,608)	735,589
Total equity	1,519,172	(81,608)	1,600,780

d. Critical accounting judgements and estimates

The Corporation evaluates estimates and judgements which are incorporated in the financial report based on historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Corporation. Actual results may differ from these estimates.

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

- asset residual values and useful lives
- asset impairment
- accrued revenue
- provisions
- deferred tax
- fair value of infrastructure, property, plant and equipment
- contingent assets and liabilities
- defined benefit superannuation fund.

e. Fair value measurement

The Corporation measures some of its assets and liabilities at fair value either on a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

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

Fair value measurement is based on the following assumptions:

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

Judgments about highest and best use must take into account the characteristics of the assets concerned, including restrictions on the use and disposal of any assets arising from their physical nature and any applicable legislative / contractual arrangements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, and based on the lowest level inputs that are significant to the fair value measurement as a whole:

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

f. Income tax

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

The current income tax expense is based on the profit for the year adjusted for any non-accessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the Balance Sheet date.

Deferred tax is accounted for using the Balance Sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

No deferred income tax will be recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in net profit in the Statement of Comprehensive Income, except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Corporation will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the Law.

g. Revenue recognition

Water and sewerage

Revenue is brought to account when services have been provided or when a usage or service charge has been made. The payment in advance by customers of accounts which at reporting date were unbilled is classified as unearned income.

Water usage charges and sewage disposal charges are recognised as revenue when the service has been provided. As meter reading is cyclical, an estimate is made at the end of the accounting period for water usage and sewage disposal by customers. The estimate is made by multiplying the number of days since the last reading by daily average water consumption for that period.

Developer contributed assets

Developers are required to provide water supply and sewerage facilities to new subdivisions which are subsequently gifted to, and maintained by, the Corporation. These assets are recognised as revenue at fair value upon the gaining of control of the asset and are recorded as 'developer contributed assets'.

New customer contributions

New customer contributions represent fees paid by developers so that they can connect new developments to the Corporation's existing water supply and sewerage systems. Generally, these are recognised as revenue when the contribution has been received; however, in respect of assets to service new urban growth, amounts are received in advance and recognised as unearned income initially, then recognised as revenue when the development lots are released for sale.

Other revenue

Other revenue includes fees for information statements, new meter installation services, water trading, billing and collection administration fees from both Melbourne Water and the Department of Environment, Land, Water and Planning and charges for the relocation of assets requested by third parties. Income from operating leases is recognised in net profit in the Statement of Comprehensive Income on a straight line basis over the lease term.

h. Leases

Payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. The Corporation does not have any finance leases.

i. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

j. Receivables and provision for impairment of receivables

Receivables consist of:

- Contractual receivables, such as debtors and accrued revenue in relation to goods and services; and
- Statutory receivables, such as amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credit 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.

All contractual receivables are recognised at the amounts receivable less any provision for impairment of receivables. Credit is generally allowed for a period of 16 days. The collectability of debt is assessed each accounting period for usage and other charges. A provision for impairment of receivables is raised where doubt as to its collection exists. Bad debts are written off when the individual debt is determined to be uncollectible, for reasons of hardship or for disconnected customers' accounts greater than 180 days.

k. Infrastructure, property, plant and equipment

Financial Reporting Direction 103F Non-Current Physical Assets requires non-current physical assets to be measured at fair value. Accordingly, the Corporation uses the revaluation model in accordance with AASB 116 Property, Plant and Equipment and measures fair value in accordance with AASB 13 Fair Value Measurement.

Infrastructure, land and building assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment losses, where applicable. Plant and equipment assets are measured at fair value less depreciation and impairment losses where applicable.

Due to the specialised nature of the Corporation's infrastructure assets, fair value is estimated using the income approach (based on discounted cash flows). Refer Note 12.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. Repairs and maintenance are charged to net profit in the Statement of Comprehensive Income during the financial year in which they are incurred.

The cost of fixed assets constructed within the Corporation includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads.

Revaluations

Revaluations are performed with sufficient regularity so that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in net profit in the Statement of Comprehensive Income, in which case the increase is credited to profit to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation is recognised in net profit in the Statement of Comprehensive Income to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

In measuring the fair values of non-financial assets, independent valuers are engaged for scheduled valuations in a five-year cycle. Infrastructure assets are measured to fair market value every year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets, but excluding freehold land and crown land, is depreciated on a straight line basis over their useful lives, commencing from the time the asset is held ready for use. The useful lives, which are consistent with the prior period, used for each class of depreciable assets are:

Class of fixed asset	Useful life
Buildings	5 to 100 years
Infrastructure	3 to 100 years
Plant and equipment	2 to 25 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date.

Following consultation with relevant internal subject matter experts there were no changes to asset category useful lives as at 30 June 2016.

Disposals

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in net profit in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the asset revaluation reserve relating to that asset are transferred to retained earnings.

l. Intangible assets

Intangible assets acquired separately

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

Internally generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from a development project is recognised only if all the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and impairment losses on the same basis as intangible assets that are acquired separately.

Amortisation

Intangible assets with finite useful lives are amortised on a straight line basis over the asset's useful life. Amortisation begins when the asset is available for use; that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. The useful life used for the software asset class is between three and ten years. Water entitlements are classified as an intangible asset with an indefinite useful life. Intangible assets with indefinite useful life. There has been no change to useful lives during 2015-16 or 2014-15.

m. Impairment of non-financial assets

Infrastructure, property, plant and equipment and intangible assets with finite useful lives are assessed annually for indications of impairment. Whenever there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Intangible assets that have an indefinite useful life and intangible assets not yet available for use are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Where an asset's carrying value exceeds its recoverable amount, an impairment loss is recognised in net profit in the Statement of Comprehensive Income for the excess amount, except to the extent that the write-down reverses an asset revaluation reserve amount applicable to that asset. The recoverable amount of assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. The recoverable amount of assets that are not primarily held to generate net cash flows is measured at the higher of depreciated replacement cost and fair value less costs to sell.

No material indicators of impairment were present at the time financial statements were authorised for issue.

n. 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. The Corporation considers an asset to be held for sale where 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. Assets classified as held for sale are required to be revalued immediately prior to the transfer with any increase in value recorded through other comprehensive income via the Asset revaluation reserve. This revalued amount becomes the carrying value of the asset. 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.

o. Payables and accruals

Creditors and accruals are recognised for future amounts to be paid in respect of goods and services received. The amounts are unsecured and are usually paid 30 days after invoice date.

Payables consist of:

- Contractual payables, 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 obligated 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 payables.

Contractual 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.

p. Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and the liability is capable of being reliably measured.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Short-term and long-term employee benefits

Liabilities recognised in respect of short-term (wholly settled within twelve months) employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Corporation in respect of services provided by employees up to the reporting date.

Long service leave that an employee is not currently entitled to is recognised as non-current until the employee reaches seven years of service, at which time the liability is classified as current.

Superannuation

Accumulation plans – Contributions to the accumulation plans are expensed as the contributions are paid or become payable.

Defined benefit superannuation plan – A liability or asset in respect of the defined benefit superannuation plan is recognised in the Balance Sheet and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date. The present value of the defined benefit obligation is based on expected future payments to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service.

Actuarial gains and losses are recognised immediately in retained earnings in the Balance Sheet in the year in which they occur.

Employee benefits on-costs

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

q. Unearned income

Unearned developer contributions' income is amounts received from developers for the reimbursement of costs that will be incurred by the Corporation for the construction of assets to service new urban growth. The amounts paid to the Corporation will be offset in future years by new customer contributions that will be payable when the development lots are released for sale.

Customers paid in advance represents payments received from customers in advance of the provision of goods or services or any legal or constructive obligation required to be performed by Yarra Valley Water to settle the terms of receipt of income.

r. Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

s. Borrowings and finance costs

Borrowings are recognised at fair value being the nominal value of funds drawn at balance date. Where the Corporation has both the intention and discretion to refinance loans maturing within 12 months from balance date under a Government approved financing facility, such loans are classified as non-current. Interest is payable semi-annually and is accrued over the period it becomes due. Accrued interest is recorded as part of accruals.

Finance costs are directly attributable to the acquisition, construction or production of qualifying assets measured at fair value and are therefore recognised as expenses in the Statement of Comprehensive Income in the period in which they are incurred.

t. Commitments

Commitments for future expenditure arising from contracts are disclosed at their nominal value and inclusive of goods and services tax.

u. 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 and, if quantifiable, are measured at nominal value. Contingent assets and contingent liabilities are presented inclusive of goods and services tax receivable or payable respectively. Refer Note 24. An obligation to pay a final dividend only arises after a formal determination is made by the Treasurer following consultation between the Board, the relevant portfolio Minister and the Treasurer.

w. Smart Water Fund

The Smart Water Fund was established by Melbourne's four water businesses and the State Government of Victoria for the purpose of providing grant funding to support the development of sustainable water use projects.

Contributions made to the Smart Water Fund are initially recognised as assets in the water businesses' Balance Sheets. Expenses are subsequently recognised by the water businesses when incurred by the Fund. Refer Note 10.

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

y. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of 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 the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST. The net amount of GST receivable from or payable to the ATO is included in the Balance Sheet as part of receivables or payables.

Cash flows are presented in the Cash Flow Statement on a gross basis except for the GST component of investing and financing activities which are disclosed as operating cash flows.

z. Financial instruments

Financial instruments are initially measured at cost on transaction date which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, these 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 and are stated at amortised cost using the effective interest rate method, less any impairment.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost comprising original debt less principal repayments and amortisation.

aa. Government grants

Government grants are recognised once reasonable assurance has been reached that the Corporation will comply with the conditions attaching to them and that the grants will be received. Government grants of a revenue nature are recognised as income over the periods necessary to match them with the related costs. Government grants related to assets are recognised in the Balance Sheet by deducting the grant in arriving at the carrying amount of the asset, thereby incurring a reduced depreciation charge.

2. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on Yarra Valley Water financial report
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 January 2018	The assessment has identified that the financial impact of available for sale assets will now be reported through other comprehensive income and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from <i>AASB 9</i> , we will continue to monitor and assess.
AASB 15 Revenue from Contracts with Customers	The core principle of <i>AASB</i> 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 January 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on services revenue and contract modifications.
			Our preliminary assessment is that we do not expect that the way we account for core revenue will change as a result of the new standard.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019	The assessment has indicated that most operating leases will be on the balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase.
			Depreciation of lease assets and interest on lease liabilities will be recognised in income statement with marginal impact on the operating surplus.
			The amounts of cash paid for 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.

There are no other standards that are not yet effective that are expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions. In addition to the new standards above, the Australian Accounting Standards Board has issued a list of amending standards that are not effective for the 2015-16 year. In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on the Corporation's financial report.

3. FINANCIAL INSTRUMENTS

a. Capital risk management

The Corporation controls its capital in order to maintain a satisfactory debt to equity ratio to provide the State Government of Victoria with adequate returns and to ensure that it can fund its operations as a going concern.

The capital structure of the Corporation consists of net debt (borrowings as detailed in table below and offset by cash and bank balances - see Note 8) and equity of the Corporation (comprising contributed equity, asset revaluation reserve and retained earnings detailed in Notes 18 to 20).

The only externally imposed capital requirements of the Corporation are that:

- financial accommodation does not exceed the approval limits set by the Treasurer of Victoria pursuant to the Borrowing and Investment Powers Act 1987; and
- the Corporation, with the exception of an operating account with overdraft facilities, is required to borrow exclusively with the Treasury Corporation of Victoria.

These external capital requirements are incorporated into the management of capital through the Board and Corporate Plan.

The Corporation effectively manages its capital by assessing its financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management of debt levels. There have been no changes to the strategy adopted by the Corporation to control its capital during the year. The gearing ratios for the years ended 30 June 2016 and 30 June 2015 were as follows:

	2016 \$'000	2015 \$'000
Borrowings - Current	230,806	230,700
Borrowings - Non-current	1,940,100	1,778,300
Total borrowings	2,170,906	2,009,000
Total assets	4,539,137	4,353,923
Gearing ratio	48%	46%

b. Financial risks

The main risks the Corporation is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk. The Board reviews and approves policies for managing these risks.

i Interest rate risk

Interest rate risk is the risk to earnings or capital arising from movements in interest rates. Yarra Valley Water is exposed to interest rate risk through its borrowing activities and changes in the market in comparison to the assumptions in the Essential Services Commission regulatory pricing determination in relation to the underlying cost of debt. Interest rate exposures are also recognised in terms of the change in the market value of the debt portfolio (and associated hedging instruments) which arise as a consequence of changes in market interest rates.

The Corporation effectively manages interest rate risk by maintaining the debt portfolio within the strategic targets and policy bands that have been approved by the Board. Strategic and tactical debt portfolio options are assessed in consultation with Treasury Corporation of Victoria (TCV), with borrowing decisions based on future borrowing requirements, treasury management policy compliance and TCV's market interest rate outlook.

3. FINANCIAL INSTRUMENTS

Interest rates sensitivity analysis

As at 30 June 2016, if interest rates had changed by +/-50 basis points from the year end rates with all other variables held constant, the post-tax profit impact for the year would have been \$1.2 million (2015: \$1.3 million) higher / lower as a result of higher / lower interest expense from variable interest rate borrowings.

ii Liquidity risk

Liquidity risk is the risk of not being able to meet the specific financial commitments including short-term working capital needs and the financing of new and maturing loans as they are required.

The Corporation manages liquidity risk by actively maintaining efficient banking practices, regular monitoring of forecast and actual cash flows and ensuring adequate borrowing facilities are maintained.

Annual approval is received from the Treasurer of Victoria for new borrowings, borrowings to refinance maturing and nonmaturing loans and temporary purpose borrowing facilities.

Financing arrangements

The Corporation had access to a total of \$72.8 million (2015: \$118.5 million) of unused approved borrowings by the Treasurer of Victoria as at 30 June 2016. The Corporation has a formal bank overdraft facility with the Australia and New Zealand Banking Group Limited.

Maturities of financial liabilities

The following table allocates the Corporation's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Interest rate details and maturities analysis on financial instruments: liabilities

	Weighted average effective interest rate %	Less than 12 months \$'000	1 to 3 years \$'000	3 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2016						
Refundable advances - non-interest bearing	-	1,105	-	-	-	1,105
Payables - non-interest bearing	-	90,190	-	-	-	90,190
Borrowings - fixed interest rate	4.95	123,200	285,500	211,400	1,243,200	1,863,300
Borrowings - floating interest rate	2.44	107,606	60,000	90,000	50,000	307,606
Total		322,101	345,500	301,400	1,293,200	2,262,201
2015						
Refundable advances - non-interest bearing	-	2,091	-	-	-	2,091
Payables - non-interest bearing	-	96,758	-	-	-	96,758
Borrowings - fixed interest rate	5.29	113,200	276,400	235,500	1,036,400	1,661,500
Borrowings - floating interest rate	2.42	117,500	70,000	60,000	100,000	347,500
Total		329,549	346,400	295,500	1,136,400	2,107,849

iii Credit risk

Credit risk is the risk that a counterparty or customer will fail to meet contractual obligations. For the Corporation credit risk arises mainly from customer outstanding receivables as it is legally obliged to service all customers in its district without regard to their credit quality. The Corporation has in place extensive debt collection strategies to minimise customer credit risk and recover outstanding receivables.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. Receivables that are neither past due nor impaired had an average rate of default to revenue in the three years 2013-14 to 2015-16 of 0.62 per cent. For the 2015-16 financial year, the Corporation had \$4.0 million (2015: \$4.1 million) of bad debts and revenue of \$968.2 million (2015: \$891.4 million), being a default rate of 0.41 per cent.

Ageing analysis and impairment detail of receivables

The credit risk attributable to the Corporation's deposits with the TCV and other financial institutions is considered to be very low due to the minor amounts involved and the contractual arrangements in place for its counter parties.

The maximum exposure to credit risk at the reporting date is the carrying amount of the items in the Balance Sheet. For receivables, the maximum exposure is the gross amount of receivables before allowing for doubtful debts.

The Corporation uses ageing analysis to measure receivables credit risk as follows:

61 to 90 91 to 180 Over 180

	Not aged	days \$'000	days \$'000	days \$'000	days \$'000	days \$'000	Total \$'000
2016							
Trade debtors							
Not past due and not impaired	-	32,743	-	-	-	-	32,743
Past due but not impaired	-	-	30,989	3,388	5,549	7,496	47,422
Impaired	-	(92)	(397)	(86)	(426)	(864)	(1,865)
Net trade debtors	-	32,651	30,592	3,302	5,123	6,632	78,300
Accrued revenue	88,600	-	-	-	-	-	88,600
Other receivables	17,503	-	-	-	-	-	17,503
Total receivables	106,103	32,651	30,592	3,302	5,123	6,632	184,403
2015							
Trade debtors							
Not past due and not impaired	-	31,877	-	-	-	-	31,877
Past due but not impaired	-	-	30,038	3,627	4,945	8,922	47,532
Impaired	-	(106)	(374)	(92)	(413)	(946)	(1,931)
Net trade debtors	_	31,771	29,664	3,535	4,532	7,976	77,478
Accrued revenue	80,096	-	-	-	-	-	80,096
Other receivables	9,024	-	-	-	-	-	9,024
Total receivables	89,120	31,771	29,664	3,535	4,532	7,976	166,598

1 to 16

17 to 60

The Corporation's policy on the provision for impairment of trade receivables is described in Note 1(j).

3. FINANCIAL INSTRUMENTS

c. Fair value

All financial assets and liabilities with the exception of leases are recognised in the Balance Sheet. Cash, cash equivalents and non-interest bearing financial assets and financial liabilities are carried at a cost which approximates the fair value. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of the interest bearing financial liabilities is determined by discounting the expected future cash flows at current interest rates.

The carrying amounts and fair values of interest-bearing financial liabilities at balance date are as follows:

	2016 Carrying amount \$'000	2016 Net fair value \$'000	2015 Carrying amount \$'000	2015 Net fair value \$'000
Interest-bearing financial liabilities				
Borrowings	2,170,906	2,468,297	2,009,000	2,212,106
Total	2,170,906	2,468,297	2,009,000	2,212,106

4. REVENUE

Note	2016 \$'000	2015 \$'000
Rendering of services		
Fixed service charges	365,772	351,696
Water usage charges	393,830	356,892
Sewage disposal charges	191,389	179,306
Trade waste charges	23,959	22,104
Government Water Rebate provided to customers *	(66,997)	(65,652)
Total rendering of services	907,953	844,346
Interest income	164	12
Other revenue		
New customer contributions by developers	35,287	25,986
Other products and services	22,125	17,613
Developer contributed assets	14,956	15,105
Rent	2,044	1,350
Impairment writeback 12(b)	290	-
Other	36,198	28,076
Total other revenue	110,900	88,130
Total revenue	1,019,017	932,488

* The Government Water Rebate is an initiative to identify productivity savings across the water sector to take pressure off customer bills. The \$100 rebate will be applied for a period of four years from 2014-15.

Introduction

5. EXPENSES

	Note	2016 \$'000	2015 \$'000
Bulk water and sewerage charges	21(b)	560,819	523,348
Government Water Rebate contribution received from Melbourne Water Corporation *		(29,817)	(49,070)
Depreciation	12(b)	76,780	74,442
Contract payments		55,035	51,229
Salary and employee benefits expense		43,456	41,630
Environmental contribution		29,880	29,880
Amortisation	11(b)	20,710	19,852
Billing and revenue collection costs		10,273	10,228
Impairment write down of assets to recoverable amount	12(b)	8,695	17
Write off / disposal of assets	12(b)	6,516	4,182
Bad and doubtful debts		4,516	4,091
Electricity		3,829	3,388
Government taxes, fees and contributions		3,095	2,581
Information technology costs		2,800	3,356
Consulting services		2,736	4,311
Superannuation defined benefit expense	13(c)	782	725
Transport costs		511	546
Rental expenses relating to operating leases		310	272
Smart Water Fund contributions		190	342
Other expenses		12,148	12,724
Total expenses		813,264	738,074
Net (gain) / loss on disposal of infrastructure, property, plant and equipment		296	(294)

* The Government Water Rebate is an initiative to identify productivity savings across the water sector to take pressure off customer bills. The \$100 rebate will be applied for a period of four years from 2014-15.

6. INCOME TAX

	2016 \$'000	2015 \$'000
a. The components of income tax expense comprise:		
Current income tax - current income tax charge	26,081	21,720
Deferred income tax - reversal of temporary difference	(1,510)	625
Adjustments for current tax of prior periods	671	(96)
Income tax expense reported in net profit	25,242	22,249
b. Deferred income tax recognised in other comprehensive income		
Defined benefit superannuation plan actuarial gain / (loss)	(617)	249
Gain / (loss) on revaluation of infrastructure assets	(21,392)	(15,496)
Gain on revaluation of land	11,133	-
Gain on revaluation of building	588	-
Total deferred income tax recognised in other comprehensive income	(10,288)	(15,247)
c. Reconciliation of income tax expense to prima facie tax payable		
Accounting profit before income tax expense	81,811	73,041
At the statutory income tax rate of 30% (2015: 30%)	24,543	21,912
Adjustments for current tax of prior periods	673	(96)
Non-deductible expenses	13	(138)
Non-deductible depreciation	13	14
Assessable income	-	557
Income tax expense reported in net profit	25,242	22,249
d. Income tax payable		
Current tax payable	10,150	4,912
e. Deferred tax assets / (liabilities)		
Non-current liabilities - deferred tax		
Accelerated depreciation for tax purposes	(366,129)	(365,221)
Revaluation of infrastructure to fair value	(258,889)	(280,286)
Revaluation of land to fair value	(46,385)	(36,684)
Revaluation of buildings to fair value	(588)	(61)
Defined benefit superannuation asset	(527)	(1,328)
Total non-current liabilities - deferred tax	(672,518)	(683,580)
Recognised directly in equity	(307,352)	(318,356)
Recognised in net profit	(365,166)	(365,224)
Total non-current liabilities - deferred tax	(672,518)	(683,580)
Deferred tax assets		
Provisions	6,455	6,008
Buildings future deductible amounts	1,898	969
Unearned Government grant income	381	1,665
Total deferred tax assets	8,734	8,642
Net deferred tax liabilities	(663,784)	(674,938)

7. DIVIDENDS PAID

	2016 \$'000	2015 \$'000
Dividends paid by the Corporation to the State Government of Victoria were:		
Unfranked interim dividend paid	-	12,500
Unfranked final dividend paid for prior year	24,300	19,200
Total dividends paid	24,300	31,700

The Corporation, under the National Tax Equivalent Regime, is not required to maintain a franking account.

8. CURRENT ASSETS - CASH

	2016 \$'000	2015 \$'000
Cash at bank Cash on hand	1,135 1	358 2
Total current assets - cash	1,136	360

9. CL	JRRENT	ASSETS	AND	NON	CURRENT	-	RECEIVABLES
-------	--------	--------	-----	-----	---------	---	-------------

	2016 \$'000	2015 \$'000
Contractual Receivables		
Trade receivables - debtors	80,165	79,409
Trade receivables - accrued revenue	88,600	80,096
Other receivables	3,766	3,876
Less: Provision for impairment of receivables	(1,865)	(1,931)
Statutory Receivables		
GST receivables	12,365	4,238
Total current assets - receivables	183,031	165,688
Non-current assets - receivables		
Trade receivables - debtors	1,888	910
Less: Provision for impairment of receivables	(516)	-
Total non-current assets - receivables	1,372	910
Movements in the provision for impairment of receivables		
Balance at beginning of the year	(1,931)	(1,998)
Reversal of provision and write offs recognised as an expense	4,516	4,091
Increase in provision	(4,966)	(4,024)
Total provision for impairment of receivables	(2,381)	(1,931)

Non-current trade receivables relate to property owner customers that have outstanding fees that will be recovered when their property is sold or when the customers' circumstances permit payment. Loans and receivables are measured at amortised cost using the effective interest rate method less any impairment.

Refer Note 3 Financial instruments for ageing analysis and assessment of risks associated with receivables.

10. CURRENT ASSETS - OTHER

	2016 \$'000	2015 \$'000
Water Efficiency Program for Schools - advance	963	1,927
Other Water Efficiency Programs - advance	131	141
Prepayments	3,355	2,866
Total current assets - other	4,449	4,934

The Water Efficiency Program for Schools - advance represents amounts advanced from the Department of Environment, Land, Water and Planning and from the Department of Education and Training for the audit and delivery of the works required to improve the water efficiency of schools. The amount is recognised as both an asset and a liability in the Balance Sheet.

The Other Water Efficiency Programs - advance includes amounts advanced from the Department of Environment, Land, Water and Planning with the objective to find a more sustainable way to service remote unsewered communities such as backlog areas.

Prepayments include \$112,375 (2015: \$51,964) which relate to amounts paid to the Smart Water Fund but not yet distributed. Yarra Valley Water's share of the Fund disbursements for the year is \$189,589 (2015: \$342,175) and is included in the Statement of Comprehensive Income.

11. (A) NON-CURRENT ASSETS - INTANGIBLE ASSETS

	2016 \$'000	2015 \$'000
Software		
Cost	176,142	164,602
Less accumulated amortisation	(93,417)	(74,573)
Works in progress	10,378	12,676
Total software	93,103	102,705
Water entitlements	96,917	96,917
Total intangible assets	190,020	199,622

11. (B) MOVEMENTS IN CARRYING AMOUNTS

	entitlements \$'000	Software \$'000	in progress \$'000	Total \$'000
2016				
Balance at 1 July 2015	96,917	90,029	12,676	199,622
Additions	-	-	11,108	11,108
Transfers	-	13,406	(13,406)	-
Disposals	-	-	-	-
Amortisation expense	-	(20,710)	-	(20,710)
Carrying amount at 30 June 2016	96,917	82,725	10,378	190,020
2015				
Balance at 1 July 2014	96,917	74,692	30,954	202,563
Additions	-	-	18,727	18,727
Transfers	-	35,910	(35,910)	-
Disposals	-	(721)	(1,095)	(1,816)
Amortisation expense	-	(19,852)	-	(19,852)
Carrying amount at 30 June 2015	96,917	90,029	12,676	199,622

Water

Intangible works

The amortisation expense has been included in the line item 'Amortisation'. Refer to Note 5.

Yarra Valley Water made a contribution of \$100 million towards the cost of the Goulburn-Murray Water Connections Project (Connections Project), formerly known as the Northern Victorian Irrigation Renewal Project. In exchange for this contribution, Yarra Valley Water is entitled to one-ninth share of the water savings generated by Stage 1 of the Connections Project (estimated to be 225 gigalitres of long-term water savings in total when complete in 2018) on an ongoing basis.

In exchange for access to the three Melbourne metropolitan water retailers' water entitlements from the Melbourne water supply system, four regional urban water businesses (Barwon Water, South Gippsland Water, Western Water and Westernport Water) made contributions of \$9.3 million to the retailers, with Yarra Valley Water's share being \$3.1 million. The investment has therefore been recognised at its net value (\$100 million less \$3.1 million).

Water entitlements are recognised at cost.

12. (A) NON-CURRENT ASSETS - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

	2016 \$'000	2015 \$'000
Infrastructure		
At fair value	3,515,800	3,525,600
Total infrastructure	3,515,800	3,525,600
Freehold land		
At fair value	346,209	276,636
Total freehold land	346,209	276,636
Crown land		
At fair value	218	408
Total crown land	218	408
Buildings		
At fair value	34,866	38,994
Less accumulated depreciation	-	(2,490)
Total buildings	34,866	36,504
Capital works in progress at cost	236,896	106,452
Plant and equipment		
At fair value	45,248	56,179
Less accumulated depreciation	(21,863)	(23,796)
Total plant and equipment	23,385	32,383
Total infrastructure, property, plant and equipment	4,157,374	3,977,983

12. (B) NON-CURRENT ASSETS - INFRASTRUCTURE, PROPERTY,	
PLANT AND EQUIPMENT - MOVEMENTS IN CARRYING AMOUNTS	

	Capital works in progress \$'000	Land \$'000	Crown land \$'000	Land held for sale \$'000	Buildings \$'000	Plant and equipment \$'000	Infrastructure \$'000	Total \$'000
2016								
Balance at 1 July 2015	106,451	276,636	408	-	36,504	32,384	3,525,600	3,977,983
Additions	266,181	-	-	-	-	-	-	266,181
Transfers	(135,441)	-	-	-	934	4,185	130,322	-
Disposal / write off	(295)	-	-	-	-	(5,939)	(282)	(6,516)
Depreciation expense	-	-	-	-	(1,000)	(7,245)	(68,535)	(76,780)
Revaluation increase / (decrease) recognised in equity	-	74,445	(190)	-	1,961	-	(71,305)	4,911
Impairment writeback	-	290	-	-	-	-	-	290
Impairment writedown	-	(5,162)	-	-	(3,533)	-	-	(8,695)
Carrying amount at 30 June 2016	236,896	346,209	218	-	34,866	23,385	3,515,800	4,157,374
2015								
Balance at 1 July 2014	123,744	277,128	408	-	33,464	36,146	3,464,273	3,935,163
Additions	171,184	-	-	-	-	-	-	171,184
Transfers	(188,477)	-	-	-	3,975	5,481	179,021	-
Disposal / write off	-	-	-	(610)	-	(1,390)	(366)	(2,366)
Depreciation expense	-	-	-	-	(935)	(7,853)	(65,654)	(74,442)
Revaluation increase / (decrease) recognised in equity	-	135	-	-	-	-	(51,674)	(51,539)
Transfer to land held for sale	-	(627)	-	627	-	-	-	-
Impairment writedown	-	-	-	(17)	-	-	-	(17)
Carrying amount at 30 June 2015	106,451	276,636	408	-	36,504	32,384	3,525,600	3,977,983

Infrastructure

The 30 June 2016 valuation of infrastructure assets has been independently provided by KPMG, using a discounted cash flow methodology. This involved discounting the forecast stream of cash flows to both debt and equity investors at a weighted average cost of capital (WACC), which represents an estimate of a hypothetical market participant's discount rate. In this regard, KPMG have:

- Calculated forecast cash flows to debt and equity investors over the 10 year forecast period. Cash flows to debt and equity investors are those cash flows available after all operating expenses (including taxes) have been paid and necessary investments in working and fixed capital have been made;
- Calculated a terminal value at the end of the forecast period adopting the Gordon Growth methodology by applying the mid-point of the WACC, terminal growth rate and terminal cash flows. A single terminal value has been adopted due to the sensitive nature of the terminal value in the model;
- Discounted the cash flows to the valuation date using the selected high and low WACC estimates;
- Deducted non-infrastructure related assets and liabilities to derive the implied water infrastructure asset valuation;

12. (B) NON-CURRENT ASSETS - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT - MOVEMENTS IN CARRYING AMOUNTS

- Calculated the tax amortisation benefit (TAB) on the water infrastructure assets, being an estimate of the present value of future tax amortisation benefits that may be received. In addition it was deemed reasonable to judgementally overlay a delay of five years to reflect the likely timing of secondary infrastructure assets sales, the impact being to reduce the calculated TAB by approximately 25 percent; and
- Added the TAB to the implied water infrastructure assets valuation (pre-TAB) to arrive at the total value of water infrastructure assets.

In order to assess the reasonableness of the valuation, the following cross-check approaches were used:

- Calculate the implied earnings and regulatory asset base (RAB) multiples of the valuation; and
- Compare the implied multiples with those of comparable companies and transactions.

If infrastructure assets were measured at historical cost, the carrying amount would be \$2.75 billion(2015: \$2.67 billion)

Land – specialised / non-specialised

The 30 June 2016 valuation of freehold land was independently determined by the Victorian Valuer-General's Office using fair market value as at 30 June 2016. In undertaking the valuation of land, the Victorian Valuer-General's Office adopted the market based direct comparison approach, whereby the properties were valued by analysing land sales in comparable proximity to the subject sites and allowing for shape, size, topography, location and other relevant factors specific to the land being valued. Where applicable specalised land is adjusted for the community service obligation to reflect the specialised nature of the land being valued.

If land was measured at historical cost, the carrying amount would be \$53.6 million (2015: \$53.6 million).

Land held for sale

In 2015 a parcel of excess land (the asset) was reclassified as held for sale after approval was granted for the sale. The asset was subsequently listed for sale with an agent on 23 January 2015. The carrying amount of the asset prior to revaluation was \$492,150. At the time the asset was reclassified as held for sale, a valuation was provided by the Victorian Valuer-General's Office in September 2014, valuing the property at \$627,273 (excluding GST). The increase in the asset of \$135,123 was recognised through the Asset revaluation reserve. The asset was subsequently sold on 15 April 2015 for \$690,000 (including GST), incurring selling costs of \$17,226. The asset was settled on 15 June 2015. At the time of the sale the fair value less costs to sell was valued at \$610,047 (excluding GST). The selling costs are recognised as impairments and recorded through the profit and loss. The increase in the asset value was transferred out of the Asset revaluation reserve to Retained earnings at 30 June 2015.

Buildings

The 30 June 2016 valuation of buildings was independently determined by the Victorian Valuer-General's Office using fair market value based on highest and best use at 30 June 2016 for buildings.

If buildings were measured at historical cost, the carrying amount would be \$39.9 million (2015: \$45.3 million).

Plant and equipment

Plant and equipment is held at carrying value (depreciated cost) which approximates fair value. Unless there is market evidence that current replacement costs are significantly different from the original acquisition cost, it is considered unlikely that depreciated replacement cost will be materially different from the existing carrying value. As at 30 June 2016 no material movements have occured.

Crown land

The 30 June 2016 valuation of Crown land was independently determined by the Victorian Valuer-General's Office using fair market value as at 30 June 2016. In undertaking the valuation of Crown land, the Victorian Valuer-General's Office adopted the market based direct comparison method whereby the properties were valued by analysing land sales in comparable proximity to the subject sites and allowing for shape, size, topography, location and other relevant factors specific to the land being valued. From the sales analysed an appropriate rate per square metre was applied. Where applicable, Crown land is adjusted for the community service obligation to reflect the specialised nature of the land being valued. As at 30 June 2016 Crown land was revalued at \$218,000 (2015: \$408,000).

12. (C) FAIR VALUE MEASUREMENT – INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

The Corporation's land, buildings, plant and equipment and infrastructure are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. This Note explains the judgements and estimates made in determining the fair values of non-financial assets. In accordance with AASB 13 Fair Value Measurement, the Corporation's non-financial assets have been categorised into the three levels of the fair value hierarchy depending on the degree to which inputs into the fair value measurements are observable, and the significance of the inputs to the fair value measurement.

	Level 1 (i) \$'000	Level 2 (ii) \$'000	Level 3 (iii) \$'000	Fair Value as at 30 June \$'000
Infrastructure	-	_	3,515,800	3,515,800
Land (Specialised)	-	-	195,975	195,975
Land (Non-specialised)	-	150,234	-	150,234
Buildings (Market approach)	-	2,363	-	2,363
Buildings (Depreciated replacement cost)	-	-	32,503	32,503
Plant and equipment	-	-	23,385	23,385
Crown land (Specialised)	-	-	218	218
Total 30 June 2016	-	152,597	3,767,881	3,920,478
Infrastructure	-	-	3,525,600	3,525,600
Land (Specialised)	-	-	109,794	109,794
Land (Non-specialised)	-	166,843	-	166,843
Buildings (Market approach)	-	36,504	-	36,504
Plant and equipment	-	-	32,384	32,384
Crown land (Specialised)	-	-	408	408
Total 30 June 2015	-	203,347	3,668,186	3,871,533

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

(iii) Input not based on observable market data.

12. (C) FAIR VALUE MEASUREMENT – INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

The following table presents a reconciliation of changes in Level 3 items for the period ending 30 June 2016:

	Plant and equipment \$'000	Crown Land \$'000	Land (Specialised) \$'000	Buildings \$'000	Infrastructure \$'000	Total \$'000
Opening Balance 1 July 2015	32,384	408	109,793	-	3,525,600	3,668,185
Acquisitions	4,185	-	-	-	130,322	134,507
Disposals / write off	(5,939)	-	-	-	(282)	(6,221)
Depreciation	(7,245)	-	-	-	(68,535)	(75,780)
Transfer in/(out) of level 3 - net	-	-	56,515	32,503	-	98,877
Revaluation gains / (loss) recognised in other comprehensive income	-	(190)	29,667	-	(71,305)	(51,687)
Closing Balance 30 June 2016	23,385	218	195,975	32,503	3,515,800	3,767,881
Opening Balance 1 July 2014	36,146	408	109,793	-	3,464,273	3,610,620
Acquisitions	5,481	-	-	-	179,021	184,502
Disposals / write off	(1,390)	-	-	-	(366)	(1,756)
Depreciation	(7,853)	-	-	-	(65,654)	(73,507)
Revaluation loss recognised in other comprehensive income	-	-	-	-	(51,674)	(51,674)
Closing Balance 30 June 2015	32,384	408	109,793	-	3,525,600	3,668,185

The following table summarises the valuation techniques used and significant unobservable inputs of recurring Level 3 fair value measurements. There have been no changes in valuation technique.

	Valuation technique	Significant unobservable inputs	Range (average)	Sensitivity of the input to fair value
Land	Market	Community	7% to 60% (21%)	A significant increase or decrease in the
(Specialised and Crown)	approach	service obligation (CSO) adjustment	\$1000 to \$17,568,000 (\$300,895)	CSO adjustment would result in a higher or lower land valuation.
Infrastructure	Income approach using a discounted cash flow	Weighted average cost of capital (WACC)	5.6% to 6.2%	If the WACC had changed by +/25% from the year end valuation, the impact to the valuation would have been a decrease of \$542.7 million and increase by \$677.8 million.
	model	Inflation	2.5%	A significant increase or decrease in inflation rates would result in a higher or lower valuation.
		Terminal value growth rate	3.5%	If the terminal growth rate had changed by +/25% from the year end valuation, the impact to the valuation would have been a decrease of \$441.1 million and increase by \$543.8 million.
Plant and equipment	Depreciated cost (deemed fair value)	Original life	2 to 25 years (4.8)	A significant increase or decrease in useful life impacts the fair value of plant and equipment.
		Cost per unit	\$100 to \$1,409,766 (\$11,124)	A significant increase or decrease in cost per unit impacts the fair value of plant and equipment.
Buildings	Depreciated Replacement Cost Approach	Cost per square metre	\$100 to \$4,200 (\$2,165)	A significant increase or decrease in cost per square metre impacts the fair value of the buildings.
		Useful life (remaining)	8 to 36 years (19)	A significant increase or decrease in useful life impacts the fair value of buildings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

13. DEFINED BENEFIT SUPERANNUATION ASSET

a. Superannuation plan information

For employees who are members of the Equipsuper Superannuation Fund defined benefits plan, an agreed percentage of salaries is contributed to the fund by the Corporation as recommended by an actuary.

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

The Superannuation Industry (Supervision) Act 1993 (SIS) governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the Plan pays defined benefit pensions.

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

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

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

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

b. Description of risks

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

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

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

	2016 \$'000	2015 \$'000
c. Reconciliation of the net defined benefit asset		
Net defined benefit asset at start of year	4,426	4,104
Current service cost	(889)	(856)
Net interest	107	131
Actual return on plan assets less interest income	(480)	2,223
Actuarial losses arising from changes in financial assumptions	(1,933)	(2,335)
Actuarial gains arising from liability experience	188	728
Employer contributions	336	431
Defined benefit superannuation asset	1,755	4,426

Superannuation defined benefit expense (Note 5) is represented by the sum of Net interest (\$889,000) and Past service cost \$107,000.

d. Reconciliation of the fair value of plan assets		
Fair value of plan assets at beginning of the year	32,355	31,471
Interest income	884	1,133
Actual return on plan assets less interest income	(480)	2,223
Employer contributions	336	431
Contributions by plan participants	227	249
Benefits paid	-	(2,919)
Taxes and premiums paid	(175)	(233)
Fair value of plan assets at year end	33,147	32,355

e. Reconciliation of the defined benefit obligation		
Present value of defined benefit obligations at beginning of the year	27,929	27,367
Current service cost	889	856
Interest cost	777	1,002
Contributions by plan participants	227	249
Actuarial losses arising from changes in financial assumptions	1,933	2,335
Actuarial gains arising from liability experience	(188)	(728)
Benefits paid	-	(2,919)
Taxes and premiums paid	(175)	(233)
Superannuation liability	31,392	27,929

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

13. DEFINED BENEFIT SUPERANNUATION ASSET

f. Fair value plan assets as at 30 June 2016

Asset category	Total \$'000	Quoted prices in active markets for identical assets - Level 1 \$'000	Significant observable inputs - Level 2 \$'000	Unobservable inputs - Level 3 \$'000
Investment funds	33,147	-	33,147	-
Total	33,147	-	33,147	-

	2016 %	2015 %
g. Plan assets		
Australian equity	31	29
International equity	22	25
Fixed income	13	11
Defensive alternatives	9	9
Property	9	9
Growth alternatives	11	9
Cash	5	8
Total	100	100

h. Fair value of Corporation's own financial instruments

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

• any of the Corporation's own financial instruments

• any property occupied by, or other assets used by, the Corporation.

	2016 %	2015 %
i. Actuarial assumptions to determine defined benefit cost		
Discount rate	2.80	3.70
Expected salary increase rate	4.60	4.60
j. Actuarial assumptions to determine defined benefit obligation		
Discount rate	2.10	2.80
Expected salary increase rate	4.60	4.60

k. Sensitivity analysis

The defined benefit obligation as at 30 June 2016 under several scenarios is presented below.

Scenario A:	0.5% per annum lower discount rate assumption
Scenario B:	0.5% per annum higher discount rate assumption
Scenario C:	0.5% per annum lower salary increase rate assumption
o 1 D	

Scenario D: 0.5% per annum higher salary increase rate assumption

	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
Discount rate - Per annum	2.10%	1.60%	2.60%	2.10%	2.10%
Salary increase rate - Per annum	4.60%	4.60%	4.60%	4.10%	5.10%
Defined benefit obligation (\$'000)	31,392	32,875	29,996	30,009	32,846

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

I. Funding arrangements

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

The Funding Ratio is the ratio of assets to accrued liabilities, being the greater of vested benefits and the present value of past membership benefits. Where the Funding Ratio is greater than 100%, the financing objective is to achieve a Funding Ratio of 105% over five years. Where the Funding Ratio is less than 100%, the primary financing objective is to achieve 100% over three years and 105% over five years.

In the most recent review of the financial position as at 31 December 2015, the actuary recommended a Corporation contribution rate of nil. The Corporation continues to contribute salary sacrifice contributions and at the required rates for accumulation members. The next review of the financial position and Corporation contribution rate is due at 30 June 2016.

m. Expected contributions

Expected employer contributions for the financial year ending 30 June 2017 is expected to be nil.

n. Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 30 June 2016 is eight years.

	\$'000
30 June 2017	1,686
30 June 2018	1,874
30 June 2019	2,074
30 June 2020	2,208
30 June 2021	2,400
Following 5 years	13,763

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

14. CURRENT LIABILITIES - PAYABLES

	2016 \$'000	2015 \$'000
Contractual payables		
Trade payables	8,279	19,304
Accruals	78,028	73,644
Security deposits	3,864	3,784
Statutory payables		
Fringe benefits tax payable	19	26
Total current liabilities - payables	90,190	96,758

Refer Note 3 financial instruments for interest rate details and maturities analysis on financial instruments: liabilities.

15. CURRENT LIABILITIES - PROVISIONS

	2016	2015
	\$'000	\$'000
Employee benefits - annual leave	4,648	4,712
Employee benefits - long service leave	11,279	10,326
Other provisions	1,079	1,032
Total current liabilities - provisions	17,006	16,070

Employee benefits expected to be wholly settled within 12 months: \$1,550,597 (2015:\$1,545,750).

16. CURRENT AND NON-CURRENT LIABILITIES - UNEARNED INCOME

	2016 \$'000	2015 \$'000
Grant income - current	1,105	2,091
Customers paid in advance	19,160	19,878
Other	926	1,153
Total current liabilities - unearned income	21,191	23,122
Developer contributions - non-current	7,986	7,953
Total current and non-current liabilities - unearned income	29,177	31,075

17. NON-CURRENT LIABILITIES - PROVISIONS

	2016 \$'000	2015 \$'000
Employee benefits - long service leave	2,109	1,998
Total non-current liabilities - provisions	2,109	1,998
Movements in provisions (current and non-current)		
Employee benefits		
Carrying amount at beginning	17,037	16,935
Additional provision	6,011	5,806
Amounts utilised during year	(5,011)	(5,704)
Carrying amount at year end	18,037	17,037
Other provisions		
Carrying amount at beginning	1,032	2,057
Additional provision	140	157
Amounts utilised during year	(92)	(1,182)
Carrying amount at year end	1,080	1,032

18. CONTRIBUTED EQUITY

	2016 \$'000	2015 \$'000
Contributed equity	477,297	477,297
Less capital repatriation	(8,600)	-
Total contributed equity	468,697	477,297

Additions to net assets which have been designated as contributions by owners are recognised as contributed equity. Other transfers that are in the nature of contributions or distributions (Capital repatriation) have been recognised in contributed equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

19. ASSET REVALUATION RESERVE

				2016 \$'000	2015 \$'000
Asset revaluation reserve				856,947	842,365
Total asset revaluation				856,947	842,365
Movements in asset revaluation reserve 2016	Infrastructure \$'000	Crown land \$'000	Lan \$'00		
Balance at 1 July 2015	653,981	408	187,78	8 18	8 842,365
Revaluation, net of tax effect	(49,913)	(190)	63,31	2 1,37	3 14,582
Balance at 30 June 2016	604,068	218	251,10	0 1,56	1 856,947
2015					
Balance at 1 July 2014	690,159	408	188,25	6 18	88 879,011
Revaluation, net of tax effect	(36,178)	-	13	5	- (36,043)
Transfer to retained earnings on disposal of land held for sale	-	-	(603	3)	- (603)
Balance at 30 June 2015	653,981	408	187,78	8 18	88 842,365

The Asset revaluation reserve is used to record changes in the carrying amount of fixed assets arising on revaluation. Any revaluation increment is credited to the asset revaluation reserve. A decrement would be debited to the surplus to the extent of the balance of prior increments. Any further decrements would be taken to the Statement of Comprehensive Income.

20. RETAINED EARNINGS

	2016 \$'000	2015 \$'000
Opening balance	199,510	179,448
Net profit	56,569	50,792
Defined benefit superannuation plan gain / (loss)	(2,225)	616
Transfer from Asset revaluation reserve on disposal of land held for sale	-	603
Net deferred tax assets recognised through retained earnings	617	(249)
Dividend paid	(24,300)	(31,700)
Closing balance	230,171	199,510

21. RELATED PARTY DISCLOSURES

a. Parent entity

The Corporation is owned by the State Government of Victoria.

b. Relationship with the State Government of Victoria related parties

i. Minister for Environment, Climate Change and Water

The Corporation, under a normal commercial agency arrangement, bills and collects rates on behalf of the Minister for Water relating to Parks Victoria services. The Corporation charges the Department of Environment, Land, Water and Planning for the services it provides in billing and collecting rates and on charges costs incurred regarding supplementary council valuations.

	2016 \$'000	2015 \$'000
Amounts recognised as revenue in the Statement of Comprehensive Income		
Administration fees for billing and collecting rates and reimbursement of costs of supplementary council valuations	2,661	2,594
Cash amounts paid during the year		
Parks Victoria levy billed to customers	58,499	55,701

ii. Melbourne Water Corporation

The Corporation transacts solely with the Melbourne Water Corporation for the purchase of potable water and disposal of sewage. The Corporation, under a normal commercial agency arrangement, bills and collects drainage rates and charges on behalf of the Melbourne Water Corporation. The Corporation charges the Melbourne Water Corporation for the services it provides in billing and collecting drainage fees on behalf of the Melbourne Water Corporation and on charges costs incurred regarding supplementary council valuations.

Amounts recognised as an expense in the Statement of Comprehensive Income		
Bulk water and sewerage wholesaler charges expense (Note 5)	560,819	523,348
Government Water Rebate provided to customers	(29,817)	(49,070)
Amounts recognised as revenue in the Statement of Comprehensive Income		
Administration fees for billing and collecting drainage rates and reimbursement of the costs of supplementary council valuations	4,399	4,480
Cash amounts paid during the year		
Drainage billed to customers	84,795	82,236

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

21. RELATED PARTY DISCLOSURES

iii. Department of Environment, Land, Water and Planning

The Corporation is required to make payments to the Department of Environment, Land, Water and Planning.

	2016 \$'000	2015 \$'000
Amounts recognised as an expense in the Statement of Comprehensive Income		
Environmental contribution	29,880	29,880

iv. Treasury Corporation of Victoria

The Corporation borrows from and invests with the Treasury Corporation of Victoria. The aggregate amount of borrowings payable at reporting date and the amounts of interest expense included in the determination of profit before income tax is:

Aggregate amount of borrowings	2,170,906	2,009,000
Interest expense	98,082	97,318

v. Department of Treasury and Finance

The Corporation pays amounts to the State Government of Victoria, via the Department of Treasury and Finance. Amounts were paid as follows:

Dividend paid	24,300	31,700
Capital repatriation	8,600	-
Financial accommodation levy	25,743	23,810

vi. Department of Health and Human Services

Customers of the Corporation who hold either a Pension Concession Card, a Gold Repatriation Health Care Card for All Conditions or a Health Care Card are entitled to pay a concessionary amount instead of the full balance outstanding on their accounts. When a customer pays this lesser amount, the difference is billed to and paid by the Department of Health and Human Services.

Concession amounts billed during the year	48,184	46,749

vii. State Revenue Office

In addition to Payroll Tax and Land Tax, which are payable on normal commercial terms and conditions, customers of the Corporation who are not for profit entities are entitled to pay a concessionary amount instead of the full balance outstanding on their accounts. When a customer pays this lesser amount, the difference is billed to and paid by the State Revenue Office.

Concession amounts billed during the year	1,300	1,280
---	-------	-------

viii. Lower Murray Water

Yarra Valley Water has entered into an agreement with Lower Murray Water whereby Yarra Valley Water are to provide consulting services to assist in developing and implementing a strategic human resources strategy.

Consulting Services 45	-
------------------------	---

ix. Other State Government of Victoria related parties

Water and sewerage services were provided to wholly owned State Government of Victoria entities for properties within Yarra Valley Water's district under normal commercial terms and conditions.

All other transactions with State Government of Victoria related party entities were made on normal commercial terms and conditions.

22. RESPONSIBLE PERSONS, EXECUTIVE OFFICERS AND OTHER PERSONNEL

a. Responsible Persons

The relevant Minister and Directors of Yarra Valley Water are deemed to be responsible persons by Ministerial Direction pursuant to the provisions of the *Financial Management Act 1994*.

The relevant Minister of Yarra Valley Water during the reporting period, from 1 July 2015 to 30 June 2016 was:

- 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 23 May 2016 to 30 June 2016.

The Directors of Yarra Valley Water at any time during the financial year ended 30 June 2016 were:

Sue Therese O'Connor – Chair Robert Clive Skinner – Deputy Chair Patrick John McCafferty – Managing Director Gregory Joseph Camm Susan Elizabeth Friend	Appointed 1 October 2015 Appointed 1 October 2015
Victor John Perton	Appointed 1 October 2015
Anita Michelle Roper	Appointed 1 October 2015
Eric Sjerp	Appointed 1 October 2015
Helen Lynette Thornton	Appointed 1 October 2015
Peter Snowden Wilson	1 July 2015 to 30 September 2015
Dean Matthew Comrie	1 July 2015 to 30 September 2015
Stephen James McArthur	1 July 2015 to 30 September 2015
David Anthony Middleton	1 July 2015 to 30 September 2015
Therese Anne Ryan	1 July 2015 to 30 September 2015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

22. RESPONSIBLE PERSONS, EXECUTIVE OFFICERS AND OTHER PERSONNEL

Remuneration of Responsible Persons

The remuneration paid to the Minister for Water and the former Minister for Environment Climate Change and Water 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.

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

	2016 No.	2015 No.
\$10,000 - \$19,999	4	-
\$20,000 - \$29,999	1	-
\$30,000 - \$39,999	4	-
\$40,000 - \$49,999	3	6
\$50,000 - \$59,999	-	-
\$70,000 - \$79,999	1	-
\$90,000 - \$99,999	-	1
\$360,000 - \$369,999	-	1
\$390,000 - \$399,999	1	-
\$680,000 - \$689,999*	-	1*
Total numbers	14	9
Total amount (\$'000)	824	1,437

*The disclosure relates to the retirement of a long serving responsible person in September 2014. Upon termination, long service leave and annual leave payments were made and have been disclosed in the total amount.

b. Transactions with director related entities

Water and sewerage services were provided to Directors or director related entities for properties within Yarra Valley Water's district under normal commercial terms and conditions.

Mr McCafferty is the Deputy Chair of the Water Services Association of Australia. Water Services Association of Australia has provided services to the Corporation for which an amount of \$345,664 (2015: \$325,657) in fees was paid or payable on normal commercial terms and conditions. No amounts remained payable at 30 June 2016 (2015: \$29,729).

Mr McCafferty is an Executive Council Member of the Institute of Water Administration. Institute of Water Administration has provided services to the Corporation for which an amount of \$10,702 (2015: \$5,587) in fees was paid or payable on normal commercial terms and conditions. The amount of \$150 remained payable at 30 June 2016. (2015: \$135).

Ms O'Connor is a Director of Mercer Superannuation. Mercer Superannuation provides superannuation services to the Corporation's employees for which an amount of \$22,032 in employee superannuation contributions was paid or payable on normal commercial terms and conditions. No amounts remained payable at 30 June 2016.

Mr Skinner is Chair of WaterAid Australia. WaterAid Australia has provided services to the Corporation for which an amount of \$46,484 in fees was paid or payable on normal commercial terms and conditions. No amounts remained payable at 30 June 2016.

Mr Middleton is Executive Director, Water Markets for CH2M Hill Australia Pty Ltd. CH2M Hill Australia Pty Ltd has provided services to the Corporation for which an amount of \$24,860 (2015: Nil) in fees was paid or payable on normal commercial terms and conditions. The amount of \$2,360 remained payable at 30 June 2016. (2015: Nil). Mr Wilson is a Director of Vision Super Pty Ltd. Vision Super Pty Ltd provides superannuation services to the Corporation's employees for which an amount of \$367,503 (2015: \$334,902) in employee superannuation contributions was paid or payable on normal commercial terms and conditions. No amounts remained payable at 30 June 2016 (2015: Nil).

Mr Comrie is a Project Director with AusNet Services. AusNet Services has provided services to the Corporation for which an amount of \$105,946 (2015: \$1,100) in fees was paid or payable on normal commercial terms and conditions. No amounts remained payable at 30 June 2016 (2015: Nil). Select Solutions, a division of AusNet Services, has provided services to the Corporation for which an amount of \$19,751,546 (2015: 20,512,487) in fees was paid or payable on normal commercial terms and conditions. The amount of \$1,703,463 remained payable at 30 June 2016. (2015: \$1,767,607).

There were no other transactions with director related entities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

22. RESPONSIBLE PERSONS, EXECUTIVE OFFICERS AND OTHER PERSONNEL

c. Remuneration of Executive Officers

The number of Executive Officers, excluding the Responsible Persons, whose total annualised remuneration from the Corporation was within the specified bands were as follows:

	Total remuneration		Bas	e remuneration
	2016 No.	2015 No.	2016 No.	2015 No.
\$200,000 - \$209,999	-	-	-	1
\$220,000 - \$229,999	-	1	1	2
\$230,000 - \$239,999	-	-	3	3
\$240,000 - \$249,999	-	-	3	1
\$250,000 - \$259,999	-	-	-	-
\$260,000 - \$269,999	1	2	-	-
\$270,000 - \$279,999	3	3	-	-
\$280,000 - \$289,999	2	1	-	-
\$300,000 - \$309,999	1	-	-	-
Total numbers	7	7	7	7
Total annualised employee equivalent (AEE)	7	7	7	7
Total amount (\$'000)	1,946	1,859	1,662	1,616

Total remuneration is inclusive of base remuneration, bonus payments, redundancy payments, retirement benefits and payments of annual leave and long service leave upon termination.

Annualised employee equivalent (AEE) is based on working 38 hours per week over the reporting period.

d. Key management personnel compensation

	2016	2015
Short-term employee benefits	2,553	2,505
Post-employment benefits	218	791
Other employment benefits*	50	49
Total amount (\$'000)	2,821	3,345
Total numbers	21	16

Key management personnel includes Responsible Persons and Executive Officers. Where applicable, the table above includes performance bonuses paid during the year, based on performance in the previous year.

*Other employment benefits represents long service leave.

e. Other personnel (contractors with significant management responsibilities)

During the year, Yarra Valley Water had no other personnel, by way of contractors, charged with significant management responsibilities.

23. REMUNERATION OF AUDITOR

	2016 \$'000	2015 \$'000
Amount received, or due and receivable, by the Victorian Auditor-General's Office for auditing the financial statements of the Corporation	136	132

24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a. Contingent liabilities

The Corporation is unaware of any material contingent liability. Claims to which the Corporation is aware and which may result in a liability being incurred have been provided for as other provisions. Refer Notes 15 and 17.

b. Contingent assets

The Corporation enters into agreements with land developers whereby assets are transferred to the Corporation at no cost. These assets are brought to account as revenue and capitalised. At the reporting date, land developers had commenced construction of assets that are transferred to the Corporation after the maintenance period contingent upon the release of Statements of Compliance by the Corporation.

25. COMMITMENTS

a. Capital commitments

Total capital expenditure contracted for at balance date but not provided for in the financial statements

	2016 \$'000	2015 \$'000
Payable:		
Not later than one year	102,196	154,463
Later than one year but not later than five years	21,450	33,688
Greater than five years	-	-
Total (GST inclusive)	123,646	188,151

The Corporation's capital commitments include growth works and mains renewals for both water and sewer.

b. Lease commitments

Non-cancellable operating leases contracted for at balance date but not provided for in the financial statements

Total (GST inclusive)	273	514
Later than five years	4	2
Later than one year but not later than five years	81	258
Not later than one year	188	254
Payable:		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

25. COMMITMENTS

b. Lease commitments

Non-cancellable operating leases contracted for at balance date but not provided for in the financial statements

	2016 \$'000	2015 \$'000
Non-cancellable operating lease receivable:		
Not later than one year	832	535
Later than one year and not later than five years	1,005	892
Later than five years	1,478	1,722
Total (GST inclusive)	3,315	3,149

There are no commitments in relation to finance leases as the Corporation does not have any finance leases.

c. Other commitments

Other expenditure commitments at balance date not provided for in the financial statements:

Payable:		
Not later than one year	34,933	29,880
Later than one year but not later than five years	116,070	-
Total (GST inclusive)	151,003	29,880

Other commitments are represented mainly by environmental commitments. The Corporation has a commitment to pay an environmental contribution to the Department of Environment, Land, Water and Planning of \$29.9 million per annum until 30 June 2018. The Corporation will pay \$42.86 million each year after until 30 June 2020.

26. EX-GRATIA EXPENSES

Hardship write offs for customers in the Arrange and Save Program	827	822
Write offs for disconnected customer accounts greater than 180 days	3,243	9,547
Bankruptcies and liquidations	40	53
Minimum account write offs	124	71
Total (GST inclusive)	4,234	10,493

All ex-gratia expenses above form part of Bad and doubtful debts expense at Note 5.

27. ECONOMIC DEPENDENCY

The normal trading activities of the Corporation depend to a significant extent on the provision of finance from the Treasury Corporation of Victoria.

28. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Since 30 June 2016 to the date of this report, no matter or circumstance has arisen that, in the opinion of the Directors, has significantly affected or may significantly affect the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.

29. CASH FLOW INFORMATION

For the purpose of the Cash Flow Statement, cash includes cash at bank and on hand, which are used in the cash management function on a daily basis.

a. Reconciliation of net profit to net cash from operating activities

	Note	2016 \$'000	2015 \$'000
Net profit		56,569	50,792
Adjustments for non-cash items			
Depreciation / amortisation	5	97,490	94,294
Bad and doubtful debts	5	4,516	4,091
Write off / disposal of assets	5	6,516	4,182
Defined benefit superannuation plan expense	5	782	725
Net (gain) / loss on disposal of non-current assets	5	296	(294)
Impairment writeback	4	(290)	-
Impairment writedown	5	8,695	17
Value of works taken over from developers	4	(14,956)	(15,105)
Changes in operating assets and liabilities			
Increase in net deferred tax liabilities		25,243	22,249
(Increase) / decrease in other current assets		484	(326)
Increase / (decrease) in interest creditors		1,818	(269)
Increase in provisions and unearned income		401	1,645
Decrease in payables		(45,743)	(17,416)
(Increase) / decrease in trade receivables		(10,128)	5,409
(Increase) / decrease in GST receivable		(8,126)	682
Decrease in unfunded defined benefit superannuation plan asset		446	(431)
Net cash inflow from operating activities		124,013	150,245

b. Reconciliation of cash

Cash and cash equivalents	8	1,136	360
Closing cash balance		1,136	360

c. Financing arrangements

The Corporation's borrowings are made exclusively with the Treasury Corporation of Victoria in accordance with approvals from the Treasurer of Victoria. Refer Note 3.

STATUTORY CERTIFICATION

We certify that the attached Financial Statements of Yarra Valley Water Corporation have been prepared in accordance with Standing Directions 4.2 of the *Financial Management Act* 1994, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

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

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

We authorise the attached Financial Statements for issue dated at Melbourne on this 26th day of August 2016.

h m

Sue T O'Connor Chair

Patrick J McCafferty Managing Director



Kevin W Jones Chief Financial Officer

AUDITOR-GENERAL'S AUDIT REPORT

89

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street Melbourne VIC 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Yarra Valley Water Corporation

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of the Yarra Valley Water Corporation which comprises the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditing in the Public Interest

AUDITOR-GENERAL'S AUDIT REPORT

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 the applicable independence requirements of the Australian Auditing Standards and relevant ethical pronouncements.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Yarra Valley 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 14 September 2016

Pete-5 Gallagh-

for Dr Peter Frost Acting Auditor-General

Auditing in the Public Interest

ADDITIONAL INFORMATION 2015-16



PERFORMANCE REPORT

FINANCIAL PERFORMANCE INDICATORS

	Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to Prior Year %	Notes	Variance to Target %	Notes
F1	Cash Interest Cover Cash flow from operations before net interest and tax payments / net interest payments	2.40 times	2.19 times	2.16 times	-8.8		1.4	
F2	Gearing Ratio Total debt (including finance leases) / total assets * 100	46.14%	47.83%	48.36%	3.7		-1.1	
F3	Internal Financing Ratio (Net operating cash flow – dividends) / Capital expenditure * 100	65.01%	38.61%	25.96%	-40.6	la	48.7	1b
F4	Current Ratio Current assets / current liabilities (excluding long- term employee provisions and revenue in advance)	0.51	0.57	0.35	11.8	2a	62.9	2b
F5	Return on Assets Earnings before net interest and tax / average total assets * 100	4.48%	4.63%	3.80%	3.3		21.8	3b
F6	Return on Equity Net profit after tax / average total equity * 100	3.33%	3.68%	1.96%	10.5	4a	87.8	4b
F7	EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue * 100	30.96%	29.76%	28.76%	-3.9		3.5	

VARIANCE EXPLANATIONS

- 1a Unfavourable due primarily to lower net operating cash flows largely caused by timing differences between payments for bulk water purchases and billing of customers and higher capital payments from major infrastructure projects undertaken during the year.
- 1b Favourable due primarily to the re-profiling of the 5-year capital program.
- 2a & 2b Favourable due to the conversion of short-term borrowings to fixed rate debt.
- 3b Favourable due to higher earnings before interest and tax from additional net water sales and developer revenue.
- 4a & 4b Favourable due to higher profit after tax from additional net water sales, developer revenue and lower finance charges, partially offset by the impairment of land and buildings and higher taxation expense.

WATER & SEWERAGE SERVICE PERFORMANCE INDICATORS

	Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to Prior Year %	Notes	Variance to Target %	Notes
WS1	Unplanned water supply interruptions Number of customers receiving > 5 unplanned interruptions in the year / total number of water (domestic and non-domestic) customers * 100	0.007%	0.012%	0.044%	71.4	5a	-72.7	5b
WS2	Interruption time Average duration of unplanned water supply interruptions	103.2 minutes	122.5 minutes	104.4 minutes	18.7	6а	17.3	6b
WS3	Restoration of unplanned water supply Unplanned water supply interruptions restored within 5 hours / total unplanned water supply interruptions * 100	96.5%	94.2%	96.3%	-2.4		-2.2	
SS1	Containment of sewer spills Sewer spills from reticulation and branch sewers (priority 1 and 2) contained within 5 hours / total sewer spills from reticulation and branch sewers	98.83%	92.17%	97.70%	-6.7	6a	-5.7	6b
SS2	Sewer spills interruptions Number of residential sewage customers affected by sewerage interruptions restored within 4 hours	79.0%	63.0%	96.8%	-20.3	ба	-34.9	6b

VARIANCE EXPLANATIONS

5a & 5b Whilst we had a good result compared with the performance target, it was higher than last financial year due to a longer and drier than usual summer period. This resulted in greater pressure fluctuations in our pipe network, causing a 12% increase in fault volumes, including water main and water service line failures.

6a & 6b Performance on water supply interruptions, water supply restoration times and sewer spill interruptions were impacted by the higher fault volumes (Notes 5a & 5b). Additional resources were sourced to respond to the higher volumes, however these resources took time to onboard.

PERFORMANCE REPORT

CUSTOMER RESPONSIVENESS

	Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to Prior Year %	Notes	Variance to Target %	Notes
CR1	Water Quality Complaints Number of complaints per 100 customers	0.259	0.285	0.430	10.0	7a	-33.7	7b
CR1.1	Colour	0.216	0.234	0.359	8.3		-34.8	
CR1.2	Turbidity	0.000	0.000	0.000	0.0		0.0	
CR1.3	Taste & Odour	0.029	0.033	0.048	13.8		-31.3	
CR1.4	Other	0.014	0.018	0.023	28.6		-21.7	
CR2	Sewerage service quality complaints Number of complaints per 100 customers	0.001	0.019	0.010	1800.0	8a	90.0	8b
CR3	Sewerage odour complaints Number of complaints per 100 customers	0.028	0.027	0.030	-3.6		-10.0	9b
CR4	Billing complaints Number of complaints per 100 customers	0.0354	0.0348	0.1200	-1.7		-71.0	10b

ENVIRONMENTAL

	Performance Indicator	2013-14 Result	2014-15 Result	2015-16 Result	2015-16 Target	Variance to Prior Year %	Notes	Variance to Target %	Notes
E1	Effluent re-use volume (end use)	28.5%	31.9%	30.3%	28.8%	-5.0		5.2	11b
E1.1	Urban & Industrial	4.2%	4.5%	6.1%	4.1%	35.6	12a	50.1	12b
E1.2	Agricultural	5.6%	6.9%	5.8%	6.2%	-15.9	13a	-6.9	13b
E1.3	Environmental Flows	0.0%	0.0%	0.0%	0.0%	0.0		0.0	
E1.4	Other uses	18.8%	20.5%	18.4%	18.5%	-10.2	14a	-0.6	
E2	Total net CO₂ emissions Net tonnes CO ₂ equivalent	0.0	0.0	0.0	0.0	0.0		0.0	

VARIANCE EXPLANATIONS

7a & 7b Water quality complaints increased compared with last financial year but were still well below the performance target. Water demand was well above average (by as much as 50ML/day) which increased the disturbance of the fine sediments in our pipe network resulting in a higher level of complaints.

8a & 8b In 2015-16, based on audit feedback, we revised our definition of a complaint and have amended our reporting accordingly. As a result, comparisons with the previous financial year and the target are no longer valid.

9bDuring 2015-16, we implemented a number of initiatives to reduce odour complaints in known problem areas which have been very successful.
These have included alterations to our chemical dosing system and the use of new filters on ventilation points.

10b We have improved our internal escalation process which has led to lower complaints overall.

11b, 12a, Effluent re-use increased in 2015-16 by 241ML largely due to the Aurora Recycled Water Treatment Plant coming back online after being offline for 12b & 14a much of 2014-15. However, the proportion of effluent re-use decreased because the total effluent production increased by 1,379ML due to growth in customer numbers.

13a & 13b In 2015-16 we had a lengthy blue green algae outbreak in the recycled water storage dams at our Aurora and Whittlesea Treatment Plants. This, combined with adverse weather conditions, prevented irrigation opportunities from being maximised.

PERFORMANCE REPORT

CERTIFICATION OF PERFORMANCE REPORT FOR 2015-16

We certify that the accompanying Performance Report of Yarra Valley Water Corporation in respect of the 2015-16 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

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

As at the 26th day of August 2016, we are not aware of any circumstances that would render any particulars in the Performance Report to be misleading or inaccurate.

Sue T O'Connor Chair

Patrick J McCafferty Managing Director



Kevin W Jones Chief Financial Officer

AUDITOR-GENERAL'S AUDIT REPORT



Victorian Auditor-General's Office

Level 24, 35 Collins Street Melbourne VIC 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Yarra Valley Water Corporation

The Performance Report

I have audited the accompanying performance report for the year ended 30 June 2016 of the Yarra Valley Water Corporation which comprises the performance report, the related notes and the certification of performance report.

The Board Members' Responsibility for the Performance report

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

Auditor's Responsibility

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

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

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

Auditing in the Public Interest

Independent Auditor's Report (continued)

Independence

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

Opinion

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

Pote- J. Calleghe

Corr Dr Peter Frost Acting Auditor-General

MELBOURNE 14 September 2016

Auditing in the Public Interest

WATER CONSUMPTION AND DROUGHT RESPONSE

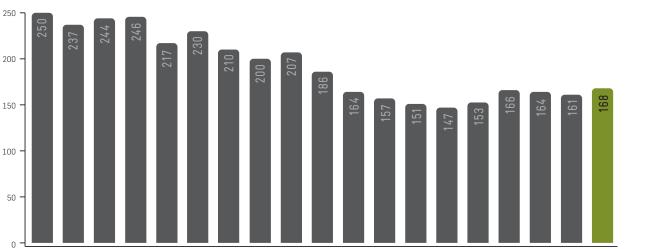
WATER CONSUMPTION REPORT 2015-16

Residential customers	712,451
Non-residential customers	52,836
Total	765,287
Potable water volume (ML) ¹	
Residential customers	110,949
Non-residential customers	29,804
(1) Total	140,753
Recycled wastewater volume (ML)	
Residential customers	322
Non-residential customers	1,211
(2) Total	1,533
(1)+(2) Total consumption (ML) ²	142,286
Average annual consumption ³	138,664
Non-revenue water (ML)	
Leakage	7,303
Bursts	8,126
Other	3,452
(3) Total	18,881
(1)+(2)+(3) Total water all sources (ML)	161,167

1. Includes a small amount of unchlorinated water supplied directly from aqueducts.

2. Total consumption does not include water sourced from rainwater tanks or from grey water reuse.

3. Average customer usage calculated over 5 years from 2011-12 to 2015-16.



06/07

07/08

08/09

09/10

RESIDENTIAL DEMAND - AVERAGE LITRES OF WATER PER CAPITA PER DAY

DROUGHT RESPONSE REPORT

99/00

00/01

01/02

02/03

03/04

04/05

05/06

97/98

98/99

Metropolitan water retailers are required to prepare a Drought Response Plan with four levels of water restrictions that control the use of potable water outdoors.

Permanent Water Use Rules applied for the whole of 2015-16.

CORPORATE WATER CONSUMPTION

10/11 11/12

12/13

13/14

14/15

15/16

The amounts in the table below represent consumption at Yarra Valley Water's Lucknow Street, Mitcham office and not at any treatment plants or other work sites.

Total water consumption for 2015-16	6,320.6 kL
Number of FTE staff and contractors on site	540
Average water use per employee (kL per employee)	11.705 kL
Total office space	10,000m ²
Average water use per m ²	0.632 kL

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY REPORTING

SUSTAINABLE WATER USE

Water recycling

In 2015-16, we produced 12,874 ML of recycled water at our sewage treatment plants, of which 3,906 ML or 30.3% was reused. This reused volume was an increase of 6.6% in comparison to 2014-15.

We connected 2,911 properties to Class A recycled water and constructed 27km of recycled water mains.

Water recycling continues to be a key component of our integrated water cycle management servicing strategy for the Northern Growth Corridor. Provision of recycled water to all homes via a third pipe system for toilet flushing, garden watering and laundry use provides significant efficiency and environmental benefits to the entire community.

SUSTAINABLE AND RESILIENT WATER SERVICES SYSTEMS

Water quality

During 2015-16, we maintained our commitment to provide safe, high-quality drinking water. This year we received 2.9 complaints for every 1,000 customers, maintaining performance from previous years.

A combination of factors including improved management of operational changes, and targeted cleaning of 250km of water mains using a combination of cleaning methods have all contributed to maintaining lower customer complaints.

We achieved 91% customer satisfaction with the overall quality of drinking water provided, maintaining performance from previous years.

Water conservation

We continued to encourage our customers to maintain responsible water use practices, to help protect the long-term security of our water supplies and reduce the cost of supply augmentations including the following:

- distributed water efficient showerheads under our Showerhead Exchange Program. A total of 190,563, have been issued since the beginning of the program;
- provision of the Schools Water Efficiency (SWEP) program to over 190 schools, the program includes free data loggers to participating schools, giving teachers and students alike access to timely information about water consumption using an interactive website. Complementing this information is a tailored curriculum resource which aligns with maths and science concepts for students. As a result of the program schools have been able to identify efficiencies and save over \$1.5M; and
- engaged more than 120 schools within our service area, which have integrated material from 'Water – Learn It! Live It!' initiatives into water efficiency curriculum units. Since its inception, 1,080 classroom presentations have been completed to more than 21,000 primary school children within our district.

OTHER STATUTORY OBLIGATIONS

Victorian Biodiversity Strategy

Yarra Valley Water follows the directive of 'Victoria's Native Vegetation Management: A Framework for Action', which was developed as an offset measure to support the Victorian Biodiversity Strategy. We work with multidisciplinary companies and involve ecologists early in the preliminary design phase of projects to complete them in a more sustainable manner. This includes conducting complete risk assessments, life cycle analyses, net gain assessments and offset management plans and preliminary flora and fauna options assessments.

We liaise with stakeholders such as the Department of Environment, Land, Water and Planning (DELWP) and other water utilities on a project-by-project basis to determine how best to conserve Victoria's biodiversity. We liaise directly with DELWP on ongoing growth and development of all native offset areas established as part of these projects.

Victorian Waterway Management Strategy

Yarra Valley Water strives to deliver our services within the carrying capacity of nature and reducing our environmental footprint is a priority.

To improve water way health we continued to manage our nitrogen discharges to Port Phillip Bay in accordance with our self-imposed nitrogen cap of 87 tonnes. In 2015-16, our discharge was 59.5 tonnes.

To comply with river and aquifer health requirements as per our Statement of Obligations, Yarra Valley Water undertakes regular (weekly, monthly) sampling at each of our sewage treatment plants to ensure they comply with our Environment Protection Authority Victoria (EPAV) Corporate Licence Requirements.

A summary of our sewage treatment plants' performance is reported to the EPAV on an annual basis. Additionally, water quality and flow data relating to waterways is reported to the Essential Services Commission, the National Pollutant Inventory and the Bureau of Meteorology.

State Environmental Protection Policy (Waters of Victoria)

During 2015-16, the following projects underwent construction to prevent wastewater discharges to the environment during rainfall events less than a 1 in 5 year average recurrence interval:

- Glenroy Branch Sewer
- Golf Links Branch Sewer

We commenced hydraulic options assessments on the following projects:

- Blackburn Branch Sewer
- Brunswick Branch Sewer
- Eley Rd Branch Sewer
- · Scotchmans Creek Branch Sewer (completed)

An investigation into the benefits of addressing inflow and infiltration at the source is ongoing in the Heathmont sewer catchment. All issues with customer plumbing have been resolved and a number of inflow prevention devices to prevent water ingress through manhole lids have been installed. We will continue to trial interventions and monitor the benefits as part of this ongoing research project. The first phase of a collaborative study with Melbourne Water, local Councils and DELWP on the Merri Creek waterway was completed. The study found that utilising an outcomes based approach, the key threats to the waterway outcomes sought were from stormwater pollutants. The risk and impacts of wastewater overflows into the Merri Creek and also downstream waterways was negligible. The study identified a number of alternate projects to deliver which would yield far greater benefits to the waterway outcomes. The next stage of the project involves developing an action plan and commencing works on the highest priority projects.

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY REPORTING

GREENHOUSE GAS EMISSIONS AND NET ENERGY CONSUMPTION

The Greenhouse Gas (GHG) reductions brought about by our showerhead exchange program continued to offset our own GHG emissions, ensuring that we had no net GHG emissions for the eighth year in a row. We are also working with our business partners and suppliers to encourage them to reduce their emissions each year.

GHG (Tonnes of CO ₂ e)	2015-16	2014-15	2013-14	2012-13	2011-12
Water treatment and pumping	7,950	7,660	7,399	5,296	5,385
Wastewater treatment	18,499	18,206	17,709	17,204	16,153
Wastewater pumping	4,316	4,469	*4,399	3,124	3,107
Office use	1,959	1,927	2,158	2,823	2,940
Vehicle fleet	1,038	993	1,051	1,065	1,042
Total GHG emissions	33,762	33,255	*32,716	29,512	28,627
Offsets purchased	0	0	0	274	272
Other offsets [†]	33,762	33,255	*32,716	29,238	28,355

* Sewage pumping was omitted from 2013-14 figures.

[†] We offset our greenhouse gas emissions as a result of the Showerhead Exchange Program, since water efficient showerheads reduce the amount of energy required to heat water.

GHG (MJ)	2015-16	2014-15	2013-14	2012-13	2011-12
Water treatment and pumping	25,327,434	23,369,492	22,766,154	16,021,513	16,021,488
Wastewater treatment	58,934,867	55,543,729	54,489,231	52,045,714	48,058,512
Wastewater pumping	13,750,088	13,634,237	13,535,385	9,450,756	9,243,967
Office use	6,241,062	5,878,983	6,640,000	8,540,168	8,747,107
Vehicle fleet	3,306,903	3,029,492	3,233,846	3,221,849	3,100,165
Total	107,560,354	101,455,933	100,664,616	89,280,000	85,171,239

Conversion factor of 1 kWh = 3.6 Megajoules (MJ) used.

Energy Use (MJ Per ML)		2015-16	2014-15	2013-14	2012-13	2011-12
Water treatment	Bulk water volume * (ML)	140,689	132,384	131,916	132,997	120,489
and pumping	Energy use (MJ/ML)	180.0	176.5	172.6	120.5	133.0
Wastewater treatment	Wastewater volume treated at Yarra Valley Water Sewage Treatment Plant (ML)	10,914	10,263	10,323	10,073	10,560
	Energy use (MJ/ML)	5399.9	5,412.0	5,278.5	5166.9	4551.0
Wastewater pumping	Wastewater volume transferred to Melbourne Water (ML)	90,071	119,995	117,281	118,078	123,493
	Energy use (MJ/ML)	136.2	104.7	106.1	73.7	69.0

Energy figures only include Yarra Valley Water usage (exclude Melbourne Water treatment and transfer usage).

* Metered water supplied to Yarra Valley Water customers.

Community service obligations	2015-16 \$'000	2014-15 \$'000
Provision of concessions to pensioners	48,162	45,707
Rebates paid to not-for-profit organisations under the Water and Sewerage Rebate Scheme	1,300	1,243
Utility Relief Grant payments	1,120	827
Water concessions for life support machines – Haemodialysis	22	23
Total	50,604	47,800

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY REPORTING

PROVISION OF CONCESSIONS TO PENSIONERS

Customers who hold either a Pension Concession Card, a Gold Repatriation Health Care Card for All Conditions or a Health Care Card are entitled to pay a concessionary amount instead of the full balance outstanding on their accounts. When a customer pays this lesser amount, the difference is billed to and paid by the Department of Human and Health Services (DHHS).

REBATES PAID TO NOT-FOR-PROFIT ORGANISATIONS UNDER THE WATER AND SEWERAGE REBATE SCHEME

Customers who are not-for-profit entities are entitled to pay a concessionary amount instead of the full balance outstanding on their accounts. When a customer pays this lesser amount, the difference is billed to and paid by the State Revenue Office.

UTILITY RELIEF GRANTS SCHEME

The Utility Relief Grants Scheme provides assistance for residential customers unable to pay their utility accounts due to a temporary financial crisis. Customers need to demonstrate that unexpected hardship has left them seriously short of money so that they cannot pay their utility account without assistance.

WATER CONCESSIONS FOR LIFE SUPPORT MACHINES – HAEMODIALYSIS

The State Government of Victoria provides a rebate for customers required to use a dialysis/life support machine at home, to compensate these customers for water usage and sewage disposal charges relating to the use of such a machine.

The rebate amount is determined by the DHHS based on the estimated annual water usage of a dialysis machine (168 kL). This rebate is in addition to any other pension or concession entitlements.

ANNUAL REPORTING OF MAJOR NON-RESIDENTIAL WATER USES

REQUIREMENT 1: NUMBER OF CUSTOMERS WHO FALL WITHIN EACH RANGE

(Section 122ZJ of the Water Act 1989)

TABLE 1: CUSTOMER BY VOLUME RANGE

Volumetric Range – MLs per year	Number of customers
Equal to or greater than 200 ML and less than 300 ML	3
Equal to or greater than 300 ML and less than 400 ML	1
Equal to or greater than 400 ML and less than 500 ML	1
Equal to or greater than 500 ML and less than 750 ML	0
Equal to or greater than 750 ML and less than 1000 ML	1
Greater than 1000 ML	1
Total number of customers	7

REQUIREMENT 2: NAMING OF MAJOR WATER USERS AND WHETHER OR NOT THEY PARTICIPATE IN WATER CONSERVATION PROGRAMS

(Section 122ZJ of the Water Act 1989)

TABLE 2: NAMES OF MAJOR CUSTOMERS AND THEIR PARTICIPATION IN WATER CONSERVATION PROGRAMS

Name of customer	Participation in water conservation programs
Asaleo Care Pty Ltd	Yes
Continental Poultry Pty Ltd	Yes
CSL Ltd	Yes
Latrobe University	Yes
Monash University Maintenance Operations	Yes
Visy Packaging Properties Pty Ltd	Yes
Visy Paper Pty Ltd	Yes

REQUIREMENT 3. OTHER WATER EFFICIENCY REPORTING

To build business knowledge and support large water users to adopt local water solutions, we coordinate and facilitate seminars, undertake site visits to various businesses (exploring process and procedural improvements), and document case studies that share the learnings of others' achievements in this area. Furthermore, all large water users have access to a national benchmarking website to compare their water consumption with others in similar industries.

BULK ENTITLEMENTS REPORT

Yarra Valley Water holds Bulk Entitlements to the water resources of the Greater Yarra River – Thomson Basin and to the Victorian Desalination Project. In addition, Yarra Valley Water holds Bulk Entitlements in the River Murray and Goulburn System of up to 25,000 ML annually of water savings, as a result of its investment in Goulburn-Murray Water's Connections Project.

Reporting obligation	Greater Yarra System – Thomson River Pool ^{1,2}	Victorian Desalination Project⁴	Goulburn System ^{7, 8}	River Murray ^{14, 15}
The volume of water taken by Yarra Valley Water in 2015-16	Clause 16.1 (a) 159,762 ML	Clause 13.1 (a) O ML⁵	Clause 14.1 (b) 0 ML	0 ML
Annual water allocation made available to the Authority	Clause 16.1 (b) 92,328 ML	N/A	Clause 14.1 (c) 8,015 ML	Clause 11.1 (a) 5,055 ML
Share of storage volume at 30 June 2016 for carryover	Clause 16.1 (b) 185,885 ML	N/A	7,755 ML ¹⁰	3,832 ML ¹⁶
Compliance with the entitlement volume	Clause 16.1 (c) Yes	N/A	N/A	N/A
Any assignment of water allocation or temporary/	Clause 16.1 (d) Nil	Clause 13.1 (b) Nil	Clause 14.1 (d) ¹¹ Net 8,001 ML ¹²	Clause 11.1 (b) 5,028 ML
permanent transfers of the bulk entitlement			Clause 14.1 (e) Nil	Clause 11.1 (c) Nil
Approval, amendment and implementation of approved metering program	Clause 16.1 (e) Continued implementation ³	N/A	N/A	N/A
Any amendment to the bulk entitlement	Clause 16.1 (f) Nil	Clause 13.1 (c) Nil	Clause 14.1 (f) Nil	Clause 11.1 (d) Nil
Any new bulk entitlement granted to Yarra Valley Water	Clause 16.1 (g) Nil	Clause 13.1 (d) Nil	Nil	Nil
Compliance with the bulk entitlement	N/A	Clause 13.1 (e) Continued compliance ⁶	N/A	N/A
Any failures to comply with any provision of the bulk entitlement	Clause 16.1 (h) Nil	Clause 13.1 (f) Nil	Clause 14.1 (g) Nil	Clause 11.1 (e) Nil
Any difficulty experienced in complying with the bulk entitlement and if so, any remedial action taken or proposed	Clause 16.1 (i) Nil	Clause 13.1 (g) Nil	Clause 14.1 (h) Nil	Clause 11.1 (f) Nil

NOTES FOR COMPLIANCE WITH BULK ENTITLEMENTS

Greater Yarra System – Thomson River Pool

- 1. Yarra Valley Water holds the following Bulk Entitlement to the Greater Yarra System Thomson River Pool:
 - Bulk Entitlement (Greater Yarra System Thomson River Pool – Yarra Valley Water) Order 2014 – BEE072377.
- 2. Yarra Valley Water's bulk entitlement amounts to 223,271 ML.
- 3. Continued compliance with approved metering program through Bulk Water Supply Agreement between Melbourne Water and Yarra Valley Water and Melbourne Water's System Management Rules.

Victorian Desalination Project

- 4. Yarra Valley Water holds the following Bulk Entitlement to the Victorian Desalination Project:
 - Bulk Entitlement (Desalinated Water Yarra Valley Water) Order 2014 – BEE050816.
- On 1 April 2015, the Minister for Environment, Climate Change and Water made a zero desalinated water order for the 2015-16 year.
- 6. Compliance with our desalinated water long-term average diversion limit of 56,951 ML is assessed using a 5-year rolling average diversion.

Goulburn System

- 7. Yarra Valley Water holds the following Bulk Entitlement to the Goulburn System:
 - Bulk Entitlement (Goulburn System Yarra Valley Water) Order 2012 – BEE072239.
- Yarra Valley Water's Bulk Entitlements in the Goulburn System provide for the progressive annual assignment of entitlement volumes as water saving works and measures from Goulburn-Murray Water's Connections Project are completed. The 2015-16 entitlement volume was 10,405.7 ML.
- Compliance with the combined annual diversion limit of 75,000 ML for the holders of Bulk Entitlement (Goulburn System – City West Water) Order 2012, Bulk Entitlement (Goulburn System – South East Water) Order 2012 and Bulk Entitlement (Goulburn System – Yarra Valley Water) Order 2012 is assessed using the actual measured annual diversion. Diversions are subject to clause 6.1 of Yarra Valley Water's Statement of Obligations (System Management).

- 10. Yarra Valley Water's commencement volume on 1 July 2015 was 7,741.9 ML. At 30 June 2016, Yarra Valley Water held 7,755.9 ML.
- 11. Yarra Valley Water has in place water management strategies to manage water allocation holdings in the River Murray and Goulburn System to maximise the value of the resources held to their customers and minimise risk of spilling water allocation. These strategies include the transfer of allocations between Bulk Entitlement Allocation Accounts and trading water allocations.
- 12. 700 ML of water allocation was traded in from Yarra Valley Water's River Murray System bulk entitlement and is netted out against the trade out volume as it is included in the River Murray volume. Gross total trade out for Goulburn system was 8,701.3 ML.

River Murray

- 13. Yarra Valley Water holds the following Bulk Entitlements to the River Murray:
 - Bulk Entitlement (River Murray Yarra Valley Water) Order 2012 - BEE072242.
- 14. Yarra Valley Water's Bulk Entitlements in the River Murray provide for the progressive annual assignment of entitlement volumes as water saving works and measures from Goulburn-Murray Water's Connections Project are completed. The 2015-16 entitlement volume was 7,059.8 ML (3,291.6 ML in Zone 6 (Vic Murray – Dartmouth to Barmah) and 3,768.2 ML in Zone 7 (Vic Murray – Barmah to SA Border).
- Yarra Valley Water's commencement volume on 1 July 2015 was 3,805.0 ML (1,964.7 in Zone 6 and 1,840.3 ML in Zone 7). At 30 June 2016, Yarra Valley Water held 3,832.0 ML (1,764.7 ML in Zone 6 and 2,067.3 ML in Zone 7).
- 16. Yarra Valley Water has in place water management strategies to manage water allocations holdings in the River Murray and Goulburn System to maximise the value of the resources held to their customers and minimise risk of spilling water allocation. These strategies include the transfer of allocations between Bulk Entitlement Allocation Accounts and trading water allocations.

DISCLOSURE INDEX

INDEX

Yarra Valley Water's 2015-16 Annual Report is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of Yarra Valley Water's compliance with statutory disclosure requirements.

LEGISLATION	PAGE	
Report of Operations		
Charter and purpos	e	
FRD 22G	Manner of establishment and the relevant Minister	2
FRD 22G	Objectives, functions, powers and duties	2-21
FRD 22G	Nature and range of services provided	2, 4-5
Management and St	ructure	
FRD 22G	Organisational structure	25
FRD 22G	Directors of the Board	26-29
Financial and other	information	
FRD 10	Disclosure Index	108-109
FRD 22F	Summary of financial results for the year	23-24
FRD 22G, SD 4.2(k)	Operational and budgetary objectives, and performance against objectives	4-24
FRD 22G	Significant changes or factors affecting performance	4-24
FRD 22G	Employment and conduct principles	35
FRD 22G	Subsequent events	87
FRD 22G	Application and operation of Freedom of Information Act 1982	36
FRD 22G	Application and operation of Protected Disclosure Act 2012	36
FRD 22G	Statement of National Competition Policy	36
FRD 22G	Statement of availability of other information	37
FRD 22G	Environmental performance	16-17, 100-103
FRD 22G	Building and maintenance provisions of the Building Act 1993	36
FRD 22G	Information and Communication Technology Expenditure	36
FRD 25B	Victorian Industry Participation Policy disclosures	36
FRD 27C	Presentation and reporting of performance information	92-95
FRD 30A	Standard requirements for the design and print of annual reports	All
SD 4.5.5	Risk management compliance attestation	38
SD 4.2(g)	General information requirements	2-37
SD 4.2(j)	Sign-off requirements	3
Ministerial reporting	g directions	
MRD 01	Performance reporting	92-95
MRD 02	Reporting on water consumption and drought response	98-99
MRD 03	Environmental and social sustainability reporting	100-104
MRD 04	Disclosure of information on bulk entitlements, transfers of water entitlements, allocations and licences, irrigation water usage and licence requirements	106-107
MRD 05	Annual reporting of major non-residential water users	100-107

PAGE

Financial statements	s required under Part 7 of the Financial Management Act 1994	
SD 4.2(b)	Statement of comprehensive income	42
SD 4.2(b)	Balance sheet	43
SD 4.2(b)	Statement of changes in equity	44
SD 4.2(b)	Cash flow statement	45
SD 4.2(b)	Notes to the financial statements	46-87
SD 4.2(c)	Compliance with applicable Australian accounting standards and other authoritative pronouncements	88
SD 4.2(c)	Compliance with Ministerial Directions	88
SD 4.2(c)	Accountable Officer's declaration	88
SD 4.2(d)	Rounding of amounts	46
Other disclosures as	required by FRDs in notes to the financial statements	
FRD 03A	Accounting for dividends	53, 62
FRD 07A	Early adoption of authoritative accounting pronouncements	54
FRD 17B	Long Service Leave wage inflation and discount rates	51,52
FRD 21B	Disclosures of Responsible Persons, Executive Officers and other Personnel	
	in the Financial Report	81-84
FRD 103E	Non-current physical assets	49-50, 66-71
FRD 105A	Borrowing costs	52, 55-56
FRD 106	Impairment of assets	51
FRD 109	Intangible assets	50
FRD 110	Cash flow statements	45, 87
FRD 119A	Transfers through contributed capital	77
FRD 120H	Accounting and reporting pronouncements applicable to the 2015-16 reporting period	54

LEGISLATION

LEGISLATION

Financial Report

DISCLOSURE REQUIREMENT

Freedom of Information Act 1982 Building Act 1993 Protected Disclosure Act 2012 Victorian Industry Participation Policy Act 2003 Financial Management Act 1994

DISCLOSURE INDEX

UN GLOBAL COMPACT

The following index shows where we have reported our policies, programs and actions that align with the ten principles of the UN Global Compact within this Annual Report.

PRINCIPLE NUMBER	DESCRIPTION	PAGE
1	Businesses should support and respect the protection of internationally proclaimed human rights.	19, 25
2	Make sure that they are not complicit in human rights abuses.	19, 25
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	19, 25
4	The elimination of all forms of forced and compulsory labour.	19, 25
5	The effective abolition of child labour.	19, 25
6	The elimination of discrimination in respect of employment and occupation.	11, 19, 25
7	Businesses should support a precautionary approach to environmental challenges.	16,100
8	Undertake initiatives to promote greater environmental responsibility.	16,100
9	Encourage the development and diffusion of environmentally friendly technologies.	16,100
10	Businesses should work against corruption in all its forms, including extortion and bribery.	19, 24

We also committed to taking actions to strengthen society and recognise the Sustainable Development Goals as the global consensus on what these priorities are. We contribute to the goals across our activities, and have highlighted this throughout the report with the relevant Sustainable Development Goal symbol.



Yarra Valley Water ABN 93 066 902 501

Lucknow Street Mitcham Victoria 3132 DX 13204

Telephone: 03 9872 1699 Fax: 03 9872 1353

www.yvw.com.au

For language assistance

العربية	1300 914 361	Ελληνικά	1300 931 364
廣東話	1300 921 362	普诵话	1300 927 363
		<u>L'O</u>	call ezispeak.

Македонски	1800 796 518	Hrvatski	1800 796 518
한국어	1800 796 518	Српски	1800 796 518
فارسي	1800 796 518	Türkçe	1800 796 518
Italiano	1800 796 518	Tiếng Việt	1800 796 518

© Copyright November 2016 Yarra Valley Water Corporation

ISSN 2202-6304 (Print) ISSN 2202-6312 (Online)

