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Responsible Body Declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present Barwon Water's Annual Report for the year ending June 30, 2018.

Jo Plummer Chair

About us

Barwon Water (Barwon Region Water Corporation) is Victoria's largest regional urban water corporation. Its history dates back to the establishment of the Geelong Municipal Waterworks Trust in 1908.

Barwon Water was constituted in February, 1994. For the 2017–18 reporting period, Barwon Water operated as a statutory corporation under the *Water Act 1989*.

Barwon Water has more than 110 years' experience in providing excellence in water, sewer and recycled water services to its customers and the community.

We service a community of more than **300,000** permanent residents over 8,100 square kilometres. Over the holiday period, the serviced population can reach up to **510,000** people.

As a major employer in the region, we have more than 300 highly skilled employees from a diverse range of disciplines, including operations, engineering, strategic planning, finance and administration. In addition, Barwon Water's expenditure in the region creates additional external employment opportunities. It is estimated Barwon Water's annual capital and operating expenditure sustains an additional 120 full time equivalent jobs.

Our region

Our region of responsibility stretches from Little River and the Bellarine Peninsula in the east to Colac in the west, and from Meredith and Cressy in the north to Apollo Bay on Victoria's south-west coast.

The City of Greater Geelong, Borough of Queenscliffe, Surf Coast and Colac Otway shires and part of Golden Plains Shire are incorporated into our service area.

Assets

- 12 major reservoirs
- 8 water treatment plants
- · 2 water pre-treatment plants
- · 11 water reclamation plants
- 2 Class A recycled water plants
- · 2 groundwater fields
- 240 pumping stations (49 water including raw water, 191 sewerage)
- 20 water basins
- 40 water tanks
- · 6,866 kilometres of pipes

Water sources

The Greater Geelong region's water is supplied by three major surface water sources – the Barwon River and its tributaries, East Moorabool River and West Moorabool River, and from two underground aquifers. Barwon Water also has a bulk entitlement to take and use water through the Melbourne bulk transfer system allocated from the Greater Yarra system – Thomson River pool.

The Barwon River system, from its Otway Ranges catchment, typically supplies 80 per cent of the water for Geelong, the Bellarine Peninsula and Surf Coast via Wurdee Boluc Reservoir and Water Treatment Plant. The balance is supplied from catchments on the Moorabool River system, which provide water to the Moorabool Water Treatment Plant at She Oaks, north of Lethbridge.

The Moorabool system also provides water to Bannockburn, Gheringhap, Teesdale, Shelford, Meredith and Inverleigh. In times of low storage levels, the Melbourne–Geelong pipeline, Anglesea Borefield and Barwon Downs Borefield can be used to supplement water supplies for the Greater Geelong region, however these were not required during 2017–18. The Melbourne to Geelong pipeline sources water allocated to Barwon Water from the Greater Yarra system – Thomson River pool.

Supplies in the Colac and Otway regions are drawn primarily from five separate sources, all located in the forested catchments of the Otway Ranges. The Colac system provides water to urban and rural districts extending as far north as Cressy. A new pipeline interconnecting the Colac system to the Geelong system was completed in late 2017–18, with some initial water transfers to Colac occurring during pipeline commissioning which assisted in alleviating lower storage levels in that region.

Gellibrand, Apollo Bay/Skenes Creek and Lorne have their own supply systems.

Water customers

Domestic customers comprise 92 per cent of the customer base, with the industrial and commercial sectors accounting for the remaining 8 per cent. Approximately 30 per cent of metered consumption is attributed to non-domestic customers.

Water reclamation plants

Barwon Water has 11 water reclamation plants, 10 of which are governed by Environmental Protection Authority (EPA) Victoria licensing requirements. Black Rock, Anglesea, Apollo Bay and Lorne plants release water through ocean outfalls. Plants at Aireys Inlet, Bannockburn, Portarlington, Birregurra and Winchelsea are land-based systems. Water from the Colac facility is released into Lake Colac. The Northern Water Plant is an advanced recycled water facility that supplies Class A recycled water for industrial use in Geelong's northern suburbs, so it does not trigger EPA licensing requirements.

Recycled water

Maximising use of our main waste stream, recycled water, from our water reclamation plants is a key priority. In doing this we optimise high value uses for this resource, including providing recycled water to a range of customers for re-use. This saves drinking water for the community, minimising impact on the environment and easing pressure on local water supply.

All water reclamation plants produce water suitable for recycling. Barwon Water achieved 21 per cent water recycling in 2017-18.

Biosolids

During 2017-18, Barwon Water turned some of its waste into productive resources to help grow the regional economy and improve productivity and customer value.

Barwon Water's Black Rock drying facility converts biosolids – a by-product of the sewage treatment process – into nutrient-rich farm fertiliser.

The natural gas-fuelled drying process begins by seeding wet biosolids with dry biosolids pellets. The mixture is raked across a succession of heated plates until it dries and forms into larger pellets.

In 2017-18, Barwon Water received 55,518 tonnes of wet biosolids and produced 7,542 tonnes of dried biosolids product, which is used as a commercial fertiliser product.

The pellets meet the highest standards set by the Environment Protection Authority (EPA).

Future growth

Over the next five years, Barwon Water will commit \$352 million to capital works. This will ensure the completion of a number of significant projects that will guarantee delivery of services in an efficient, costeffective and environmentally responsible manner, and provide the capacity to meet future growth and development.

Corporate Governance

Barwon Water is established under the *Water Act 1989*. The responsible Minister for the period from July 1, 2017, to June 30, 2018, was the Honourable Lisa Neville MP, Minister for Water.

Since July 28, 2004, Barwon Water has operated under a Statement of Obligations issued by the Minister for Water under section 41 of the *Water Industry Act* 1994.

The statement imposes obligations on Barwon Water regarding the performance of its functions and exercise of powers. Barwon 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.

On January 1, 2004, the Essential Services Commission became the economic regulator of the Victorian water sector. The commission's role encompasses regulation of prices, service standards and market conduct.

Our values

Barwon Water continues to uphold its core values of **respect**, **relationships**, **innovation**, **high performance** and **leadership** in delivering its mission.

Strategy 2030

Barwon Water is proud of its long history of delivering safe and reliable water and wastewater services. Our vision and mission have always been strongly tied to the safe and environmentally responsible delivery of services.

This commitment to service delivery has been the source of our strength for more than 110 years. We want to continue to meet our service standards, provide secure, sustainable and affordable water be efficient, financially strong and with reliable systems and processes. However, we know we can do more to deliver even greater value to our customers and community.

By better understanding our customers and community and by working with them, we can leverage our skills and assets to help our region prosper – economically, environmentally and socially.

Vision

A prosperous region.

Mission

To strengthen our region's economy, liveability and sustainability, through the delivery of high quality and affordable water and sewerage services.

Our vision and mission reflect our growth from service provider to regional enabler.

Barwon Water's Strategy 2030 commits to taking a leading role in generating prosperity in the region. It outlines our commitment to customers and stakeholders, strategic directions, objectives and key milestones and actions.

The Board, management and staff have discussed the challenge of why we exist and how we undertake our business. Through these discussions, a new paradigm is emerging for the why, how and what for Barwon Water.

Why we exist:

To be an enabler of regional prosperity.

We will deliver through a diverse and high performing workforce; creating common ground for strategic partnerships; a more entrepreneurial approach to commercial opportunities; and a commitment to zero waste and zero emissions in our operations, driving innovation, efficiency and cost effectiveness.

What we do:

Deliver outstanding value to our customers and the community by delivering high quality, affordable and reliable water services.

In making this shift, we will continue to leverage our strengths of strong financials, excellence in service delivery and committed staff. We will also make some significant step changes over the next few years.

Step-changes in 'how' we will deliver?

Our Strategy 2030 outlines these changes across five key areas:

- Strategic partnerships with our customers, industry, the community, agencies and internally across our organisation to identify, plan and deliver outcomes from high value opportunities and initiatives.
- Climate change action by achieving zero emissions through our operations and systems.
- Improved productivity through a goal of zero waste, driving us to optimise the benefits of our resources to help grow the regional economy and continuously improve our organisational processes and practices.
- A more entrepreneurial mindset by driving a culture of innovation that proactively identifies and explores new commercial and community

- opportunities to harness water resources and core competencies for the best possible regional outcomes and customer value.
- High performance by building a more diverse and accountable organisation where leadership is shared and inclusive to deliver outstanding value to our customers and community.



At a glance

	2017-18	Change (%)	2016-17	Change (%)	2015-16	Change (%)	2014-15	Change (%)	2013-14	Change (%)
Population served (water)	312,235	2.8	303,858	1.7	298,769	2.2	292,347	1.6	287,813	-2.7
Population served (sewerage)	284,905	2.7	277,290	1.8	272,372	2.4	265,892	1.3	262,379	-2.6
Connected properties (water)	158,109	2.5	154,266	1.9	151,418	2.2	148,214	1.8	145,600	2.2
Connected properties (sewerage)	140,319	1.8	137,852	1.7	135,561	2.0	132,877	1.7	130,618	1.8
Water treatment plant volumes (megalitres)	36,608	9.0	33,600	6.1	35,797	10.4	32,424	1.8	31,866	-6.9
Water reclamation plant volumes (megalitres)	30,500	8.8	28,042	0.8	28,267	3.8	27,224	-0.5	27,365	10
Employee numbers ^{1,2}	314	0	314	-1.9	320	6.7	300	-1.0	303	-23
Number of days lost to injury	9	-68	28	100	0	-100	34	-78.3	157	1470
Total revenue (\$'000)	234,470	9.7	213,448	-2.1	218,034	5.6	206,548	4.3	198,074	-1.2
Net operating result (before income tax) (\$'000)	17,975	278	4,671	-81.3	25,024	48.1	16,899	49.6	11,298	-60.1
Total assets (\$'000)	2,725,452	-0.2	2,730,251	1.2	2,697,222	16.1	2,323,409	1.1	2,297,101	1.4
Capital expenditure (\$'000)	66,104	-20.06	83,290	4.2	79,895	25.8	63,496	-28.0	88,221	-42.7

Notes

¹Measured as full-time equivalent (FTE) employees

²The Australian Bureau of Statistics (ABS) develops and maintains standard occupation coding structures for labour market analysis. The primary ABS occupation coding structure is known as ANZSCO (Australian and New Zealand Standard Classification of Occupations). Barwon Water utilises ANZSCO as its occupational reporting model.

Message from the Chair and Managing Director

On behalf of Barwon Water, we are pleased to present our annual report for the 2017-18 financial year.



Jo Plummer



Tracey Slatter

We wish to acknowledge the Traditional Owners of the land on which we work and live, and pay respect to their Elders past and present. We recognise Aboriginal and Torres Strait Islander peoples as the First Peoples of this nation, who have managed water and the environment for at least 80,000 years.

With a focus on enabling regional prosperity, the 2017–18 year saw Barwon Water launch our new Strategy 2030, reinforcing our commitment to delivering high quality, affordable and secure water services and outstanding customer and community value.

Throughout the year we maintained a strong focus on initiatives that will help keep customer bills low, with highlights including the move to our more efficient Geelong headquarters, establishing our own maintenance services company, delivering projects to produce cost effective renewable energy and taking meaningful steps towards reconciliation.

A new building, a new era

The year began with the official opening of our refurbished Ryrie Street head office.
The \$32 million project involved the original building (constructed in 1977) being gutted and updated to meet modern standards and comprehensively refurbished to accommodate all of our Geelong-based office employees under one roof.

The project is representative of our strong commitment to customer affordability, with the building delivering a range of efficiencies. The refurbishment has resulted in reductions of up to 45 per cent on maintenance, operational and energy costs and these savings, along with appropriate surplus asset sales, pay for the building's cost.

Consolidating corporate activities into a single, state-of-the-art, multi-functional building also has reduced operational costs and provided our employees with a healthy, secure and modern workplace.

The building, internally referred to as "Ryrie HQ", has a 5-star Green Star office design rating, making it one of Geelong's greenest offices. The project also has contributed to the ongoing revitalisation of central Geelong by bringing an additional 100-plus employees from our South Geelong site to the CBD.

Ryrie HQ is symbolic of a new era for Barwon Water. One that builds on our past foundations of delivering affordable, secure, high quality water services, to a future of contributing to our region's prosperity.

Introducing Barwon Asset Solutions

A major highlight during the 2017-18 year was the establishment of Barwon Asset Solutions – a 100 per cent locally-based maintenance services company, and wholly-owned subsidiary of Barwon Water.

Barwon Asset Solutions replaced our previous partnership with Perthbased company Programmed Facilities Management. We're extremely pleased that all Programmed employees transitioned to Barwon Asset Solutions, ensuring local skills, knowledge and experience were retained in our region.

Looking forward, Barwon Water will seek to expand BAS, with the intention to explore opportunities for further work in the region and grow the capability of our organisation.

The expansion of BAS will ensure local employment opportunities, training and the most efficient and cost effective way of delivering Barwon Water's maintenance services, ultimately putting downward pressure on customer prices.

Delivering greater value for customers

The independent Essential Services
Commission announced its approval of
Barwon Water's prices for the next five years
in June, 2018, ensuring a reliable, secure
and affordable water future for our region.
The new prices and outcomes were shaped
by an extensive 18-month community
engagement program.

The commission rated our submission as 'advanced', noting it will deliver better value for customers. It acknowledged our strong commitment to controlling costs, delivering one of the highest efficiency targets in the water sector, expected to save \$26 million over the five-year pricing period.

As part of our new more equitable pricing structure, we're giving customers greater control over their bills by reducing the fixed component and increasing the variable component of water charges. This means that, more than ever, customers can save money by using less water.

Further highlights include tripling our support for customers in financial hardship with an extra \$500,000 each year, \$15.4 million for renewable energy projects based on community feedback showing strong support for climate change action, an extra \$500,000 annually for water efficiency programs, as well as a strong capital works program, with \$328.6 million allocated for new and replacement infrastructure.

Aboriginal values

We've also been engaging with local Aboriginal and Torres Strait Islander communities and the Traditional Owners of the land on which we live and work. We recognise and value the continuing cultures and contributions of these communities and their ongoing connection to the land over thousands of years.

In May, 2018, we celebrated the new direction we are taking in acknowledging and appreciating Aboriginal values and launched our first Reconciliation Action Plan (RAP). Our 'Innovate' RAP details our journey to build better relationships with Aboriginal and Torres Strait Islander communities,

and represents a deep and meaningful commitment to incorporating Indigenous values, culture and history into our business.

In preparing our RAP, we reflected on our existing relationships and work practices and have challenged ourselves to make significant step changes over the next two years. We have identified many meaningful opportunities as a provider of essential services, an employer of choice and community partner.

The RAP signifies our plans to extend our current relationships with Aboriginal and Torres Strait Islander communities into strong working partnerships, incorporating cultural values into everything we do.

Driving down emissions

We have a responsibility to manage water resources on behalf of our customers and community for the future, and it's one we take very seriously. Over the past 12 months we have implemented some significant initiatives we believe will drive us to optimise the benefits of our resources, reduce our operating costs and help grow the regional economy.

Energy is one of our highest costs and we currently spend about \$5 million a year on electricity. With electricity prices increasing, implementing renewable energy projects not only helps the environment, but also makes good business sense. Reduced operating costs means we can keep customer prices low into the future.

We are proud to have switched on our new one-megawatt solar farm – the largest ground-mounted array in southern Victoria – sending power to the nearby Black Rock Water Reclamation Plant and cutting our operating costs by more than \$200,000 a year.

The project was our first large-scale renewable energy endeavour and paves the way for our targets of 100 per cent renewable electricity by 2025 and zero net emissions by 2030. A second stage expansion of the solar farm has been approved to deliver an additional two megawatts capacity by 2020.

At the SALT residential development in Torquay we are excited to have created the first housing estate in regional Australia to be recognised as a One Planet Community. One Planet Living is an internationally recognised leadership program based on ten simple principles that enable organisations to plan for, deliver and communicate sustainability. In 2017, we also became the first water utility in Australia to embrace the One Planet Living framework.

The project includes a 250kW solar array on Barwon Water land opposite the development. Each of the estate's 81 homes will also include electric car charging points, rainwater harvesting and have a minimum 7.5-star energy rating.

By developing our former water basin site ourselves rather than selling it to a developer, we are also reducing pressure on water bills and moving to realise our strategic vision of transitioning from water utility to an enabler of regional prosperity.

2017-18 has been a big year for Barwon Water and our people are central to all of these achievements. On behalf of the Board, we would like to thank all of our employees for their ongoing commitment to strengthening our region's economy, liveability and sustainability through the delivery of high quality and affordable water and sewerage services.

It is through our them that we are achieving our organisational vision of providing value to our customers and community, while contributing to greater regional prosperity, a more sustainable future and lower customer prices.

Jo Plummer

Chairman

Tracey SlatterManaging Director

Highlights

Reconciliation Action Plan launch

Barwon Water launched its first ever Reconciliation Action Plan (RAP) on May 31, 2018. The RAP provides an outline of the path we will follow on our journey to improve and enhance relationships with Aboriginal and Torres Strait Islander peoples and meet the objectives of our Strategy 2030.

By engaging with, and including, Aboriginal and Torres Strait Islander communities we promote recognition, respect, partnerships and opportunities.

In preparing the RAP, we reflected on our existing relationships and work practices and challenged ourselves to make significant step changes over the next two years. We identified many meaningful opportunities as a provider of essential services, an employer of choice and community partner.

The RAP outlines our plans to extend our current relationships with Aboriginal and Torres Strait Islander peoples into strong working partnerships, incorporating cultural values into core business practises. It also details actions we have committed to undertake in relation to addressing barriers for Aboriginal enterprises to supply goods/services to water corporations. These include:

 reviewing and updating procurement policies and procedures to ensure there are no barriers for procuring goods and services from Aboriginal and Torres Strait Islander businesses

- developing and communicating a list of Aboriginal and Torres Strait Islander businesses that employees can use to procure goods and services
- developing at least one commercial relationship with an Aboriginal and Torres Strait Islander owned business and investigating Supply Nation membership.

Thank you to Wadawurrung, Eastern Maar, Wathaurong, Kuuyang Maar and Guli Gad for helping Barwon Water to see the land, water and environment around us through the eyes of an Aboriginal person.

Their willingness to share knowledge and stories assists us to understand and support their cultures and histories, in turn helping Barwon Water to Connect with Country.

Cultural awareness training

For Barwon Water to achieve the objectives of its Reconciliation Action Plan, our employees must first understand the importance of country and history of local Aboriginal and Torres Strait Islander peoples.

Cultural Awareness Training was scheduled throughout 2017–18 for all employees to gain a better understanding of the world through the eyes of a Wadawurrung person.

The structure of the training was very organic, with no two sessions the same.

Barwon Water engaged Wadawurrung as the Traditional Owner and Registered Aboriginal Party for much of our service area to provide the training, which covered history, life as a contemporary Aboriginal and Torres Strait Islander person, challenges faced, casual racism, cultural heritage and a visit to a culturally significant site around Geelong.

The on-site visit helped employees to make a connection between what they learned in the office and the connection Aboriginal and Torres Strait Islander peoples have with country.

One-third of Barwon Water employees have completed Cultural Awareness Training during 2017-18, with more training to be conducted over the next 12-18 months.

Strategic partnerships

The 2017–18 year saw
Barwon Water take steps
to create, enhance and
strengthen partnerships
with customers,
industry and agencies
to help deliver our
vision enabling regional
prosperity.

Barwon Water signed new strategic partnership agreements with Future Proofing Geelong, Surf Coast Shire, The Gordon and Deakin, which has seen the organisations work together to provide greater regional value.

Under the partnerships, Barwon Water will strengthen its relationships and explore a range of projects, including renewable energy programs, skills training for the water industry, shared procurement and business development opportunities.

Barwon Water meets regularly with the organisations to ensure the agreements deliver tangible benefits beyond those which would be achieved with a business as usual approach. It also commits us to working together on bigger challenges and opportunities that can lead to better outcomes for our community's prosperity.

Part 1. Year in review

Recreational values

The 2017-18 year saw us unlock and promote some of our assets for community use.

Following the opening of Painkalac Reservoir for recreational activities, Barwon Water and Fisheries Victoria joined forces to stock the reservoir with 7,000 native estuary perch in December, 2017.

The collaboration between Barwon Water and Fisheries Victoria aligned with Barwon Water's 2030 Strategy vision of creating recreational and wellbeing opportunities for community benefit.

Strategic partnerships form a significant part of our future plans, and by leveraging our assets for shared community use, prosperity in the region can grow.

Painkalac Reservoir previously supplied Aireys Inlet and Fairhaven but was taken out of service when the townships were connected to the Geelong supply system via a pipeline from Anglesea in May, 2016.

The reservoir is now a Barwon Waterowned community use recreational asset and incorporates facilities such as picnic tables and interpretive signage for mixed community use.

As well as recreational fishing, the reservoir is also open for the public for walking, bird watching, horse riding and bicycle riding.

In a boost for local anglers, the Victorian Fisheries Authority also released 16,000 rainbow trout into Wurdee Boluc Reservoir in May, 2018.

The release is part of the Victorian Fisheries Authority (VFA) annual stocking program that also includes the release of 10,000 brown trout later this year.

Barwon Water continues to work with the VFA and community groups to plan and coordinate stocking its reservoirs with fish. This is in line with the Victorian Government's policy of improving the recreational opportunities offered by our waterways and water storages.

Water security

Lorne's future water supply was secured with the completion of the \$4.2 million upgrade of Allen Reservoir.

Throughout 2017–18, Barwon Water undertook a range of upgrades at the Allenvale Road site to increase flood level capacity and improve the stability of the dam wall to reduce the risk of infrastructure failures.

The 186 million litre reservoir, built in 1958, is Lorne's sole source of drinking water.

The upgrade works ensure Lorne's water supply is secure well into the future, with the risk of infrastructure failures significantly reduced. The investment supports the town's liveability, tourism and jobs and means local residents and traders can be confident in their water supply system for decades to come.

GROW

Barwon Water became a G21 Regional Opportunities for Work (GROW) Compact signatory during the 2017–18 year.

The primary, underlying objective of GROW is to address long–term, entrenched, placed-based disadvantage in the G21 region. It does this by focusing on what all the research identifies as the key and consistent element of place–based disadvantage – long–term joblessness.

GROW uses a collective impact framework, bringing together philanthropic, business, government and community organisations and making inclusive jobs growth in targeted areas of disadvantage a priority for everyone in the G21 region.

GROW asks partners to develop new business practices or change existing ones to benefit community members living in targeted areas of disadvantage.

It is a long-term strategy to generate local sustainable jobs, and support job seekers from areas with high rates of unemployment to have equitable access to these opportunities.

All GROW signatories are committed to integrating the philosophy that a prosperous community cares for the wellbeing of all its members into their own company's values and daily operations. Barwon Water is now considering the social value of its purchasing decisions, identifying potential training and employment opportunities for job seekers from target areas, and investigating the allocation of their routine operation and project spend to local suppliers and products, in line with business objectives.

During 2017-18, some of Barwon Water's achievements against GROW's action plan included:

- working with Wan-Yaari, Gforce and Northern Futures to facilitiate the employment of 13 new trainees as part of the 2018 traineeship program
- playing an active role through the attendance of GROW meetings and workshops to assist understanding regional future procurement activity
- encouraging new GROW Compact signatories through the procurement award process
- participating in and hosting GROW and Localised forums in Ryrie HQ's community hub
- forming a Social Procurement Panel to source goods or services from social enterprises
- where possible, including social procurement schedules and weightings in the Tender evaluation process.

Summary of financial results

I, Jo Plummer, on behalf of Barwon Region Water Corporation, certify that the Barwon Regional Water Corporation and its wholly owned subsidiary Barwon Asset Solutions have complied with the applicable Standing Directions of the Minister for Finance under the Financial Management Act 1994 and Instructions.

Joane Plumer

Jo Plummer Chair

August 16, 2018

Financial summary

Barwon Water's operations make a significant positive contribution to our region's economy and liveability.

.........

During 2017-18, our organisation had a **\$234** million turnover. **\$2.7 billion** in assets and spent \$66 million in capital and related infrastructure works.

We continued to deliver strong and financially sustainable results. 2017-18 was the fifth and final year of the 2013–18 Price Submission, which continued our commitment to keeping prices low and delivering affordable water services to our customers. It also established a sound basis for the delivery of our 2019-23 Price Submission.

The 2017-18 financial year saw us continue our focus on customer affordability,

innovation and sustained investment in infrastructure renewal and growth activities. We remained focused on keeping prices low by improving operational efficiencies in a period of strong regional growth and met all service performance and customer responsiveness targets.

Debt was reduced by \$21 million to \$545.4 million during the year, reflecting the continued financial sustainability of the business. Barwon Water remains committed to reducing debt levels, while continuing to fund capital that provides tangible and long-term benefits to the community.

Challenges overcome

With extensive community consultation and customer engagement, Barwon Water's prices for the next five years were approved by the Essential Services Commission through the 2019-2023 Price Submission.

To keep our customers' bills stable and low, we will deliver savings of \$26 million over the next five years by identifying operational efficiencies through improved processes and ways of working.

By the end of the new five-year pricing period:

- · the average bill (excluding inflation) for a residential owner occupier will be lower by 7.6 per cent at \$1,038, which is \$163 less than 2013 (\$1,201); and
- non-residential customers will pay the same as residential customers.

Significant changes in financial position

Barwon Water's ongoing commitment to long-term service delivery through adequate and efficient infrastructure has provided for investment in the following key areas:

- \$37.6 million was invested in infrastructure renewal projects, including \$5.1 million on water mains replacements and \$4.2 million on the ovoid sewer lining
- · \$13.7 million related to Barwon Water's investment in infrastructure for growth, including \$2.6 million on the Scotchman's Hill to Clifton Springs transfer main
- \$6.4 million increase in infrastructure assets received from developers, reflecting the ongoing growth in development activities throughout the region.

Investment in infrastructure was funded through \$71.7 million in funds from operations, while reducing net borrowings by \$21 million through our continued focus on disciplined capital and cash management.

Major changes or factors affecting performance

Barwon Water's net result before tax was a surplus of \$17.9 million, which was \$13.3 million higher than the prior year. A combination of factors contributed to achieving this result, with the continuation of strong regional development and growth resulting in higher capital revenues and higher customer connections.

Events subsequent to balance date

No material events occurred after balance date.

Summary of financial results

Financial Result	2017-18 (\$'000)	2016-17 (\$'000)	2015-16 (\$'000)	2014-15 (\$'000)	2013-14 (\$'000)
Tariff revenue	181,199	171,861	176,542	172,139	171,987
Capital revenue	44,017	33,066	32,886	29,217	20,610
Government contributions	386	362	170	128	268
Other revenue	8868	8,159	8,436	5,064	5,209
Total revenue	234,470	213,448	218,034	206,548	198,074
Operating expenditure	94,157	88,279	79,051	78,143	80,210
Depreciation expenditure	75,969	74,281	67,126	64,863	60,813
Finance costs	39,436	39,347	39,913	39,737	38,795
Other expenditure	6,933	6,870	6,920	6,906	6,958
Total expenditure	216,495	208,777	193,010	189,649	186,776
Net result before tax	17,975	4,671	25,024	16,899	11,298
Current assets	52,211	68,117	61,206	60,813	47,087
Non-current assets	2,673,242	2,662,134	2,636,016	2,262,596	2,250,014
Total assets	2,725,452	2,730,251	2,697,222	2,323,409	2,297,101
Current liabilities	94,547	78,728	77,116	72,473	82,601
Non-current liabilities	900,877	933,452	905,443	796,424	775,940
Total liabilities	995,424	1,012,180	982,559	868,897	858,541
Net cash flows from operations	71,679	48,474	81,152	74,295	67,979
Payments for property, plant and equipment (including infrastructure)	67,858	84,514	81,338	64,629	100,655

Barwon Water's financial performance to June 30, 2018

Performance indicator	2017-18	2016-17	2015-16	2014-15	2013-14
Internal Financing Ratio	118.7%	60.3%	102.8%	118.8%	68.7%
Gearing Ratio	21.8%	22.5%	21.7%	25.2%	24.9%
Interest Cover (EBIT)	1.45 times	1.12 times	1.63 times	1.43 times	1.29 times
Interest Cover (Cash)	3.09 times	2.42 times	3.36 times	3.18 times	3.10 times
Return on Assets	2.09%	1.61%	2.57%	2.44%	2.19%
Return on Equity	0.74%	0.22%	1.12%	0.84%	0.60%



Part 1. Year in review

Capital expenditure

Barwon Water's operations have a significant impact on the region's economy and liveability. Our organisation had a turnover of \$234 million, \$2.7 billion in assets and spent \$66 million in capital and related infrastructure works during 2017-18.

The \$6.3 million spent on water headworks projects included:

- \$2.6 million for the Allen Reservoir embankment upgrade
- \$1.3 million for the Renewal WBIC –
 Driscolls piping and embankment
- \$0.8 million for the Colac water source augmentation.

The \$8.2 million spent on major transfer and distribution projects included:

- \$2.1 million for the Torquay TM booster pump station
- \$1.4 million for the Highton basin inlet improvements
- \$0.9 million for the Colac HL and eastern rural water main realignment.

Other major water infrastructure projects included:

- \$5.1 million for water mains replacements
- \$0.2 million for the Lara West feeder main stage 3
- \$0.2 million for minor reticulation improvements.

The \$1.0 million spent on recycled water infrastructure included:

- \$0.3 million for Bannockburn south irrigation site infrastructure
- \$0.2 million for the Armstrong Creek activity centre RW mains.

The \$23.8 million spent on investment in sewerage infrastructure included:

- \$4.2 million for the ovoid sewer lining
- \$3.4 million for mains replacement and rehabilitation
- \$3.2 million for stage 1 of the Black Rock solar farm.

Item	2017-18 \$'000	Change %	2016-17 \$'000	Change %	2015-16 \$'000	Change %	2014-15 \$'000	Change %	2013-14 \$'000	Change %
Water supply										
Headworks	6,282	-54.3	13,736	240.2	4,038	-31.2	5,866	-38.4	9,528	-58.6
Water treatment and quality	1,640	53.5	1,068	-40.8	1,804	-36.5	2,839	-74.1	10,972	286.3
Major transfer and distribution	8,231	47.0	5,598	-42.2	9,680	11.5	8,678	-60.6	22,008	1.8
Reticulation	6,311	-31.7	9,240	34.4	6,875	25.7	5,470	-34.7	8,378	-7.2
Total water	22,465	-24.2	29,642	32.4	22,396	-2.0	22,853	-55.1	50,886	-10.0
Sewerage										
Water reclamation and disposal	9,495	80.2	5,269	-74.8	20,883	133.2	8,954	135.3	3,805	1.6
Main sewers	9,239	170.1	3,421	-43.6	6,065	-49.3	11,975	30.0	9,210	-57.0
Reticulation and other	5,115	-2.5	5,245	-43.6	9,300	44.5	6,438	41.5	4,549	40.6
Total sewerage	23,849	71.2	13,934	-61.6	36,248	32.5	27,367	55.8	17,563	-38.1
Recycled water										
Total recycled water	965	-69.4	3,151	404.1	625	-83.2	3,714	-76.6	15,891	-73.1
Other works and services										
Building	2,131	-91.0	23,618	97.7	11,946	213.1	3,815	2857.4	129	-43.4
Corporate information	3,443	127.0	1,517	55.4	976	-14.5	1,141	-43.1	2,006	-78.7
Other corporate	13,251	16.0	11,428	48.4	7,703	67.2	4,606	163.8	1,746	239.7
Total other works	18,825	-48.5	36,563	77.3	20,626	115.7	9,562	146.4	3,881	-61.9
Total	66,104	-20.6	83,290	4.2	79,895	25.8	63,496	-28.0	88,221	-42.7

Capital projects

Barwon Water managed 168 capital projects during 2017-18. No projects completed during the reporting period exceeded the disclosure threshold of \$10 million.

For information on recent capital projects managed by Barwon Water and the broader Victorian public sector, please refer to the most recent Budget Paper No. 4 State

Capital Program (BP4) available on the Department of Treasury and Finance's website www.budget.vic.gov.au/budget-papers.





Part 2. Water consumption

2017-18 Weekly household water consumption (kilolitres)

Month	Week 1	Week 2	Week 3	Week 4
January	4.21	4.21	4.21	4.21
February	4.21	4.21	4.21	4.21
March	4.21	4.21	4.21	4.21
April	3.76	3.76	3.76	3.76
May	3.76	3.76	3.76	3.76
June	3.76	3.76	3.76	3.76
July	2.69	2.69	2.69	2.69
August	2.69	2.69	2.69	2.69
September	2.69	2.69	2.69	2.69
October	2.95	2.95	2.95	2.95
November	2.95	2.95	2.95	2.95
December	2.95	2.95	2.95	2.95
Total	40.85	40.85	40.85	40.85

Regional metered water consumption (megalitres)

	2017-18	Change %	2016-17	Change %	2015-16	Change %	2014-15	Change %	2013-14	Change %
Apollo Bay	266	10.0	242	-8.4%	264	6.6%	248	5.5%	235	1.2
Aireys Inlet	123	7.5	115	-10.4%	128	17.1%	109	9.3%	100	-7.8
Anglesea	350	5.3	332	-12.3%	379	10.9%	342	1.6%	336	-2.3
Bellarine Peninsula	4,779	8.2	4,418	-6.3%	4,715	13.9%	4,140	4.0%	3,980	0.2
Colac and district	2,774	9.2	2,541	-10.8%	2,847	6.3%	2,679	-1.0%	2,706	-8.3
Geelong urban	23,001	4.1	22,102	-5.3%	23,341	9.9%	21,236	4.1%	20,391	-4.8
Lorne	325	6.4	305	-9.9%	339	7.5%	315	2.9%	306	1.5
Skenes Creek	30	2.5	29	-7.3%	31	21.1%	26	-2.5%	27	-6.3
Torquay	1,836	11.6	1,645	1.2%	1,625	13.1%	1,437	7.5%	1,336	-1.6
TOTAL	33,486	5.5	31,729	-5.8%	33,670	10.3%	30,533	3.8%	29,418	-4.3

Bellarine Peninsula: Barwon Heads, Bellarine, Breamlea, Clifton Springs, Curlewis, Drysdale, Indented Head, Mannerim, Marcus Hill, Ocean Grove, Point Lonsdale, Portarlington, Queenscliff, St Leonards, Swan Bay, Wallington.

Geelong urban includes: Anakie, Avalon, Balliang, Bamganie, Bannockburn, Batesford, Birregurra, Fyansford, Gheringhap, Inverleigh, Leopold, Lethbridge, Little River, Marshall, Maude, Meredith, Modewarre, Moorabool, Moriac, Mount Moriac, Murgheboluc, She Oaks, Shelford, Staughton Vale, Sutherlands Creek, Teesdale, Thompson, Winchelsea, Wurdiboluc.

Residential and non-residential metered potable water consumption

	Residential			Non-res	sidential			
District	Number of water customers ¹	Volume consumed (ML) ²	Weekly potable consumption (kL)	Number of water customers ¹	Volume consumed (ML) ²	Total consumption (ML)	Per capita consumption (litres/ person/day)	Average annual consumption (ML) ³
Geelong and district	133,138	21,721	417,714	10,607	8,174	29,895	203	28,988
Colac and district	6,732	1,427	27,439	1,196	1,348	2,774	273	2,767
Apollo Bay/Skenes Creek	2,189	202	3,893	170	121	324	281	316
Lorne	2,261	230	4,431	162	94	325	359	326
Aireys Inlet/Fairhaven	1,607	157	3,017	47	11	168	395	166
Total	145,927	23,738	456,494	12,182	9,748	33,486	208	32,563

^{1.} This is the total number of properties connected to Barwon Water's water supply service.

Residential and non-residential metered recycled water consumption

	Non-res (Clas		Non-residential (Class A)		Residential (Class A)			
District	Number of water customers	Volume consumed (ML)	Number of recycled water customers	Volume consumed (ML)	Number of recycled water customers	Volume consumed (ML)	Total consumption (ML)	Average annual consumption (ML)
Geelong and district	33	1,681	13	1,278*	4,832	N/A**	2,959	3,050
Colac and district	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Apollo Bay/Skenes Creek	1	0.1	N/A	N/A	N/A	N/A	0.1	0.2
Lorne	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Aireys Inlet/Fairhaven	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	34	1,681	13	1,278	4,832	N/A	2,959	3,050

^{*} One customer, Viva Energy Australia, used the stated amount of Class A recycled water.

Non-revenue water (ML) 2017-18

	Leakage	Firefighting*	Other**	Total
Barwon Water service region	2,891	_	231	3,122

^{*}Water used for firefighting purposes is not metered.

^{2.} Metered consumption excludes non-revenue water.

^{3.} Average calculated over three years.

^{**} There was no Class A recycled water volume consumed by residential customers in 2017-18 because the commissioned Class A recycled water plant was not brought into operation due to insufficient demand.

^{**}Includes combined potable metered hydrant volumes and volume used by Barwon Water for mains flushing, scouring and other maintenance. The two cannot be separated and the mains flushing, scouring and other maintenance is marginal.

Part 2. Water consumption

Corporate water consumption

This is the 13th year Barwon Water has officially measured employee water consumption for its sites/offices.

Usage figures for other Barwon Water sites are difficult to determine and compare, as measurements include operational consumption as well as employee water use.

	2017-18							
Location	Total full-time equivalent employees	Office space (m2)	Water consumption (kL)	kL/FTE	Water consumption by office space (I/m2)			
55-67 Ryrie Street (Geelong)	274	6,071	1,237	4.51	203.76			
33 Bromfield Street (Colac)	3	190	20	6.67	105.26			
Total	277	10761	1,257	4.54	116.81			

Major non-residential water users

Customer by volume range

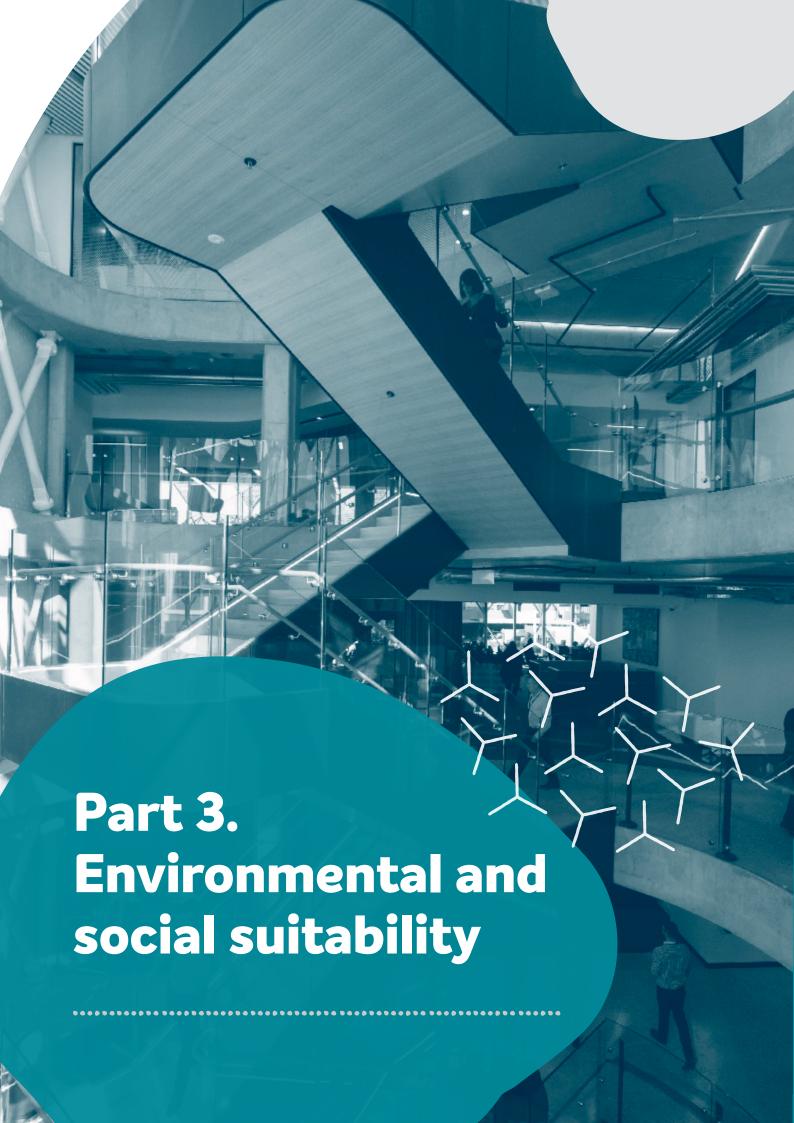
Volumetric range – ML per year	No. customers
Equal to or greater than 100 ML and less than 200 ML	10
Equal to or greater than 200 ML and less than 300 ML	4
Equal to or greater than 300 ML and less than 400 ML	1
Equal to or greater than 400 ML and less than 500 ML	1
Equal to or greater than 500 ML and less than 750 ML	1
Equal to or greater than 750 ML and less than 1,000 ML	1
Greater than 1,000 ML	1
Total no. of customers	19

Major customer participation in water conservation programs

Name of customer	Information as to customers participation in water conservation program
AKD Softwoods Pty Ltd	Yes, water consumption monitoring and leak detection.
Australian Lamb Pty Ltd	Yes, water consumption monitoring and leak detection.
Barrett Burston Ltd	Yes, water consumption monitoring and leak detection.
Barwon Health – Geelong Hospital	Yes, water consumption monitoring and leak detection.
City of Greater Geelong	Yes, water consumption monitoring and leak detection.
Colac Otway Shire	Yes, water consumption monitoring and leak detection.
Deakin University	Yes, water consumption monitoring and leak detection.
EP Robinson Pty Ltd	Yes, water consumption monitoring and leak detection.
Geelong Grammar School	Yes, water consumption monitoring and leak detection.
Malteurop Australia Pty Ltd	Yes, water consumption monitoring and leak detection.
MC Herd Pty Ltd	Yes, water consumption monitoring and leak detection.
Surf Coast Shire	Yes, water consumption monitoring and leak detection.
Turi Foods P/L	Yes, water consumption monitoring and leak detection.
Viva Energy Refining Pty Ltd	Yes, water consumption monitoring and leak detection.

Other water efficiency reporting

Two account managers are responsible for providing a range of services to key customers, including encouraging customers to adopt water saving solutions.



Environmental sustainability

Sustainable water use

We understand there are sustainable limits on the use of natural resources, including water. Optimising value from existing infrastructure and available resources is essential to provide the foundation for a strong economy, healthy environment, liveable towns and cities and a prosperous region in the decades to come.

Our long-term ambition is to achieve optimal use of our resources to the full extent possible and achieve zero waste.

This includes managing our water and wastewater to recover and re-use not only water, but other resources, such as energy and nutrients embodied within waste streams.

Reducing waste will not only enhance our environment, it will help drive innovation to identify and deliver greater productivity.

Internally, we are engaging all staff in the identification of waste and process improvement projects that make us a more customer–focused, productive and high performing organisation.

Recycled water

Barwon Water continues to invest in the staged implementation of dual pipe water infrastructure to supply Class A recycled water to residents at Armstrong Creek and Torquay North. Recycled water is supplied

from the Black Rock Recycled Water Plant. The plant treats wastewater from Black Rock via ultra-filtration, reverse osmosis, ultraviolet and chlorine disinfection to produce Class A recycled water.

Significant quantities of Class A recycled water continue to be supplied to VIVA Energy's Geelong refinery from the Northern Water Plant, reducing the requirement for use of drinking water for refinery operations.

Class C recycled water is produced at all of Barwon Water's water reclamation plants and is supplied to a range of non-residential customers for watering golf courses, horticulture, agriculture and viticulture.

Urban Water Strategy

Barwon Water's 2017 Urban Water Strategy (UWS) sets out how we will continue to deliver secure water supplies, supporting resilient and liveable communities under a range of climate futures, over the next 50 years.

The strategy considers a growing population, changing climate, evolving customer needs and a desire to protect and sustain the environment and cultural values, including Traditional Owner values.

It emphasises the need to make the most productive use of what we have to support the region's ongoing prosperity. It also explores the role of alternative water sources, considering all aspects of the water cycle, to meet future demand.

The strategy shows how significant investment in new water supplies over the past decade has secured the water supply for the Greater Geelong region and Colac. However, an upgrade to the Apollo Bay system may be required as early as 2024 under worst-case conditions. Lorne's water supply may also require an upgrade as soon as 2032 under worst-case conditions.

The 50-year outlook of the Urban Water Strategy enables – and requires – Barwon Water to rise boldly to this challenge. We are optimistic about our ability to respond as an organisation and as a community, working together to make the best use of the resources we have available to drive the region's continued prosperity and liveability.

The strategy updates and replaces the 2012 Water Supply Demand Strategy.

Water conservation

With Greater Geelong's water supplies secured, Barwon Water's water conservation efforts continued to be centred around demand management in Colac during 2017-18. Four customer segments within the Colac water supply district were targeted for demand management activities, including agricultural, manufacturing, residential and commercial/other customers.

During 2017–18, Barwon Water collaborated with Smart Approved Watermark and other

Victorian water corporations to continue to develop educational material for the Smart Water Advice website. The website provides community and educational material for customers to improve water efficiency.

Water awareness campaign

During 2017–18, Barwon Water continued to implement the Target Your Water Use (TYWU) campaign. TYWU is an action from Victorian Government's water plan, Water for Victoria. The campaign aims to improve water literacy and water efficiency awareness for customers.

Colac agricultural program

Agricultural customers connected to the drinking water supply network use approximately 31 per cent of all drinking water consumed in Colac (930 million litres a year).

Most consumption can be attributed to just 100 of the region's 600 farm-based customers. On-farm leaks are a significant and ongoing issue for many high water using agricultural customers in the Colac district.

Approximately 80 farms in the Colac district have access to hourly water use data via state of the art radio transmitting technology, which allows farmers to view their water use online and detect irregularities that may indicate leaks. Once detected, the leaks can be quickly repaired, saving money and drinking water.

The on-farm leak detection program is expected to have saved over 100 million litres of drinking water since the program commenced in 2012.

Colac manufacturing program

The manufacturing sector in Colac accounts for approximately 25 per cent of all drinking water consumed within the district. Three businesses, Australian Lamb, Bulla Dairy Foods (Regal Cream Products) and Australian Kiln Driers (AKD) account for approximately 18 per cent of Colac's total annual drinking water consumption.

During 2017-18, the three businesses continued to investigate opportunities for process improvements to reduce water use and improve water efficiency.

Colac residential program

Residential customers in Colac use approximately 32 per cent of drinking water in the district. Average residential water consumption in Colac's urban area was approximately 137 million litres a year. In 2017-18, Barwon Water continued a residential leak detection trial using digital metering technology on 190 residential properties in Colac. In the first 6 months of the trial, 10 per cent of homes were found to have a leak.

Colac commercial/other program

Non-manufacturing businesses and municipal irrigation account for around 12 per cent of total drinking water use in Colac. Barwon Water is continuing to work with Colac Otway Shire to identify water saving opportunities for high water using commercial and local government facilities.

Schools Water Efficiency Program

The Schools Water Efficiency Program (SWEP) is a Department of Environment, Land, Water and Planning and Department of Education and Training program, which enables schools to track their water usage using data logger technology.

By monitoring water usage, schools can detect and rectify leaks, saving water and money. The program also provides students with an opportunity to learn about water efficiency through program specific curriculum resources.

In 2017-18, Barwon Water commenced a new initiative to increase school participation in the program and encourage existing schools to stay on the program. Since December, 2017, the number of schools participating in the program has increased from 35 to 69.

Integrated Water Cycle Management (IWCM)

Barwon Water is committed to helping transform Victorian cities and towns into the most resilient and liveable. We aim to include all elements of the urban water cycle in the way we plan and manage water so communities across the Barwon region can continue to thrive in all climates.

The water cycle system is complex and interrelated, with many stakeholders having a role to play in managing its various aspects. Due to its complexity, it is important we continue to work closely with our stakeholders and take an integrated, cross agency management approach to ensure our region continues to remain prosperous.

Barwon Water has been at the forefront of Integrated Water Cycle Management Network (IWCM) through the coordination of the Barwon Region Integrated Water Cycle Management Network, a practitioner group focused on taking a collaborative approach to regional planning.

Integrated Water Cycle Management (IWCM) (Continued)

Barwon Water has also supported the Barwon IWM Forum, whose role is to provide leadership and strategic guidance for IWM planning across the region in line with Water for Victoria.

During 2017–18 Barwon Water was focused on progressing IWM across our region. Some initiatives included:

- continuing to embed integrated water cycle management early in urban planning for Geelong's long term growth areas, collaborating with City of Greater Geelong in planning for the Western and Northern Geelong growth areas
- Leading specific IWM projects/plans, such as:
 - Clifton Springs Golf Club IWM Plan

 utilising recycled water, improving

 waterway corridors, activating open
 space, fixing long standing erosion
 processes and enhancing urban liveability
 - Deakin IWM Plan preparing an IWM
 Plan for the yet to be developed western edge of the Waurn Ponds campus

collaboration with Colac Otway
 Shire and the Forrest community,
 exploring opportunities for wastewater improvements in the township of Forrest.

Sustainable water strategies

The Central Region Sustainable Water Strategy was released in 2006 and the Western Region Sustainable Water Strategy in 2011. Most actions relevant to Barwon Water in these strategies have been implemented or are ongoing.

The value of green open space

Public open space assets include parks and gardens, sporting fields and golf courses. These assets are the only green spaces available to the community during drought, therefore the preservation of green open space has significant liveability outcomes.

Due to favourable climate conditions and prior investment in standby water sources, water restrictions were not required during 2017–18. Barwon Water recognises the economic and social importance of maintaining green assets for the community and the impact water restrictions have on the irrigation of public green spaces. In 2017–18, Barwon Water engaged with local government authorities to identify open space areas, their water requirements and developed arrangements for the protection of priority green open spaces during dry periods.

Showerhead exchange

Barwon Water offers a showerhead exchange program to encourage customers to replace old, inefficient units with a new water saving showerhead.

Customers can bring old showerheads into any Barwon Water customer service centre.

Community engagement

Barwon Water is recognised as an industry leader in providing outstanding value and effective engagement with our customers and the community:

- We inform and engage broadly and deeply to build trust and value.
- We provide an effortless customer experience, anywhere, anytime.
- We provide timely, valued and integrated service provision to customers.

Barwon Water has a dedicated Community and Stakeholder Engagement Strategy (currently under review), which outlines various processes and methods on engagement with customers, stakeholders and the community.

The Strategy references the IAP2 public participation spectrum and community engagement model.

Environmental Consultative Committee

The Environmental Consultative
Committee (ECC) helps ensure Barwon
Water carries out its business in an
environmentally responsible manner. The
ECC meets bi-monthly and comprises
representatives from local environmental
groups, individual community members and
an independent chair.

In 2017-18, the ECC met five times and conducted one field trip. Key topics discussed included:

- · Ryrie HQ building tour
- · Barwon Downs borefield licence renewal
- Strategy 2030
- · Infrastructure Delivery projects
- · Black Rock solar farm tour
- · Recycled Water Plan
- Renewable Energy Program
- · A review of the committee.

Barwon Water thanks the members of the ECC for their commitment and expertise during the year:

- · Susan Howells, independent Chair
- Alan Barlee and Jen Wressell, Geelong Sustainability Group
- · Cameron Steele, Environment Victoria
- · Daryl Hoffmann, community member
- Deborah Evans, Geelong Field Naturalists Club
- Geoff Gayner, Geelong Environment Council
- · John Wade, ANGAIR
- John King, Indigenous Flora and Fauna Association of Victoria (resigned May, 2018)
- Ron Patterson, community member (resigned May, 2018)
- Simon Cook, Moorabool Catchment Landcare Group (resigned November, 2017).

broad-based and targets customers and the community generally, as well as students at preschool, primary, secondary and tertiary levels.

An Education Officer is employed to coordinate the program, develop materials and deliver key messages on:

- · Water as a natural resource.
- · The health benefits of drinking water.
- · The need for the efficient use of water.
- The role of Barwon Water in the supply of water and sewerage services.
- Developments in the area of recycled water re-use.

8,251 students and community members across the region.

The most popular aspects of the program were interactive site tours and in-class sessions, with 122 tours conducted and 180 in-class sessions delivered over this period.

The program also encouraged students to consider and connect with the environment through tree planting days and the annual National Water Week poster competition. In 2017–18, 519 students from 10 schools submitted posters for the competition. More than 300 students were involved in planting 1,200 native trees at schools and at other environmentally sensitive locations.

Barwon Water was also involved in five community events: Royal Geelong Show, Colac Agricultural Show, World Tree Day, GPAC Sustainability Festival and Geelong Big Play Day.

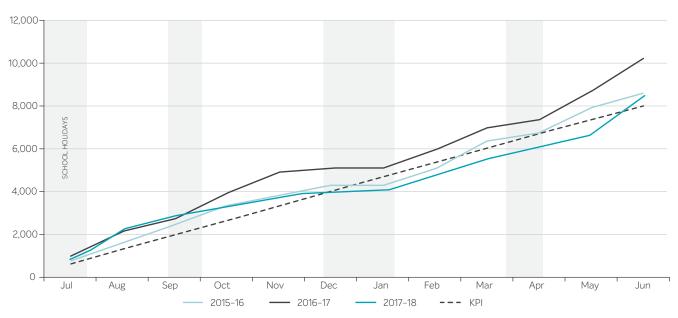
Education program

Barwon Water's education program is

During 2017-18, the program reached

	2017-18	2016-17
Students reached	8,486	10,190
Tours conducted	122	155
In class sessions conducted	182	194

Education program participation



Barwon Downs licence renewal project

Barwon Downs borefield is an important resource for Barwon Water, which has been called on previously in times of dry periods to supplement low surface water storages.

The borefield is operated under licence from Southern Rural Water. This licence was granted in 2004 and is due for renewal by June, 2019.

An application to renew the existing licence has been developed over the past six years informed by three inputs:

- A comprehensive, scientifically-based monitoring program and supporting technical studies initiated in 2012:
- A community reference group established in 2013 who have provided guidance and input throughout the entire process. The culmination of this group's work was a report to the Barwon Water Board that supported the renewal of the licence and the approach Barwon Water is proposing to take in the next licencing period; and
- Wider consultation with the broader community and our stakeholders to ensure our application incorporated outcomes important to them. Through three dedicated workshops held in late 2017, nine community outcomes were identified.

Barwon Water anticipates that the submission of the licence application will occur during the 2018–19 year.

Drought preparedness plan

Barwon Water has integrated its Drought Preparedness Plan into the 2017 Urban Water Strategy to account for long and short term planning to better respond in the event of supply shortages.

Barwon Water uses the Drought
Preparedness Plan, which includes
the Drought Response Plan(s), as a
management tool to ensure security of
water supply for customers during drought
and when storages run low.

Drought response report

No supplementary water sources required activation for drought response during 2017–18.

Restriction rule curves

The restriction rule curves are developed for each water supply system to guide the introduction of water restriction stages depending on the time of year and the volume of water in storages. They are also used in conjunction with weather forecasts to guide decisions on lifting restrictions.

Water restrictions by-law

The water restrictions by-law is a state-wide set of rules that establish the allowable uses for water throughout the various stages of restrictions. These rules provide Barwon Water with the power to ensure water use is controlled during drought.

The four stages of water restrictions focus on outdoor water use and restrict activities such as garden watering, filling of pools and spas and car washing.



Communications strategy

Designed to keep the community informed on the status of water supplies and encourage water conservation, the strategy involves:

- Briefings to key stakeholders, including local councils, large water users, tourism outlets, coastal committees, sporting clubs, the ECC and the CCC.
- Advertising campaigns using print and radio media.
- · Bill advertising.
- Media releases
- · Brochures and signage.
- Customer mail out: customers receive a letter advising of the level of water restrictions being implemented and a brochure explaining the rules.
- · Pop-up information stalls.
- · Social media and website updates.

Drinking water quality

In accordance with the *Safe Drinking Water Act 2003*, Barwon Water has a water quality risk management plan in place to ensure the provision of safe drinking water.

Barwon Water also maintains a HACCP-certified drinking water quality management system, which covers the entire water supply system from the catchment to the point of supply at the meter.

In December, 2017, Barwon Water successfully passed its HACCP Surveillance Audit. In the same month Barwon Water also successfully passed an audit of its water quality risk management plan against the requirements of the *Safe Drinking Water Act 2003*.

Throughout 2017–18, Barwon Water delivered drinking water to each water sampling locality in accordance with the required standards in the *Safe Drinking Water Regulations 2015*.

The number of water quality complaints received in 2017–18 was 0.85 per 1,000 properties, which is the lowest number of complaints per property on record.

There was a decrease in complaints of 0.82 per 1,000 properties on the previous year, which could be attributed to three factors:

- An additional upgrade to the Moorabool Water Treatment Plant, leading to a further reduction in seasonal organic taste and odour compounds in the treated water.
- Enhanced communication and engagement with customers about seasonal source water changes.
- A reduction in colour complaints since no widespread dirty water events occurred in 2017-18

Central Region Sustainable Water Strategy (2006) Victorian Waterway Management Strategy 2013

Environmental flows

The Central Region Sustainable Water Strategy (2006) identified the Moorabool River as Victoria's most flow-stressed river. It committed to returning an average of up to 2,500 million litres a year to environmental flows in the Moorabool River by transferring part of Central Highlands Water and Barwon Water entitlements to an environmental entitlement.

The 2,500 million litre a year entitlement is used for summer low flows and freshening flows, which are critical flow components required to improve water quality in remnant habitat pools used by fish and animal life to ensure they survive during dry periods.

The environmental entitlement volume is deducted from Barwon Water's Lal Lal Reservoir entitlement based on the proportion of the total bulk entitlement held in the Moorabool system. Therefore, Barwon Water contributes 43 per cent of the 2,500 million litre a year environmental entitlement.



Other statutory obligations

Environment strategy

Barwon Water's 2013-2018 Environment Strategy provides strategic direction on its commitment to environmental responsibility. It describes the current programs and actions to manage environmental impacts, as well as future initiatives, to continually improve environmental performance. The strategy aims to:

- protect catchments for current and future generations
- minimise the impact of water supply extraction on waterways and groundwater dependent ecosystems
- protect and enhance land and biodiversity values across the region and support efforts to halt the decline in biodiversity
- combat climate change through a reduction in our carbon emissions
- implement a sustainable procurement policy
- manage waste generated and received in accordance with regulatory standards.

Catchment and waterway management

Barwon Water harvests water from declared drinking water supply catchments on the Barham, Barwon, Gellibrand, Moorabool and St George Rivers. While these are largely contained within publicly managed national parks and reserves,

significant areas of private land are also present within some catchments.

Barwon Water has a keen interest in ensuring the protection and rehabilitation of land and waterways within these catchments in accordance with the priorities established in the Corangamite Regional Catchment Strategy, the Corangamite Waterway Strategy and the Victorian Waterway Management Strategy.

In 2017–18, Barwon Water continued to work in partnership with Corangamite Catchment Management Authority (CMA) through its river health agreement, and with Landcare to protect and enhance waterways within drinking water supply catchments, contributing \$114,000 in partnership funds to:

- Moorabool Catchment Landcare Group
- Southern Otway Landcare Network
- Upper Barwon Landcare Network.

Barwon Water contributes \$70,000 annually to on-ground work for river health projects in water supply catchments under the Barwon Water-Corangamite CMA River Health Partnership Agreement.

The Corangamite CMA's 2016-2020 Waterway Frontage Protection Program has to date received over 98 expressions of interest from landholders covering a total river frontage length of 167 km and an area of 811 hectares. Of this, 44 sites were awarded contracts. In total a river frontage length of 88 km and area of 385 hectares will be under active management through this program

to undertake works, including pest plant and animal control, fencing for stock exclusion and revegetation.

Additionally, Barwon Water has committed \$130,000 per annum for four years to help fund The Living Moorabool project. This is one of 10 Flagship Waterways projects showcasing a large scale restoration approach. Partnerships established between the Corangamite CMA, Barwon Water, community groups and Traditional Owners are delivering activities that will include river back protection and riparian enhancement, removal of fish barriers, delivery of environmental flows and shared benefits for the community.

Barwon Water also provided **\$25,000** toward ongoing operation of the Corangamite WaterWatch program.

The program supports community groups conduct water quality testing at monitoring sites and delivers an education program to schools in the Corangamite region. Staff attend these public events to promote river health and discuss water and catchment issues.

Program	Partner	Focus	2017-18 funding
Landcare partnerships	Moorabool Catchment Landcare Group	Upper Moorabool River catchment	\$38,000
Landcare partnerships	Southern Otway Landcare Network	Barham River catchment	\$38,000
Landcare partnerships	Upper Barwon Landcare Network	Upper Barwon River catchment	\$38,000
River Health partnership	Corangamite CMA	Priority waterways and catchments	\$70,000
Corangamite region WaterWatch	Corangamite CMA	Waterway health education	\$25,000

Victorian Biodiversity Strategy 2017

As a manager of significant areas of land and as a major infrastructure and service provider across the region, managing impacts on native biodiversity is an important environmental aspect of Barwon Water's activities. Barwon Water has continued to implement policies, procedures and programs to protect, enhance and restore biodiversity, consistent with the vision and goals of Victoria's biodiversity strategy Protecting Victoria's Environment – Biodiversity 2037. Barwon Water implements targeted biodiversity plans to address priority biodiversity assets on a range of Barwon Water sites.

Procedures, training and support for environmental planning and management of capital works projects continue to facilitate avoidance and minimisation of risks to biodiversity from the siting, design and construction of new infrastructure.

The Geelong Community Nursery, operated as a partnership between Barwon Water and Karingal, provides native plant propagation facilities for the use of community groups. Native plants are produced for revegetation projects focusing on catchment and biodiversity restoration.

State Environmental Protection Policy (Waters of Victoria)

Barwon Water's amalgamated EPA licence sets out environmental performance conditions for 10 of its water reclamation plants. The licence allows for the discharge of recycled water into local waterways and for re-use of treated wastewater.

The amalgamated licence includes 113 licence conditions spread across the 10 premises. During 2017–18, Barwon Water achieved compliance against all 113 of the licence conditions, though this will be confirmed in the coming weeks once all assessments and audits have been conducted

Barwon Water has a separate EPA licence for an emergency biosolids storage and processing site located at Western Treatment Plant (Melbourne Water). During 2017-18, Barwon Water achieved compliance against all nine licence conditions in this licence.

Victorian urban stormwater: best practice environmental management guidelines

All construction environmental management plans include measures to manage risks to stormwater and are implemented during infrastructure projects.

Traditional Owner engagement

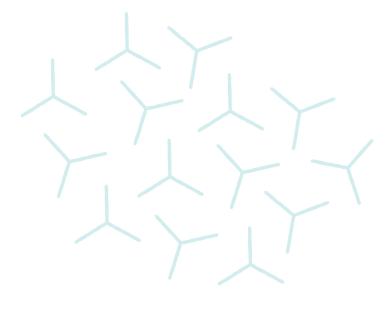
Barwon Water engaged Traditional Owners to ensure Aboriginal water values and resource uses were included in water planning and management activities during 2017–18.

Barwon Water is currently exploring opportunities as part of its review of the Central Region Sustainable Water Strategy to provide access to water to Aboriginal groups for economic development.

We are also working with DELWP's
Aboriginal Water Unit to extend current
expression of interest processes around
water purchase available to Barwon Water
for local Traditional Owners.

Barwon Water has initiated a number of programs that seek to achieve shared benefits with Traditional Owners and Aboriginal communities, including:

- The Duneed Reserve and the Porronggitj Karrung projects, where Barwon Water will work with Traditional Owners to ensure Aboriginal Values are front of mind.
- Providing funding support to a dedicated Aboriginal Water Officer position at Wadawurrung to understand and map cultural values on the Moorabool River (position subject to grant application under consideration by DELWP).
- Appointing its own Aboriginal Partnerships
 Advisor to work closely with this position,
 and other Traditional Owner and local
 Aboriginal groups across the region.
- Providing funding support to the Wadawurrung to develop a Country Plan.



Greenhouse emissions and energy

As a major greenhouse gas emitter in our region, Barwon Water is committed to being a leader in reducing emissions. Around 80 per cent of our emissions come from the use of electricity sourced from the grid. To mitigate our greenhouse impacts, Barwon Water has made the commitment to achieve 100 per cent renewable electricity by 2025 and zero net emissions by 2030. We are implementing a comprehensive program of measures to achieve these targets in a timely and cost effective manner.

Barwon Water's greenhouse gas emissions include carbon dioxide, methane and nitrous oxide. These are reported in equivalent tonnes of carbon dioxide – tCO2-e. Barwon Water reports only direct emissions (scope 1) and indirect emissions

from grid-supplied electricity (scope 2), calculated in accordance with the National Greenhouse and Energy Reporting (Measurement) Determination 2008. Scope 3 emissions are not included in any results presented in this section.

Barwon Water's calculated scope 1 and 2 emissions total for 2017-18 was 40,649 tCO2-e, slightly exceeding our target of 40,195 tCO2-e. Sewage collection and management, which includes recycled water production and distribution, continues to make up the largest portion of Barwon Water's greenhouse emissions and energy use. Key factors impacting Barwon Water's ability to meet its emissions target included significantly increased sewage influent at the Black Rock water reclamation plant, as well as transport-related emissions from previously contracted activities (scope 3) coming into Barwon Water's reporting

scope with the establishment of subsidiary business Barwon Asset Solutions (not taken into account in setting the target).

Barwon Water's renewable energy assets supplied

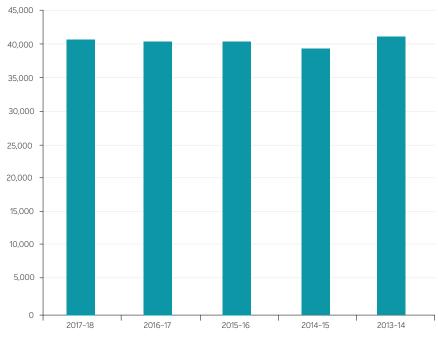
2 per cent of electricity use for the year.

This would have otherwise been met by ordinary grid electricity use with associated scope 2 emissions. Barwon Water now has renewable generation supplying the equivalent of around 5 per cent of electricity usage, with further projects underway to increase toward our 100 per cent target.

Total net emissions (tCO2-e)

	2017-18	2016-17	2015-16	2014-15	2013-14
Total net emissions	40,649	40,604	40,504	38,849	41,192
Target	40,195	53,909	53,909	53,909	53,909
Variance to target (%)	1%	-25%	-25%	-28%	-24%

Total net emissions per financial year (tCO2-e)



Financial year ending June 30

Net emissions by business area (tCO2-e)

		Tonnes CO2-e						
Performance indicator	Baseline	2017-18 Target	2017-18 Result	Variance				
Water treatment and supply	-	-	5,262	-				
Sewerage treatment and management	-	-	32,930	-				
Transport	-	-	981	_				
Other	-	-	1,498	-				
Offsets	-	-	22	-				
Total emissions (tCO2-e)	42,986	40,195	40,649	1%				

Energy consumption

D 6	Total			Renewable electricity use (MWh)						Renewable	Renewable
Performance indi- cator	electricity use (MWh)	Solar	Hydro	Wind	Biogas	Green- Power	Other	Total	electricity use (%)	electricity export (MWh)	electricity use target (%)
Water treatment and supply	4,728	-	-	-	-	-	20	20	0%	-	N/A
Sewerage treatment and management	23,905	571	-	-	-	-	-	571	2%	-	N/A
Other	1,192	6	-	-	-	-	-	6	1%	-	N/A
Total	29,826	577	-	-	-	-	-	577	2%	-	2%

Barwon Water handled large-scale
Renewable Generation Certificates
(LGCs) using the mechanisms established
under the federal Renewable Energy
Target scheme and in accordance with
the Statement of Obligations (Emissions
Reduction). LGCs were created with respect
to generation from the Black Rock solar
farm, which received accreditation under
the scheme in February, 2018. Sources of

renewable generation not eligible for LGCs included the Black Rock solar farm prior to its accreditation and the Ryrie HQ rooftop solar. At year end, LGCs were yet to be created with respect to eligible generation for the month of June, 2018.

In addition, Barwon Water is part-owner of the Lal Lal mini-hydro generator with Central Highlands Water. Barwon Water's share of metered generation from the

Lal Lal mini-hydro was 97 MWh. However, this has not been included in the statistics below as LGCs were not available to transfer this to Barwon Water's emissions and energy reporting profile in accordance with the Statement of Obligations (emissions reduction).

Large-scale Generation Certificates (LGCs)							
Created	Purchased	Sold	Voluntarily surrendered	Holding	Ineligible generation (MWh)	Yet to be created	
358	20	358	20	_	142	77	

Greenhouse gas and energy reduction

Consistent with the Victorian Government's objective for the water sector to be a leader in climate change mitigation, Barwon Water has adopted a target of zero net emissions by 2030 and is pursuing a switch to 100 per cent renewable electricity by 2025. This is reflected in Barwon Water's emissions reduction pledge to 2025.

Barwon Water's approach to achieve its zero net emissions target follows the emissions reduction hierarchy:

- Avoid energy use and emissions through smart design of new and renewed assets.
- Minimise energy and emissions through efficiency and optimisation.
- Substitute emissions-intensive energy with zero-emission renewable sources.
- · Sequester carbon from the atmosphere.
- Offset residual emissions through additional reductions elsewhere.

Barwon Water's emissions reduction and renewable energy programs achieved a number of milestones this year, including:

- Official opening of Ryrie HQ: Barwon
 Water's refurbished head office, which
 incorporates extensive energy efficiency
 measures and a rooftop solar array.
- Commissioning of the 1 megawatt Black Rock solar farm: Supplying five per cent of Barwon Water's electricity consumption (to be expanded to 3 megawatts in 2019).
- Intelligent Water Networks largescale renewable project: Proceeding to request for tender to supply 20 per cent of Barwon Water's renewable energy needs through a Power Purchase Agreement (PPA).
- Business case approved for 300 kilowatts of solar at the Wurdee Boluc Water Treatment Plant: Coupled with Barwon Water's first battery storage installation.

The forward outlook for Barwon Water's programs is evolving as new and exciting opportunities continue to be investigated. This includes the potential for a large-scale renewable energy project in Barwon Water's region to further build regional prosperity.

Barwon Water continues to collaborate with the water industry via the Intelligent Water Networks (IWN) Energy Program, Institute of Water Administration (IWA) Energy and Greenhouse Special Interest Group and the Water Services Association of Australia (WSAA) Climate Change, Energy and Environment Network.



Bulk Entitlement reporting

A bulk entitlement is a legal right to water granted by the Minister for Water under the *Water Act 1989*. Bulk entitlements are commonly held by water corporations in Victoria with objectives to:

- Provide authorities with a clearly defined property right to water.
- Provide authorities with flexibility to manage within their entitlements.
- Provide a basis for sharing limited water resources, protecting the entitlements of other users and protecting in-stream values.
- Facilitate water trading between user groups to ensure appropriate redistribution over time of finite water resources.
- Allow specific entitlements for environmental purposes.

Barwon Water operates under 11 surface water bulk entitlements covering the Barwon, Moorabool, Gellibrand, St Georges, Painkalac and Barham river systems, as well as the Greater Yarra System-Thomson River Pool. Barwon Water also has one groundwater bulk entitlement for operation of the Anglesea Borefield. Each entitlement provides clear direction on the amount and rate of water that can be harvested each year and the amount that must be passed to the environment for river health.

2017–18 overall surface water bulk entitlement performance

- An overall compliance of 100 per cent was achieved during 2017-18 for passing flows across the surface water bulk entitlements.
- An overall compliance of 100 per cent was achieved during 2017-18 for the numerous daily extraction limits across the surface water bulk entitlements.

Each bulk entitlement requires annual reporting of water taken. This information is provided in the following tables.

Bulk Entitlements 2017-18

Bulk Entit	lement (Aireys Inlet) Conversion Order 1997	
14.1 (d)	Painkalac Reservoir Level at 30/6/18	28.97 mAHD
	Painkalac Reservoir Storage Volume at 30/6/18	414 ML (78%)
14.1 (e)	Volume taken 2017-2018 (N/A)	0 ML
14.1 (f)	Approval, amendment and implementation of programs and proposals under clauses 11, 12 and 13.	
	Clause 11 – Making Allowances	Not applicable
	Clause 12 – Environmental Obligations	Ongoing management in accordance with Barwon Water's Environment Strategy and Environmental Obligations Program.
	Clause 13 – Metering Program	Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016.
14.1 (g to j)	Transfers, amendments or new entitlements under this order.	Nil
14.1 (k)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	No
14.1 (I)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No

Bulk Entit	lement (Apollo Bay) Order 2010	
10.1 (c)	Approval, amendment and implementation of programs and proposals under clauses 8 and 9.	
	Clause 8 – Environmental Obligations	Ongoing management in accordance with Barwon Water's Environment Strategy and Environmental Obligations Program.
	Clause 9 – Metering Program	Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016.
10.1 (d)	Volume diverted 2017-2018 (West Barham diversion).	0 ML
	Volume pumped 2017–2018 (Barham River).	393.46 ML
10.1 (e to h)	Transfers, amendments or new entitlements under this order.	Nil
10.1 (i)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	No
10.1 (j)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No

Bulk Entit	lement (Colac) Amendment Order 2003	
12.1 (c)	Storage Volumes at 30/6/18	
	Olangolah Reservoir Level	344.32 mAHD
	Olangolah Reservoir Volume	152 ML (100%)
	West Gellibrand Reservoir Level	341.94 mAHD
	West Gellibrand Reservoir Volume.	1,836.48 ML (99%)
12.1 (d)	Volume taken 2017-2018.	3614.96 ML
12.1 (e)	Approval, amendment and implementation of programs and proposals under clauses 9, 10 and 11.	
	Clause 9 – Making Allowances	Not applicable.
	Clause 10 – Environmental Obligations	Ongoing management in accordance with Barwon Water's Environment Strategy and Environmental Obligations Program.
	Clause 11 – Metering Program	Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016
12.1 (f to i)	Transfers, amendments or new entitlements under this order.	Nil
12.1 (j)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	No
12.1 (k)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No

Bulk Entit	Bulk Entitlement (Gellibrand) Conversion Order 1997					
11.1 (b)	Volume taken 2017-2018.	20.59 ML				
11.1 (c)	Approval, amendment and implementation of programs and proposals under clauses 8, 9 and 10.					
	Clause 8 – Making Allowances	Not applicable.				
	Clause 9 – Environmental Obligations	Ongoing management in accordance with Barwon Water's Environment Strategy and Environmental Obligations Program.				
	Clause 10 – Metering Program	Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016.				
11.1 (d to g)	Transfers, amendments or new entitlements under this order.	Nil				
11.1 (h)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	No				
11.1 (i)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No				

Bulk Entit	lement (Lorne) Conversion Order 1997	
14.1 (d)	Allen Reservoir storage level at 30/6/18.	120.3 mAHD
	Allen Reservoir storage volume at 30/6/18.	196 ML (100%)
14.1 (e)	Volume taken 2017-2018.	462.6 ML
14.1 (f)	Approval, amendment and implementation of programs and proposals under clauses 11, 12 and 13.	
	Clause 11 – Making Allowances	Not applicable.
	Clause 12 – Environmental Obligations	Ongoing management in accordance with Barwon Water's Environment Strategy and Environmental Obligations Program.
	Clause 13 – Metering Program	Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016.
14.1 (g to j)	Transfers, amendments or new entitlements under this order.	Nil
14.1 (k)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	No
14.1 (I)	Any difficulties experienced or anticipated by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No

Bulk Entit	lement (Meredith) Conversion Order 1995	
11.1 (d)	Approval, amendment and implementation of programs and proposals under clauses 9 and 10.	
	Clause 9 – Environmental Obligations	Ongoing management in accordance Barwon Water's Environment Strategy and Environmental Obligations Program.
	Clause 10 – Metering Program	Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016.
11.1 (e)	Volume taken 2017-2018.	0 ML
11.1 (f to i)	Transfers, amendments or new entitlements under this order.	Nil
11.1 (j)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	No
11.1 (k)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No

Bulk Entit	tlement (She Oaks) Conversion Order 1995	
13.1 (d)	Weir Pool Level at 30/6/18.	0.29 m
	Weir Pool Storage Volume at 30/6/18.	19 ML (100%)
13.1 (e)	Volume taken under this entitlement 2017–2018 (River Flow).	0 ML
13.1 (f)	Volume taken under this entitlement over the past 3 years (2015-2016 to 2017-2018).	0 ML
13.1 (g)	Approval, amendment and implementation of programs and proposals under clauses 11 and 12.	Nil
	Clause 11 – Environmental Obligations	Ongoing management in accordance Barwon Water's Environment Strategy and Environmental Obligations Program.
	Clause 12 – Metering Program	Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016.
13.1 (h-k)	Transfers, amendments or new entitlements under this order.	Nil
13.1 (I)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	No
13.1 (m)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No

19.1 (f)	Amount of water in Barwon Water's share of reservoir capacity.	14,458 ML (86.1%)
19.1 (g)	Annual flow into Barwon Water's share of reservoir capacity.	3,370 ML
19.1 (h)	Annual volume released to West Moorabool River from specified point A (Releases to Barwon Water).	1,816 ML
19.1 (i)	Volume taken under this entitlement from specified point B (She Oaks Diversion Weir).	763 ML
19.1 (k)	Volume taken from a location other than specified point B.	Nil
19.1 (I)	Annual losses debited to Barwon Water's share of reservoir capacity.	1,136 ML
19.1 (m)	Annual losses from releases between specified points A and B.	Not Available
19.1 (n)	The implementation of programs approved under sub-clauses 16.2, 17.2, and 18.2.	
	Clause 16.2 – Environmental Obligations	Ongoing management in accordance Barwon Water's Environment Strategy and Environmental Obligations Program.
	Clause 17.2 – Joint Metering Program	Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016.
	Clause 18.2 – Authority's Metering Program	Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016.
19.1 (o)	Any temporary or permanent transfer of all or part of this entitlement.	Nil
19.1 (p)	Any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to Barwon Water with respect to the reservoir.	Nil
19.1 (q)	Any amendment to this Bulk Entitlement.	Nil
19.1 (r)	Any new bulk entitlement granted to Barwon Water with respect to its entitlement to a share of reservoir capacity.	Nil
19.1 (s)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	Nil
19.1 (t)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	Nil

15.1 (d)	Storage Volumes at 30/6/18.	
	West Barwon Reservoir (Barwon Water Share).	5,561 ML (28.5%)
	West Barwon Reservoir (Total).	6,736 ML (31.3%)
	Wurdee Boluc Reservoir.	19,522 ML (51.3%)
	Barwon System Total.	26,258 ML (44.1%)
15.1 (e)	Volume taken under this entitlement 2017-2018.	30,703 ML
	Barwon Downs Borefield.	0.54 ML
15.1 (f)	Approval, amendment and implementation of programs and proposals under clauses 13.3 and 14.3.	
	Clause 13.3 – Environmental Obligations	Ongoing management in accordance with Barwon Water's Environment Strategy and Environmental Obligations Program.
	Clause 14.3 – Metering Program	Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016.
15.1 (g-j)	Transfers, amendments or new entitlements under this order.	The Minister for Water has approved the Bulk Entitlement (Upper Barwon System) Amendment Order 2018. This amendment order was gazetted and became effective as of 12th April 2018. These changes were to account for development of the Upper Barwon Environmental Entitlement which entitles the Victorian Environmental Water Holder to a share of the storage capacity in the West Barwon Reservoir and a share of the flow into the reservoir.
15.1 (k)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	No
15.1 (I)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No

Bulk Entitlement (Upper East Moorabool System) Conversion Order 1995 / Amendment Order 2004		
14.1 (d)	Storage Volume at 30/6/18.	
	Korweinguboora Reservoir	15 ML (0.6%)
	Bolwarra Weir	98.2 ML (86.6%)
	Bostock Reservoir	2,996 ML (40.2%)
	Upper Stony Creek Reservoirs	4,974 ML (52.3%)
	Lower Stony Creek Reservoir	0 ML (0%)
14.1 (e)	Volume taken under this entitlement 2017–2018	3,039 ML
14.1 (f)	Approval, amendment and implementation of programs and proposals under clauses 12.2 and 13.3	
	Clause 12.2 – Environmental Obligations	Ongoing management in accordance with Barwon Water's Environment Strategy and Environmental Obligations Program.
	Clause 13.3 – Metering Program	Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016.
14.1 (g-j)	Transfers, amendments or new entitlements under this order.	Nil
14.1 (k)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	No
14.1 (I)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No

Bulk Enti	Bulk Entitlement (Greater Yarra System – Thompson River Pool – Barwon Water) Order 2014		
16.1 (a)	The annual amount of water taken under this bulk entitlement (MW billable).	0 ML	
16.1 (b)	The water allocation made available under this bulk entitlement and volume of carryover.	9,503 ML	
		40,036 ML	
16.1 (c)	Compliance with the entitlement volume.	Yes	
16.1 (d)	Any temporary assignment or permanent transfer of all or part of this bulk entitlement.	0 ML	
16.1 (e)	The approval, amendment and implementation of the metering program approved under clause 13.	Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016.	
16.1 (f)	Any amendment to this bulk entitlement.	Nil	
16.1 (g)	Any new bulk entitlement of water granted to the Authority.	Nil	
16.1 (h)	Any failure by the Authority to comply with any provision of this bulk entitlement and any remedial action taken or proposed.	No	
16.1 (i)	Any difficulties experienced or anticipated by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed.	No	

Groundwater Bulk Entitlements

The Bulk Entitlement (Anglesea Groundwater) Order 2009 authorises Barwon Water to take up to 35,000 ML of groundwater from the Lower Eastern View Formation in the Jan Juc Groundwater Management Area in any five-year period.

Bulk Entitlement (Anglesea Groundwater) Order 2009 / Amendment Order 2014		
16.1 (a)	Annual amount taken (Volume) in 2017-2018.	0 ML
16.1 (b)	Any Amendment to this Order.	Nil
16.1 (c)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	Nil

Notes

- 1. Information supplied refers to volume in megalitres unless stated otherwise.
- 2. References (e.g. 14.1 (d)) relate to clause numbers in each Bulk Entitlement Order.
- Telemetry data has been used to evaluate compliance with passing flows and diversions (final quality checked data collected under the Regional Water Monitoring Partnership is yet to be supplied).



Social sustainability

Customer Consultative Committee

Established in 1996, the Customer Consultative Committee (CCC) is an advisory group drawn together from various sectors of Barwon Water's customer-base to provide the business with customer feedback and opinions.

During 2017–18, three formal meetings and one informal field trip were held. The field trip was jointly conducted with Barwon Water's Environmental Consultative Committee (ECC).

The formal meeting on August 23, 2017, was the first for new General Manager Customers and Community, Jo Murdoch, who was just three days into her role.

The group was provided an update on the new organisational structure for Barwon Water and received a presentation on how the business would meet objectives of its Strategy 2030. Information was also provided on the 2018 Price Submission and a reflection on what has been achieved in relation to diversity and inclusiveness over the past 12 months.

A field trip was held on December 6, 2017, and included a tour of Barwon Heads No. 11 pump station and Black Rock recycled water and solar installations. Both the CCC and ECC were impressed by what they saw and the commitment exhibited by the tour staff.

The second formal meeting for the year was held on February 28, 2018. There was an update on key customer projects relating to Strategy 2030 and a presentation on Barwon Water's new website.

A strategic session was held on Barwon Water's hardship strategy, most particularly on understanding customers in need and how to reach them. The committee's feedback was invaluable and will be used to develop a new customer hardship strategy.

The committee was also informed of Barwon Water's plan to review the purpose and focus of the CCC and the ECC to ensure they continue to provide value to the organisation in supporting its Strategy 2030 objectives.

The final formal meeting for 2017-18 was held on May 23, 2018. The CCC was provided an update on the 2018 Price Submission and advised of the steps required to reach approval.

There was a presentation on the implementation of family violence awareness at Barwon Water, and the group was also presented the results of the Insync WSAA National Customer Perceptions Study.

A strategic session focused on Barwon Water's customer experience program and the new 'outside in' approach. The CCC was also asked to assist with customer segmentation, with the results being utilised in an analysis that will help to develop the customer experience program.

Feedback was also provided into the review of the CCC, following a one-on-one program of interviews.

Customer affordability

Barwon Water's bills are amongst the lowest in Australia. Compared to the national average (including a government water rebate of \$80), during 2017–18:

- an average consumption (163 kL) bill: \$1.012
- a 200 kL consumption bill: \$1,097.

Aged debtor management

Barwon Water proactively manages its aged debtor profile to minimise financial impact to the business. During 2017–18, the value of aged tariff debt increased from \$3.9 million to \$4.3 million. Many Barwon Water customers continue to experience financial difficulties and the corporation will continue to assist anyone requiring support to ensure its aged debt profile is minimised.

Assisting customers experiencing financial hardship

During 2017-18, Barwon Water provided the following assistance measures:

- Customers were granted extensions of time to pay their account. This assisted customers with short-term cash flow issues to pay their account without penalty.
- Instalment plans were offered to assist customers to pay their account, usually over a six or 12-month period.
 Instalment amounts were agreed to by Barwon Water with each customer based on their individual circumstances.
 While instalment plans were active, no penalties or referrals for debt collection applied.
- Customers could also choose to pay their bills through Centrepay, a program where payments are made directly to Barwon Water from Centrelink on behalf of the customer

Part 3. Environmental and social suitability

Government Utility Relief Grant scheme

Victorian Government Utility Relief Grants (URGs) are offered to eligible Barwon Water customers. A total of 181 grants were provided this year, a decrease on the 206 provided during 2016–17.

Concession cards

Barwon Water has a high proportion of customers in receipt of government concession cards. There were 39,964 customers provided concessions in 2017-18, which represents around 28 per cent of Barwon Water's domestic customer base.

Eligible concession cards include Centrelink pension and health care cards and Department of Veterans' Affairs gold cards.

Medical concessions

Barwon Water supports a number of customers with special medical needs by providing a concession on top of Victorian Government dialysis concessions. In addition, Barwon Water offers a concession for other medical conditions requiring higher than usual water consumption. Government dialysis rebates totalled \$11,998 during the year, supplemented by an additional \$5,142 contributed directly by Barwon Water.

Flexible payment plan – arrange and save

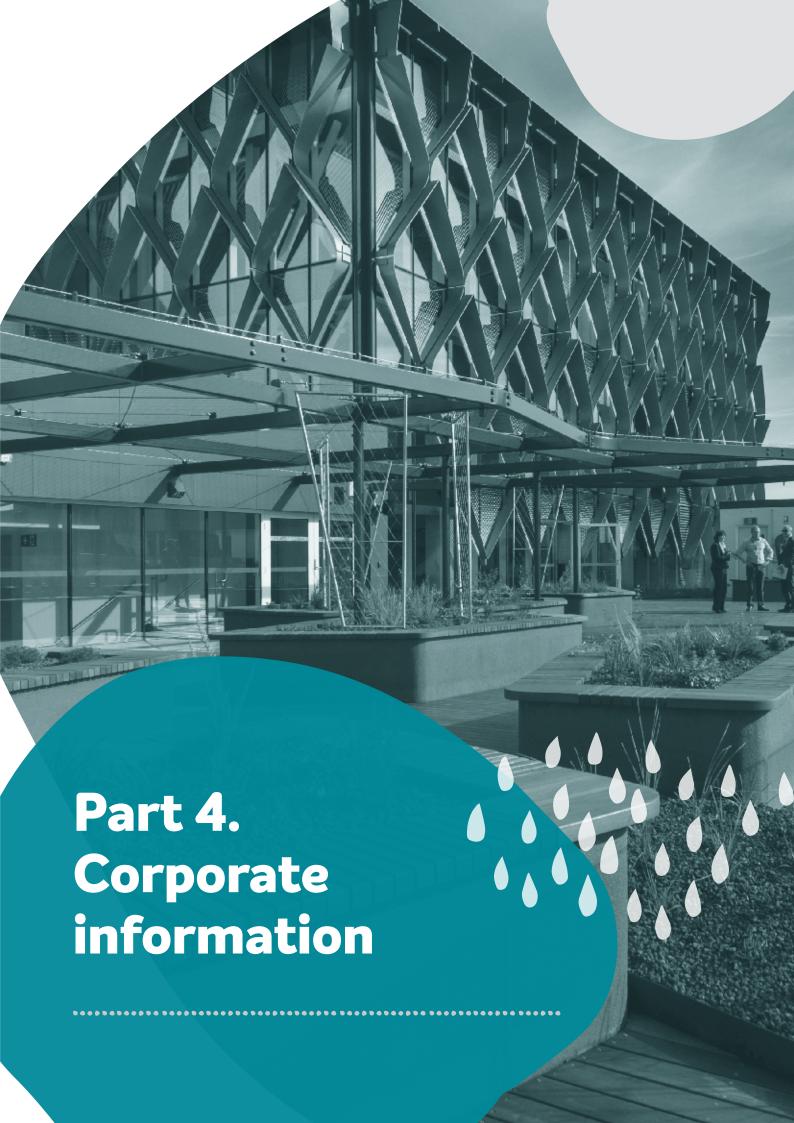
Barwon Water's arrange and save program assisted 1,278 customers during the year. The program helps customers experiencing financial hardship by putting them on a payment plan where they are provided a "credit" of one instalment if they meet their instalment arrangements for several consecutive periods. The program provided customer credits totalling \$100,010 during 2017–18.

Helping customers save water

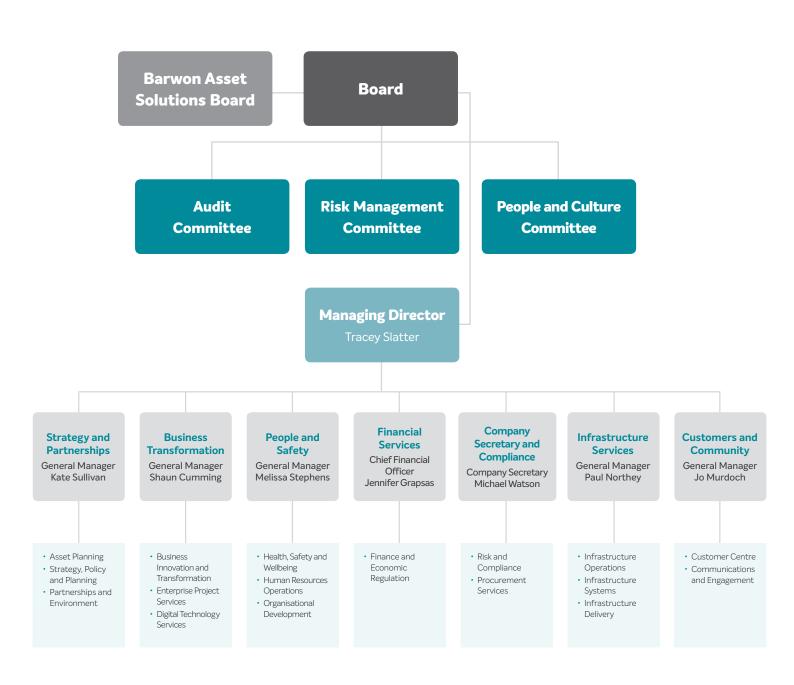
The Victorian Government's community water rebate program aims to help vulnerable customers save water and money on their water bills. The program is targeted at customers who may be unable to afford to make their home more water efficient by repairing leaks and helping them install water efficient showerheads, dual flush toilets and other eligible water saving products.

During 2017-18, Barwon Water provided assistance to 424 customers for a total value of \$192,925.

	2017-18	2016-17
Pension and health concessions	\$9,869,861	\$9,883,762
Utility relief grants	\$73,176	\$81,451
Dialysis rebates (State Government)	\$11,998	\$12,652
Barwon Water medical rebates	\$5,142	\$8,131
Barwon Water arrange and save	\$100,010	\$90,932
Water and sewer rebates	\$552,330	\$545,807
Community rebate/Government water bill rebates	\$192,925	\$103,765
Hardship relief grant scheme (sewerage connection scheme)	\$0	\$0
Total	\$10,805,442	\$10,726,499



Organisational structure



As at June 30, 2018

Role of the Board

The Board is responsible for the overall corporate governance of Barwon Water, including strategic direction, establishing goals for management and monitoring the achievement of those goals to optimise performance within the parameters of the organisation's broader obligations. Barwon Water is subject to the *Water Act 1989*.

Board composition

The Board comprises a non-executive Chair, six non-executive Directors and a Managing Director.

The non-executive Chair and non-executive Directors are appointed by the Minister for Water. The Managing Director is appointed by the Board in accordance with the *Water Act 1989*.

Board meetings

Board meetings are scheduled monthly with the exception of January, April and November. Additional meetings are convened as circumstances warrant. Minutes of meetings record Board decisions.

The Managing Director and Executive Leadership Team attend Board meetings. The Company Secretary provides advice to the Board on governance matters.

Board committees

The Board has established committees to provide strategic guidance and assist the Board in the discharge of its responsibilities. Committee membership is determined by the Board and reviewed at least every two years. Each of the committees is chaired by a non-executive Director selected by the Board.

During 2017-18, the Board consolidated two of its sub-committees and formed the People, Culture and Executive Remuneration committee. There are now three sub-committees: Audit, Risk Management and People, Culture and Executive Remuneration committees. Each Board sub-committee has its own Boardapproved charter and reports to the Board following each meeting.

Audit Committee

The Audit Committee comprises an independent non-executive Chair and three independent non-executive Directors.

Meetings are held quarterly and at any other time as requested by a member of the committee or the internal or external auditor. The committee liaises with the internal auditor and external auditor to evaluate the adequacy and effectiveness of the overall governance framework.

Audit Committee Members/Directors

John Gavens (Chair)

From October, 2017:

Rebecca Leonard

Des Powell

Ann Lansberry

Until September, 2017:

Jodi Heath

Chris Lovell

Jason Mifsud

Risk Management Committee

The Risk Management Committee comprises an independent non-executive Chair and three independent non-executive Directors. Meetings are held quarterly and at any other time as requested by a member of the committee.

The committee takes a lead role in facilitating risk management across the organisation and ensuring that risks are identified and adequately addressed by management.

Risk Management Members/Directors

Chris Lovell (Chair) July, 2017, to September, 2017

Bernard Walsh (Chair) October, 2017, to June, 2018

John Gavens

Rebecca Leonard

Jo Plummer

Bernard Walsh member July, 2017, to September, 2017

Part 4. Corporate information

People, Culture and Executive Remuneration Committee (from January, 2018)

The Executive Remuneration Committee comprises the non-executive Chair and four non-executive Directors. The committee reviews remuneration arrangements and terms of employment for the Executive Leadership team and succession planning and assists the Board to drive a diverse, values-based, high performing workforce to deliver the Strategic Intent and organisation's directions.

People, Culture and Executive Remuneration Members/ Directors (from December, 2017):

Jo Plummer (Chair)

Bernard Walsh

Elaine Carbines

Ann Lansberry

Des Powell

Executive Remuneration Committee (until December, 2017)

The Executive Remuneration Committee comprises the non-executive Chair and three non-executive Directors.

The committee reviews remuneration arrangements and terms of employment for the Executive Leadership team and succession planning.

Executive Remuneration Members/Directors:

Jo Plummer (Chair)

Jodi Heath (Chair) - term completed September, 2017

Jason Mifsud - term completed

September, 2017

Bernard Walsh

People and Culture

Committee (until December, 2017)

The People and Culture Committee comprises the non-executive Chair and three non-executive Directors. The committee will assist the Board to drive a diverse, values-based, high performing workforce to deliver the Strategic Intent and organisation's directions.

People and Culture Members/ Directors:

Jodi Heath (Chair) - term completed September, 2017

Jason Mifsud - term completed September, 2017

Jo Plummer

Bernard Walsh

Barwon Asset Solutions Board

The Barwon Asset Solutions (BAS) Board and an Audit and Risk sub-committee are responsible for ensuring it fulfils the company functions effectively and complies with its governance framework.

The Board is accountable to Barwon Water and presides over all significant strategic, commercial, regulatory, financial and risk focused elements of BAS.

Board composition consists of three non-executive directors from Barwon Water's Board and the Managing Director.

Six Board meetings and one Audit and Risk meeting were held during the financial year. Meetings are generally held on a bi-monthly basis.

Barwon Asset Solutions Members/Directors:

Jo Plummer

Bernard Walsh

John Gavens

Tracey Slatter

Ethical standards

The Board acknowledges the need for, and continued maintenance of, the highest standards of corporate governance practice and ethical conduct by all Directors, employees and contractors. The Board has a comprehensive governance framework that seeks to ensure high standards of ethical behaviour through adoption of policies supported by specific awareness and compliance programs in accord with Victorian government policies and guidelines.

Performance evaluation

The Board has established a formal process to review its own performance, its committees and individual Directors consistent with the Governance Guidelines issued by the Department of Environment, Land, Water and Planning.

Independent advice

Individual Directors have access to independent advice from a range of services.

Directors' Code of Conduct

Directors on the Board of Barwon Water are public officials under section 4 of the *Public Administration Act 2004*.

The Directors' Code of Conduct is issued to promote adherence to public sector values by Directors of all Victorian public entities. The code expresses the public sector values in terms that are most relevant to the special role and duties of Directors. At the same time, it is based on the same set of values (the public sector values) that apply to all public officials, including all employees of Barwon Water.

Board Directors as at June 30, 2018

Jo Plummer

Chair

MBA, Grad Dip Retail Mgt, GAICD Appointed to Board: October, 2015

Jo Plummer was a Director on the Board of Central Highlands Water for four years, during which time she served on the Audit and Risk and Sustainability committees. She also chaired the Customer and Community Partnership Committee. Prior to this, Jo consulted to Barwon and Wannon Water in her capacity as Director for OUT of the BOX Business Services.

Since December, 2014, Jo has been Director and co-owner of Business in Heels International, a women's networking organisation that works towards connecting women with resources, opportunity and choice.

She also sits as Chair for VicWater, is Chair for the Geelong Regional Football Committee, on Advisory Board for Victoria Patriots A-League bid and Committee Member for AICD Geelong.

Jo has a strong commercial background, having held senior roles in buying and product development, business and merchandise planning and strategic design with well-known retail brands for over 20 years.

She holds a Master of Business
Administration, a Graduate Diploma in
Retail Management and is a graduate of the
Australian Institute of Company Directors.

Flaine Carbines

Deputy Chair

B Arts, Dip Ed, GAICD Appointed to Board: October, 2015

Elaine is the CEO of G21 Geelong Region Alliance. She was a Parliamentary Secretary for the Environment and for Education.

Elaine is a Director of Gforce, Director of IPAA Victoria, Committee Member of BWS Regional Development Committee and Committee Member of Barwon Region Partnership.

Tracey Slatter

Managing Director

M Comm, FIPAA, GAICD

Tracey Slatter commenced as the Managing Director of Barwon Water on January 16, 2017. Before joining Barwon Water, Tracey held a number of senior roles within the health, community and public sectors, including Chief Executive Officer at the City of Port Phillip, Head of Claims at the Transport Accident Commission (TAC), and Chief Executive Officer at Colac Otway Shire.

Tracey is also a Board Director of G21, an active member of the Committee for Geelong and a Director of Barwon Asset Solutions.

John Gavens

M Arts, B Comm, GAICD Appointed to Board: October, 2015

John is Partner, Audit and Assurance at Crowe Horwath Melbourne, and has a background in auditing, risk management and internal audit, specialising in the public, local government and not-for-profit sectors. He currently holds audit contracts with the Victorian Auditor General's Office and internal audit contracts with several local government and public sector agencies.

He is a Registered Company Auditor and was a member of the Auditing and Assurance Standards Board.

He is the Treasurer of Gateways Support Services and a member of two local government audit committees.

Rebecca Leonard

B Sc, B Laws, MAICD Appointed to Board: October, 2013

Rebecca is the Executive Manager, Governance and Legal Services at the City of Greater Geelong and has previously worked at the Transport Accident Commission (TAC) in both solicitor and senior management roles since 2009. She is an experienced lawyer and has practised in the Geelong region since 2004.

Rebecca has a strong commitment to the Geelong community and has previously served as Vice Chairperson of UnitingCare Geelong and Secretary of Barwon Centre Against Sexual Assault.

She is currently a member of the Deakin University Alumni, the Law Institute of Victoria, Victorian Women Lawyers and the Australian Institute of Company Directors. She also serves as a Director on the Board of Community Care Chemist.

Rebecca is the current Board representative member of Barwon Water's Customer Consultative Committee and a member of Barwon Water's Risk Management Committee

Rebecca holds a Bachelor of Science and a Bachelor of Laws.



Part 4. Corporate information

Bernard Walsh

MIEAust, CPEng, GAICD Appointed to Board: October, 2015

Bernard is the Managing Director at Walsh Global Consulting Pty Ltd and has had an extensive executive career in the chemicals, petrochemicals and explosives industries. His most recent role was with Incitec Pivot Limited where, as a member of the executive team, he led the major fertiliser and explosives manufacturing operations in North America and Australia and the supporting global engineering and process technology functions.

Bernard was a board member at Queensland Nitrates (QNP), Sasol Dyno Nobel (SDN) and Initiation Explosives Systems (IES).

Bernard has a Bachelor of Mechanical Engineering, a Graduate Certificate in Business Administration and is a graduate of the Australian Institute of Company Directors.

Des Powell

Appointed to Board: October, 2017

Des was appointed as a Director of Grampians Wimmera Mallee Water Corporation (GWM Water) in October, 2015. He is the Commissioner of the Victorian Commission for Gambling and Liquor Regulation and has held this position since February, 2012.

Des is Director and Chair of Federation Training and Director of the Victorian Regional Channels Authority.

He holds a Bachelor of Economics and Politics and is a Graduate of the Australian Institute of Company Directors.

Ann Lansberry

Appointed to Board: October, 2017

Ann is a community sector consultant specialising in building community capacity. She has extensive experience in the water sector and was General Manager of Campaspe Asset Management Services, a contracting organisation that provided operations and maintenance services for Coliban Water.

Ann is Vice President of the Discovery
Science and Technology Centre in Bendigo
and has been Director of Heathcote
Health since 2017. Previously she was
Chief Executive Officer of the Community
Foundation for Central Victoria.

She holds a Master of Chemical Engineering, a Diploma in Business Administration and is a Graduate of the Australian Institute of Company Directors.

2017-18 Board and committees of the Board attendance

	Board meetings	Audit Committee meetings	Risk Management Committee meetings	Executive Remuneration Committee meetings	People and Culture Committee meetings	** People, Culture and Executive Remuneration Committee meetings	BAS Board meetings	BAS Audit and Risk Management Committee meetings
J Plummer (Chair), Term continuing	9	1	4	1	*	1	5	1
E Carbines, Term continuing	8	1	*	*	*	1	*	*
J Gavens, Term continuing	10	4	4	*	*	*	6	1
R Leonard, Term continuing	10	4	3	*	*	*	*	*
B Walsh, Term continuing	10	1	4	1	1	1	6	1
A Lansberry, Term commenced October, 2017	6	3	3	*	*	1	*	*
D Powell, Term commenced October, 2017	6	2	*	*	*	*	*	*
T Slatter (Accountable Officer)	10	4	4	1	1	1	6	1
C Lovell (Deputy Chair), Term completed September, 2017	3	1	1	*	*	*	*	*
J Heath, Term completed September, 2017	4	1	*	*	1	*	*	*
J Mifsud, Term completed September, 2017	1	1	*	1	1	*	*	*

^{*} Indicates non-member of committee *** Indicates Executive Remuneration Committee meeting and People and Culture Committee meeting combined.

Employment data

Barwon Water's people are among its most important resources. A high performance culture was achieved in 2017–18 through diversity, accountability and inclusive leadership.

Public sector values and employment principles

Barwon Water has policies and practices that are consistent with the Victorian Public Sector Commission (VPSC)'s employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues.

Barwon Water has advised its employees on how to avoid conflicts of interests, how to respond to offers of gifts and how it deals with misconduct.

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

Employees receive fair and equitable treatment and human rights, as set out in the Charter of Human Rights and Responsibilities Act 2006.

Barwon Water employs a Workforce and Talent Management Advisor to guide and support its managers through the recruitment and selection process.

Prevention of bullying, Equal Employment Opportunity (EEO) and harassment prevention policies

Barwon Water has an EEO policy as well as policies for the prevention of bullying and harassment. These policies detail Barwon Water's commitment to taking reasonable steps to ensure a workplace free of bullying and equality of opportunity for all employees by providing a workplace free of all forms of harassment and discrimination.

It is the responsibility of all employees to ensure their own behaviour reflects policy requirements. Behaviour contrary the policies may be subject to disciplinary action in accordance with Barwon Water's Performance Counselling policy.

Barwon Water provides EEO, anti-bullying, harassment and discrimination training to all employees, including refresher training. Trained contact officers are available to provide information to employees about their rights and obligations relating to the prevention of bullying or harassment and discrimination.

Gifts, Benefits and Hospitality policy

Barwon Water has a policy which establishes standards and procedures for responding to gift, benefit and hospitality offers. The policy details Barwon Water's commitment to taking reasonable steps to ensure offers and acceptances of gifts are minimised by Board members and employees.

Gift offers are discouraged and must never be accepted unless there is clear justification, consistent with the prohibitions in the policy, to do so.

Barwon Water provides training to all employees, including refresher training. Board members and employees are responsible for ensuring their own conduct meets the required standards of integrity. Public interest is placed above own interests when carrying out official duties. This includes declaring all gift offers in accordance with the policy and refusing prohibited gifts.

Barwon Water's policy is consistent with the Department of Environment, Land, Water and Planning (DELWP) model policy on gifts, benefits and hospitality when responding to offers.

Part 4. Corporate information

Workforce Inclusion policy

Barwon Water is working towards creating a diverse and inclusive working environment with a workforce reflective of the community it serves.

Barwon Water's Diversity, Inclusion and Gender Equity Strategy provides a pathway to formalise diversity, inclusion and gender equity in the workplace. The strategy seeks to promote broader representation under seven pillars: gender equity, Aboriginal values, creating advantage, life stages, accessibility, cultural and linguistic diversity and lesbian, gay, bi-sexual, transsexual, intersex and questioning (LGBTIQ).

As part of its Diversity, Inclusion and Gender Equity Strategy, Barwon Water achieved its target of 40/40/20 (male/female/flexible) on the managers' gender profile by July 1, 2018.

The following table outlines Barwon Water's actual progress against this target in 2017–18 and 2016–17.

Workforce Inclusion policy initiative	Target	Actual progress in 2017-18	Actual progress in 2016-17
Balanced gender profile at management level.	By July 1, 2018: 40 per cent male; 40 per cent female; 20 per cent flexible	Managers: 47 per cent male; 53 per cent female	Managers: 65 per cent male; 35 per cent female

Barwon Water's Diversity, Inclusion and Gender Equity Strategy also includes a 0.8 per cent target for Aboriginal and/or Torres Strait Islander peoples in the organisation, reflective of the community we serve.

The following table outlines Barwon Water's actual progress against this target in 2017–18 and 2016-17.

Workforce Inclusion policy initiative	Target	Actual progress in 2017-18	Actual progress in 2016-17
Adopt a 0.8 per cent target for Aboriginal and/or Torres Strait Islander peoples within the organisation.	By December 1, 2018: 0.8 per cent Aboriginal and/or Torres Strait Islander peoples employed	0.3 per cent	0 per cent

Barwon Water is also reviewing the membership of its consultative committees and the ability to improve Traditional Owner representation.

Traineeship program

Barwon Water was recognised at the Gforce Employment Solutions Awards in April, 2018, which highlighted the contribution and performance of the region's trainees, apprentices and host employers. Barwon Water was awarded with a 'Host Employer Award' for its traineeship program.

Barwon Water was pleased to welcome 13 new trainees to the organisation during 2017–18, of which eight identify as Aboriginal and/or Torres Strait Islander.

Barwon Water has also signed a 'good faith' agreement (prepared by VAEB) to work

towards objectives relating to employment opportunities and pathways for Aboriginal and Torres Strait Islander peoples.

Compliance with the *Disability Act 2006*

The Disability Act 2006 requires Barwon Water to prepare a Disability Action Plan (DAP) and report on its implementation in their annual report. Barwon Water's DAP is a two-year plan that aims to eliminate disability discrimination in accordance with the Act. In the 2017-18 reporting period, Barwon Water has:

- Conducted a comprehensive disability audit with an external provider. Including an accessibility audit of our physical head office premises.
- Evaluated the accessibility of our website.
- Procured various services through genU, a regional disability organisation.

Barwon Water's DAP is aligned with 'Absolutely everyone – State disability plan for 2017-2020', which is the Victorian Government's framework for enabling people with a disability to participate and contribute to the social, economic and civic life of their community.

Employment statistics

2018						
	Casual	Part-time	Full-time	Total (Headcount) 2018	Total (Percentage) 2018	FTE 2018
Gender						
Women	1	39	75	115	35%	100.17
Men	3	7	208	218	65%	213.68
Self-described	0	0	0	0	0%	0.00
Prefer not to answer	_	-	_	-	-	-
Age						
15-24	3	0	4	7	2%	4.78
25-34	1	6	60	67	20%	64.70
35-44	0	20	101	121	36%	113.86
45-54	0	9	65	74	22%	70.78
55-64	0	9	51	60	18%	56.39
65+	0	2	2	4	1%	3.34
TOTAL	4	46	283	333	100%	313.85

Notes

- Excludes external contractors/consultants and temporary staff employed by employment agencies.
- Includes eight (8) State Government appointed Board Directors 0.5 FTE as at June 30, 2018.
- FTE means full-time employee equivalent.

2017						
	Casual	Part-time	Full-time	Total (Headcount) 2017	Total (Percentage) 2017	FTE 2017
Gender						
Female	1	37	76	114	34%	98.29
Male	1	6	212	219	66%	215.80
Age						
15-24	2	0	5	7	2%	5.28
25-34	0	6	62	68	20%	66.11
35-44	0	21	98	119	36%	110.50
45-54	0	9	73	82	25%	78.44
55-64	0	5	48	53	16%	50.42
65+	0	2	2	4	1%	3.34
TOTAL	2	43	288	333	100%	314.09

Notes

- $\, {\sf Excludes} \, {\sf external} \, {\sf contractors/consultants} \, {\sf and} \, {\sf temporary} \, {\sf staff} \, {\sf employed} \, {\sf by} \, {\sf employment} \, {\sf agencies}.$
- Includes eight (8) State Government appointed Board Directors 0.5 FTE as at June 30, 2017.
- FTE means full-time employee equivalent.

Part 4. Corporate information

ANZSCO - 2018

ANZSCO Occupation Classification	Headcount
Managers	26
Professionals	144
Technicians and trade workers	45
Clerical and administrative workers	73
Machinery operators and drivers	45
TOTAL	333

ANZSCO - 2017

ANZSCO Occupation Classification	Headcount
Managers	25
Professionals	137
Technicians and trade workers	48
Clerical and administrative workers	77
Machinery operators and drivers	46
TOTAL	333

Notes

- The Australian Bureau of Statistics (ABS) develops and maintains standard occupation coding structures for labour market analysis.
- The primary ABS occupation coding structure is known as ANZSCO (Australian and New Zealand Standard Classification of Occupations).
- Barwon Water utilises ANZSCO as its occupational reporting model.

Health, Safety and Wellbeing (HSW)

HSW management system

The HSW team maintained system improvements under the 2017–18 HSW management plan. Key components delivered included:

- Continued benchmarking of HSW performance against other water authorities across Australia.
- Commissioning of an online training system.
- Continual review of manual handling risk assessments and associated controls.
- Commissioning of ChemAlert, an online chemical management system.
- Further enhancement of a mental health management program aligned with the

Mental Health First Aiders model with 17 Mental Health First Aiders currently trained.

Health and Wellbeing program

The Health and Wellbeing program continued throughout the 2017-18 reporting period and included the following activities:

- Red 25 blood donation focus.
- · Mindfulness room awareness.
- Ovarian cancer awareness month.
- · Skin checks.
- Reducing sedentary work.
- Relay for Life 2017–18.
- Flu vaccinations.

- Memory walk and jog.
- Health checks.
- · Bowel cancer awareness month.
- National Diabetes awareness week.

HSW performance

While the number of injuries that resulted in a claim increased on the previous year, the cost per claim was reduced by 30 per cent and the premium reduced by 45 per cent. This was largely due to a focus on preventing any injuries becoming lost-time injuries and incurring additional costs. The number of overall injuries and the severity also decreased significantly from 2016–17.

Occupational Health and Safety performance

Measure	KPI	2017-18	2016-17	2015-16	2014-15	2013-14
Injuries	First aid injuries	7	6	7	7	7
	Medical treatment only injuries	6	16	6	13	15
	Lost time injuries	3	5	0	6	6
	Total injuries	16	26	13	26	28
Incidents	Number of incidents	114	102	89	68	54
	Rate per 100 FTE	35.6	31.8	27.8	23	18
Claims	Number of standard claims	7	2	2	3	8
	Number of time lost claims	0	1	0	3	3
	Rate per 100 FTE	0.00	0.31	0.00	1.01	1.00
	Average cost per standard claim*	\$10,610	\$15,063	\$49,998	\$6,601	\$19,429

^{*} Information correct as per CGU end-of-year data.

HSW training

Ongoing efficiencies in HSW training delivery were implemented during the year. Improvements included combining confined space entry with first aid, CPR and breathing apparatus.

Barwon Water also worked with other industries to share training and knowledge on Barwon Water sites.

The following two classes had the highest volume of training hours during 2017–18:

- · confined space entry
- first aid/CPR.

Barwon Water also focused on a number of new training areas to address key risk areas and cultural indicators in 2017–18.

Environmental performance

Highlights

Barwon Water's certification of its Environmental Management System under ISO 14001:2004 continued following the successful completion of a surveillance audit in 2017–18.

Some major highlights in the environmental management space included:

 Protection and management of environmental values during capital project works.

- Continuing rollout of industrial waste management improvement activities.
- Environmental management training for staff.
- Obtained planning and environmental approvals for the capital works program.
- Update of internal environmental management tools.
- Assisted in the development of the Native Vegetation Code of Practice for the water industry.

Barwon Water continues to enhance and adapt its management processes to meet both regulatory requirements and industry best practice.

Safety, Quality, Environment (SQE) information

SQE integrated management system

Barwon Water continues to develop and enhance its integrated management system and has maintained certification under a new external auditing body to AS/NZS 4801 Occupational Health and Safety, ISO 9001 Quality, ISO 14001 Environmental and HACCP food safety management systems standards.

Emergency management

Emergency management plans underwent a periodic review and a program was established to transition these plans to an updated template, which now forms the basis of a streamlined emergency management system.

A robust emergency management system is only as good as the people who enact it and to maintain a high standard of skill within the organisation, a focus on training and exercises continued. Barwon Water was a key participant in a series of joint agency exercises with a strong focus on the Great Ocean Road and surrounding regions. Exercise scenarios included fire and power outage during high tourism season, cyber security threats and an offshore incident with impacts to the community.

With the move into Barwon Water's refurbished Ryrie Street office, warden groups participated in three refresher training sessions and general office staff were offered training sessions to develop their understanding of a robust response within an office environment.

Barwon Water's emergency management processes were robust during the 2017-18

fire danger period, which included 'severe' weather events and four total fire ban days. A strong emergency management culture exists across the organisation, including lessons learnt and regular debriefs to help continually improve and strengthen processes. This was maintained throughout the fire danger period, supporting greater safety of people during periods of heightened risk.

Barwon Water continues to be actively involved in emergency management committees across the region, enhancing cooperation and understanding between agencies and communities. The key agencies that Barwon Water interacts with include Emergency Management Victoria, emergency services, regulators, infrastructure operators and local government.

Access to information

Victorian Privacy and Data Protection Act 2014

Barwon Water complies with the information privacy and data protection principles set out under the *Victorian Privacy and Data Act 2014*.

Barwon Water's Customer Charter and Personal Privacy Charter both refer to its commitment to protect the privacy of customers. Barwon Water ensures the information it holds is protected and it actively prevents any unauthorised access to, and improper use of, customer information.

A copy of Barwon Water's Personal Privacy Charter can be viewed at www.barwonwater.vic.gov.au.

Freedom of Information Act

The Freedom of Information Act 1982 (the Act) allows the public a right of access to documents held by Barwon Water. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the Act.

An applicant has a right to apply for access to documents held by Barwon Water. This comprises documents both created by Barwon Water or supplied to Barwon Water by an external organisation or individual, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings

and videotapes. Information about the type of material produced by Barwon Water is available on Barwon Water's website under its Part II Information Statement.

The Act allows Barwon Water to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: cabinet documents; some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to Barwon Water in-confidence.

From September 1, 2017, the Act has been amended to reduce the Freedom of Information (FoI) processing time for

requests received from 45 to 30 days. In some cases, this time may be extended.

If an applicant is not satisfied by a decision made by Barwon Water, under section 49A of the Act they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

Making a request

Fol requests can be lodged online at www.foi.vic.gov.au. An application fee of \$28.90 applies. Access charges may also be payable if the document pool is large, and the search for material, time consuming.

Access to documents can also be obtained through a written request Barwon Water's Freedom of Information Manager, as detailed in s17 of the Freedom of Information Act 1982.

When making an Fol request, applicants should ensure requests are in writing, and clearly identify what types of material/documents are being sought.

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

Barwon Water Freedom of Information Manager

Mail: PO Box 659, Geelong VIC 3220 Phone: 1300 656 007 Email: foi@barwonwater.vic.gov.au

Fol statistics/timeliness

During 2017-18, Barwon Water received 16 applications. All of these requests were from the general public.

Barwon Water made 15 Fol decisions during the 12 months ended June 30, 2018:

- 15 decisions were made within the statutory 30-day time period;
- 0 decisions within an extended statutory 30-45-day time period;
- 0 decisions within 46 to 90 days; and
- 0 decisions in greater than 90 days.

The average time taken to finalise requests in 2017–18 was 28 days.

During 2017–18, no requests were subject to a complaint/internal review by OVIC.

The table below outlines the outcome of each of the requests.

Full access granted	7
Partial access granted	1
Withdrawn	1
Not proceeded with	4
No documents	2
Outside the Act	0
Not yet finalised	2

Other information

The following information is available from Barwon 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 a senior officer as nominee or held beneficially in a statutory authority or subsidiary.
- Details of publications produced by the entity about itself, and how these can be obtained.
- Details of changes in prices, 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; and
 - expenditure committed to for each engagement.

Further information

Further information regarding the operation and scope of Fol can be obtained from the Act; regulations made under the Act; and www.foi.vic.gov.au.

Part 4. Corporate information

Financial Management Act 1994

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

- · Pecuniary interests of relevant officers.
- · Shares held by a senior officer.
- · Details of Barwon Water publications.
- · Changes to fees and charges.
- Major external reviews carried out on Barwon Water.
- · Research and development activities.
- · Overseas visits.
- · Major promotional.
- · Public relations and marketing activities.
- Assessments and measures to improve the occupational health and safety of employees.
- Major sponsorships.

Compliance with *Building Act* 1993

Barwon Water owns or controls one government building located at 55–67 Ryrie Street, Geelong, and consequently is required to include a statement on its compliance with the building and maintenance provisions of the *Building Act* 1993 in relation to that building.

Barwon Water requires that appropriately qualified consultants and contractors are engaged for all proposed works on land controlled by the Barwon Water and that their work and services comply with current building standards. All such consultants and contractors are expected to have appropriate mechanisms in place to ensure compliance with the building and maintenance provisions of the *Building Act* 1993, Building Regulations 2018 and the National Construction Code.

In relation to existing buildings, Barwon Water's Risk and Compliance team is responsible for planned maintenance schedules to maintain building assets in accordance with relevant standards, independent essential safety measure

quarterly audits and regular inspections for safety or building non-conformances. Barwon Water also employs an experienced and accredited facility management provider to assist with maintaining standards.

Barwon Water employs an intranet-based work order system for staff to notify the organisation of maintenance and safety issues, conducts routine site inspections, and also receives security alerts from reed switches, alarms, tamper switches and failures.

During 2017-18:

Number of major works projects (greater than \$50 000):	0
Number of building permits, occupancy permits or certificate of final inspection issued in relation to buildings owned by the entity:	0 building permits 0 occupancy permits 0 certificates of final inspection
Number of emergency orders and building orders issued in relation to buildings:	0 emergency orders 0 building orders
Number of buildings that have been brought into conformity with building standards during the reporting period:	0 buildings brought into conformity

Other acts

Protected Disclosures Act 2012

Compliance with the *Protected Disclosures Act 2012*

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

What is a 'protected disclosure'?

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

Barwon Water is a "public body" for the purposes of the Act.

What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

- · Mismanagement of public resources.
- Risk to public health or safety or the environment.
- · Corruption.

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

How do I make a 'protected disclosure'?

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

Please note that Barwon Water is not able to receive protected disclosures.

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

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

Contacts

Independent Broad-Based Anti-Corruption Commission (IBAC) Victoria

Address: Level 1, North Tower, 459 Collins Street, Melbourne VIC 3001

Mail: IBAC, GPO Box 24234, Melbourne VIC 3001

Website: www.ibac.vic.gov.au

Phone: 1300 735 135

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

Local Jobs First - Victorian Industry Participation Policy

The Victorian Industry Participation Policy Act 2003 requires departments and public sector bodies to report on implementation of the Local Jobs First - Victorian Industry Participation Policy (Local Jobs First - VIPP).

Departments and public sector bodies are required to apply Local Jobs First - VIPP in all procurement activities valued at \$3 million or more for metropolitan Melbourne and for state-wide projects, or \$1 million or more for procurement activities in regional Victoria.

During 2017-18, Barwon Water commenced six Local Jobs First - VIPP or Local Industry Development Plan (LIDP) applicable procurements totalling \$22.9 million. All projects were located in regional Victoria.

The outcomes expected from the implementation of the Local Jobs First – VIPP to these projects where information was provided are as follows:

- An average of 90 per cent of local content commitment was made.
- A total of 71 jobs (Annualised Employee Equivalent (AEE)) were committed, including creation of 12 new jobs and retention of 59 existing jobs (AEE).
- A total of five positions for apprentices/ trainees were committed, including one new apprenticeship/traineeship and retention of the remaining four existing apprenticeships/traineeships.

During the 2017–18 year, Barwon Water completed three Local Jobs First – VIPP applicable projects collectively valued at about \$13.4 million. All projects were located in regional Victoria.

The outcomes reported from the implementation of the policy where information was provided were as follows:

- an average of 90 per cent of local content outcome was recorded:
- a total of 12 (AEE) positions were created;
- 1 new apprenticeship/traineeship was created and 4 existing apprenticeships/ traineeships retained.

During 2017–18, there were three small to medium sized businesses that prepared a VIPP Plan or LIDP for contracts, with none prepared by large businesses.

During 2017–18, six projects, which commenced after September 1, 2016, had the minimum formal weighting of 10 per cent applied for local content in the tender evaluation of the VIPP Plan or LIDP.

Barwon Water commenced 1 contract with a total of 100 per cent estimated to be local content to which a VIPP Plan or LIDP was not required as the procurement activity was local by nature.

There were no design contracts or grants provided during 2017–18.

Part 4. Corporate information

'Competitive Neutrality' policy

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned.

The 'Competitive Neutrality' policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resources allocation. The policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

Barwon Water continues to comply with the requirements of the Competitive Neutrality policy.

Consultancy and contract expenditure

Details of consultancies (valued at more than \$10,000)

In 2017–18, there were 87 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2017–18 in relation to these consultancies was \$7,459,860 (excluding GST).

Details of individual consultancies are outlined on Barwon Water's website: www. barwonwater.vic.gov.au.

Details of consultancies (valued at less than \$10,000)

In 2017–18, there were 95 consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2017–18 in relation to these consultancies was \$283,985 (excluding GST).

Contracts entered into greater than \$10 million:

No contracts greater than \$10 million were entered into

Government advertising expenditure

Barwon Water's expenditure in the 2017–18 reporting period on government campaign expenditure did not exceed \$100,000.

Information and Communications Technology (ICT) expenditure

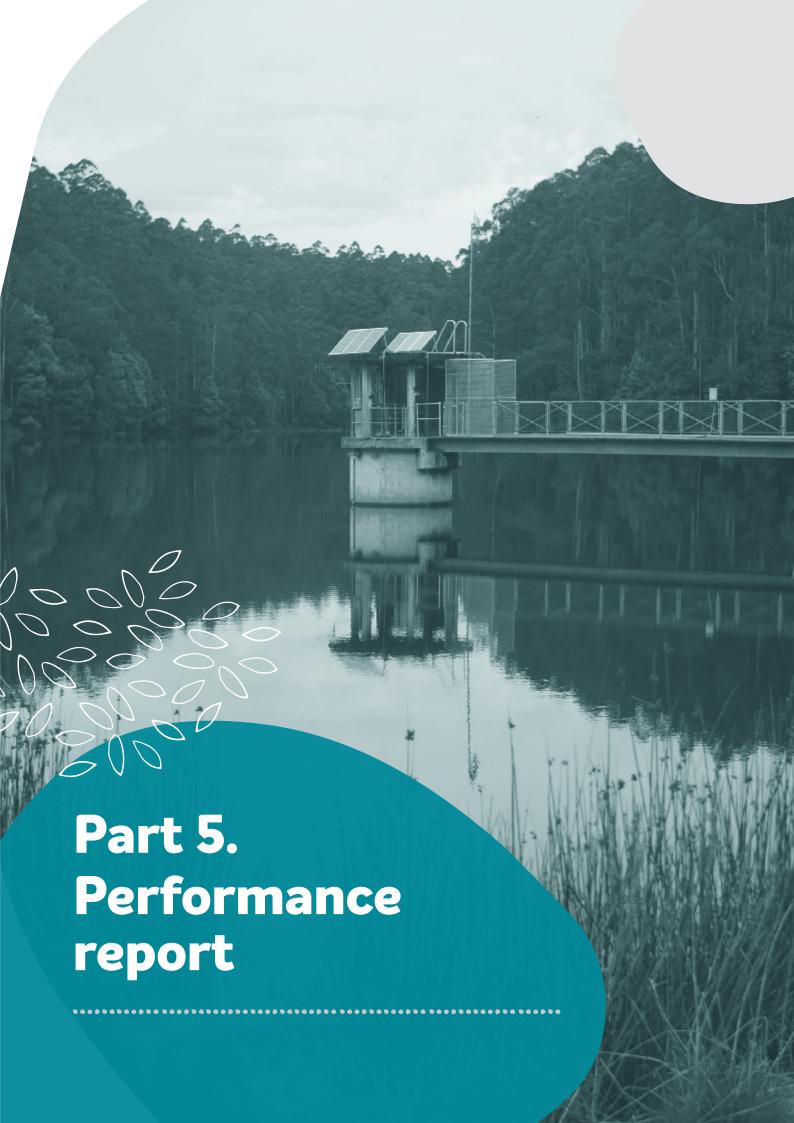
For the 2017–18 reporting period, Barwon Water had a total ICT expenditure of \$11,730,843, with the details shown below.

All operational ICT expenditure	ICT expenditure relating to projects to create or enhance ICT capabilities					
Business As Usual (BAU) ICT expenditure	Non Business As Usual Operational expenditure (CAPEX) Capital expenditure (CAPEX)					
\$7,311,999 (Total)	(Total = Operational expenditure and capital expenditure)	1,389,885	3,028,959			

[&]quot;ICT expenditure" refers to Barwon Water's costs in providing business enabling ICT services within the current reporting period. It comprises Business As Usual (BAU) ICT expenditure and Non-Business As Usual (Non-BAU) ICT expenditure.

[&]quot;Non-BAU ICT expenditure" relates to extending or enhancing Barwon Water's current ICT capabilities.

[&]quot;BAU ICT expenditure" is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.



Barwon Region Water Corporation (Barwon Water) and Barwon Asset Solutions PTY LTD (BAS) (collectively "The Group")

Consolidated Performance Report 2017-18

1. Financial Performance Indicators

The results for 2017–18 are the results of The Group including Barwon Asset Solutions Pty Ltd (BAS) since 2 December 2017. Comparatives for both 2016–17 actuals and 2017–18 targets are reflective of only Barwon Water as targets were established prior to the acquisition of BAS. There is no material impact on the variance results for prior year or to target as a result of the inclusion of the BAS operations in the consolidated Group results.

KPI No.	Key Performance indicator	2016-17 Result	2017-18 Result	2017-18 Target	Variance to prior year	Notes	Variance to Target	Notes
F1	Cash Interest Cover - Net operating cash flows before net interest and tax / net interest payments	2.42 times	3.09 times	3.01 times	27.7%	1a	2.7%	
F2	Gearing Ratio - Total Debt (including finance leases) / total assets * 100	22.5%	21.8%	22.6%	-3.1%		-3.5%	
F3	Internal Financing Ratio - Net operating cash flow less dividends / net capital expenditure * 100	60.3%	118.7%	129.0%	96.8%	2a	-8.0%	
F4	Current Ratio - Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	0.96 times	0.61 times	0.58 times	-36.5%	3a	5.2%	
F5	Return on Assets - Earnings before net interest and tax / average assets * 100	1.61%	2.09%	1.40%	29.8%	4a	49.3%	
F6	Return on Equity - Net profit after tax / average total equity * 100	0.22%	0.74%	-0.10%	236.4%	5a	840.0%	1b
F7	EBITDA Margin - Earnings before interest, tax, depreciation and amortisation / total revenue * 100	55.4%	56.9%	54.1%	2.7%		5.2%	2b

Notes:

- 1a The favourable cash interest ratio in comparison to prior year is an outcome of increased net cash provided from operating activities. Contributing to this result are better than prior year tariff and non-government contribution revenue due to seasonal conditions and high development growth in the region and reduced supplier payments. This is due to the prior year one-off payment covering a four-year period to Melbourne Water for the Greater Yarra System Thompson River Water Entitlement paid in 2016-17.
- 2a The favourable result in the internal financing ratio is due to the increased net cash provided from operating activities as outlined in Note 1(a), and lower capital works, resulting in a reduction in the net cash outlay from investing activities.
- 3a The unfavourable result in the current ratio compared to the previous year is the result of a change in the cash management approach to reduce total borrowings and to minimise interest expense. The strategy resulted in less cash at bank being held throughout the year and at year-end by utilising a low interest rate at call borrowing facility with Treasury Corporation of Victoria, resulting in higher take-up of short-term borrowings. Total borrowings have reduced by \$21m. Savings from this strategy have been factored into the forward financial planning of the business.
- 4a The favourable result in the return on assets ratio compared to the previous year is due to the increased earnings. Two key items have impacted the result; (i) increased tariff revenue resulting from a seasonal increase in water consumption and the increase in the customer base due to the high growth in the region and (ii) the resultant revenue from the non-government (development) sector due to the increasing high levels of development in the region. Forward planning indicates this ratio to be marginally lower however relatively steady given consistent weather patterns.
- 5a The favourable result in the return on equity ratio compared to the previous year is due to the increased earnings. The two key items as noted at Note (4a) both have an impact on this result with a favourable result the outcome. Forward planning indicates this ratio to be marginally lower however relatively steady given consistent weather patterns.
- 1b While the average asset base and operational expenditure were consistent to the target, increased operational revenue compared to target resulted in a favourable earnings result, thereby resulting in, a favourable return on asset ratio compared to target. The favourable earnings versus target is due to increased tariff revenue resulting from a seasonal increase in water consumption and the increase in the customer base and revenue from the nongovernment (development) sector due to the increasing high levels of development in the region.
- 2b The favourable result to target for the return on equity ratio is due the increased earnings as outlined in Note (1b). Contributing to the favourable result was a reduction in the asset revaluation reserve compared to target due to the impairment of infrastructure assets associated with the property rationalisation program.

Part 5. Performance report

2. Water and Sewerage Service Performance Indicators

KPI No.	Key Performance indicator	2016-17 Result	2017-18 Result	2017-18 Target	Variance to prior year	Notes	Variance to Target	Notes
WS1	Unplanned water supply interruptions - No. of customers receiving five unplanned interruptions in the year / total number of water (domestic and non-domestic) customers * 100	0.11%	0.07%	0.20%	-36.4%	6a	-65.0%	3b
WS2	Interruption time - Average duration of unplanned water supply interruptions	101.1 minutes	89.4 minutes	125 minutes	-11.6%	7a	-28.5%	4b
WS3	Restoration of unplanned water supply - Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions *100	97.1%	96.6%	96.5%	-0.5%		0.1%	
SS1	Containment of sewer spills – Sewer spills from reticulation and branch sewers contained within five hours / total sewer spills from reticulation and branch sewers *100	100%	99.7%	98%	-0.3%		1.7%	
SS2	Sewer spills interruptions - No. of residential sewerage customers affected by sewerage interruptions restored within five hours	93.6%	92.1%	91.0%	-1.6%		1.2%	

Notes:

- 6a Risk based prioritisation and improvements in the delivery of the mains replaced has resulted in a gradual reduction in failure rates for reticulation water mains over time.
- 7a An ongoing focus on meeting unplanned water supply interruptions restored within 5 hours (WS3). This is also assisted by a decrease in the number of interruptions per year.
- 3b Risk based prioritisation of mains replacement and implementation of pressure management programs has resulted in a reduction in failure rates for reticulation water mains.
- 4b An ongoing focus on meeting unplanned water supply interruptions restored within 5 hours (WS3). This is also assisted by a decrease in the number of interruptions per year.

3. Customer Responsiveness Performance Indicators

KPI No.	Key Performance indicator	2016-17 Result	2017-18 Result	2017-18 Target	Variance to prior year	Notes	Variance to Target	Notes
CR1	Water quality complaints No. of complaints per 1,000 customers	1.64	0.83	3.00	-49.4%	8a	-72.3%	5b
CR2	Sewerage service quality complaints No. of complaints per 1,000 customers	0.31	0.28	0.55	-9.7%	9a	-49.1%	6b
CR3	Sewage odour complaints No. of complaints per 1,000 customers	0.23	0.24	0.50	4.3%		-52.0%	7b
CR4	Billing Complaints No. of complaints per 1,000 customers	0.18	0.25	1.20	38.9%	10a	-79.2%	8b

Notes:

- 8a The favourable variance is due to the combined effect of; a reduction in the number of taste and odour complaints due to an additional upgrade at the Moorabool Water Treatment Plant which targeted removal of taste and odour compounds; along with enhanced communication and engagement with customers about seasonal source water changes. There were also no widespread dirty water events from main failures.
- 9a Minimal variance from previous year Ongoing implementation of planned maintenance and rehabilitation programs to optimise collection system performance and mitigate the number of sewerage service complaints.
- 10a Although there was a slight increase in feedback on last year, it was still well below target.
 Complaint levels in the prior year were at record low levels. There were 10 more complaints this year with no specific trends identified.
- 5b The favourable variance follows the long-term reduction trend in water quality complaints. This performance is attributed to operating a closed supply system, optimised water treatment processes, preventative risk management programs and a focus on continuous improvement. This year's result is the lowest water quality complaint rate on record.
- 6b Ongoing implementation of planned maintenance and rehabilitation programs to optimise collection system performance and mitigate the number of sewerage service complaints.
- 7b Ongoing commitment to mitigate nuisance odour issues through the effective operation and optimisation of odour control and collection systems.
- 8b Although there was a slight increase in feedback on last year, it was still well below target.

 Complaint levels in the prior year were at record low levels. There were 10 more complaints this year with no specific trends identified.

4. Environmental Performance Indicators

KPI No.	Key Performance indicator	2016-17 Result	2017-18 Result	2017-18 Target	Variance to prior year	Notes	Variance to Target	Notes
E1	Effluent re-use volume (end use)	21.0%	20.9%	25.0%	-0.5%		-16.4%	9b
E2	Total net CO2 emissions Net tonnes CO2 equivalent	40,604	40,649	40,195	0.1%		1.1%	

Notes:

9b The target was not met due to lower than forecast Class A recycled water use. In addition, Class C recycled water demand is weather dependant which results in significant fluctuations in actual effluent reused.

Part 5. Performance report

Certification of Performance Report for 2017-2018

We certify that the accompanying Performance Report for the Group in respect of the 2017-18 financial year is presented fairly in accordance with the Financial Managwement Act 1994.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister as set out in the 2017-18 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

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

J Plummer

Chair

T Slatter

Managing Director (Accountable Officer)

J Grapsas

Chief Financial Officer

Dated this 16th day of August 2018

Independent Auditor's Report



To the Board of the Barwon Region Water Corporation

Opinion

I have audited the consolidated financial report of the Barwon Region Water Corporation (the corporation) and its controlled entity (together the consolidated entity), which comprises the:

- consolidated balance sheet as at 30 June 2018
- consolidated statement of comprehensive income for the year then ended
- consolidated statement of changes in equity for the year then ended
- consolidated cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- directors and chief finance and accounting officer's declaration.

In my opinion, the consolidated financial report presents fairly, in all material respects, the financial position of the consolidated entity as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for Opinion

I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the corporation and the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Board's responsibilities for the financial report

The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

Part 5. Performance report

Auditor's for the audit of the financial report

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

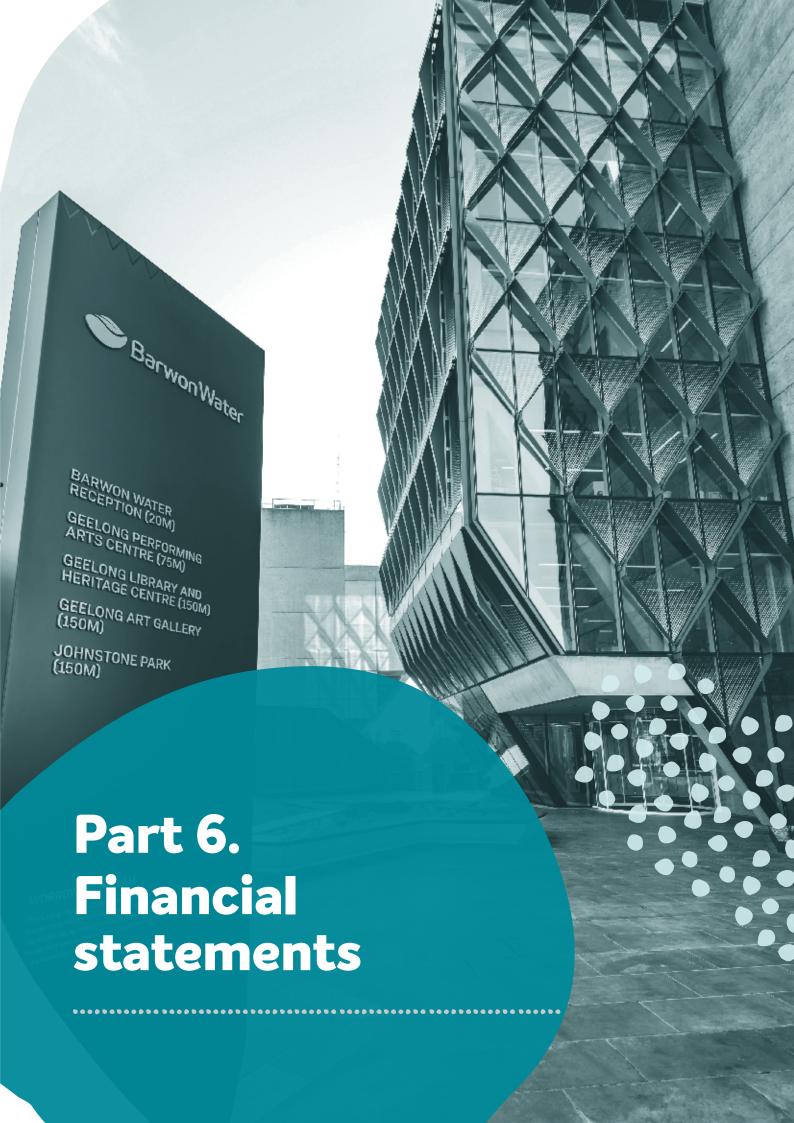
> As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the consolidated financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the corporation and consolidated entity to express an opinion on the financial report. I remain responsible for the direction, supervision and performance of the audit of the corporation and the consolidated entity. I remain solely responsible for my audit opinion.

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

MELBOURNE 27 August 2018

as delegate for the Auditor-General of Victoria



Barwon Region Water Corporation (Barwon Water) and Barwon Asset Solutions PTY LTD (BAS) (collectively "The Group")

Consolidated General Purpose Financial Report

For the Year Ended 30 June 2018

The Group has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2018. It is presented in the following structure:

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Consolidated Comprehensive Operating Statement

For the financial year ended 30 June 2018.

	2018	2017
Notes	\$'000	\$'000
Revenue from operating activities		
Service charges 2.2.1	92,168	88,369
Usage charges 2.2.1	82,153	77,099
Tradewaste charges 2.2.1	6,878	6,393
Government contributions	386	362
Non-Government contributions 2.2.2	44,017	33,066
Other	6,692	7,219
Interest	128	271
	232,422	212,779
Revenue from non-operating activities		
Net gain/(loss) on disposal of non-financial assets 4.1.4	1,355	(82)
Rental revenue	693	751
	2,048	669
Total revenue	234,470	213,448
Expenses from operating activities		
Services and supplies 3.3	54,247	52.764
Borrowing costs 6.1.2	39,436	39,347
Depreciation, amortisation and impairment 4.1.2	75,969	74,281
Employee benefits 3.2.1	39,910	35,515
Environmental contribution 8.2	6,651	6,651
Other operating	282	219
Total expenses	216,495	208,777
Net result before tax	17,975	4,671
Income tax expense 8.1.1	4,941	829
Net result for the period	13,034	3,842
Other comprehensive income		
Items that will not be reclassified to net result		
(Increase)/decrease in impairment of property, plant & equipment 9.1.2	(1,539)	0
Increase/(decrease) in revaluation of property, plant & equipment 9.1.2	0	(620)
Income tax relating to components of other comprehensive income 8.1.1	462	186
Total other comprehensive income	(1077)	(434)
Comprehensive result	11,957	3,408

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

Consolidated Balance Sheet as at 30 June 2018

		2018	2017
	Notes	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	6.2	7,580	21,853
Receivables	5.1	31,322	27,920
Inventories		1,340	1,181
Prepayments	5.3	11,969	17,163
Total current assets		52,211	68,117
Non-current assets			•
Receivables		47	54
Property, plant and equipment	4.1	2,660,686	2,648,864
Intangible assets	4.2	12,508	13,216
Total non-current assets		2,673,241	2,662,134
Total assets		2,725,452	2,730,251
LIABILITIES			
Current liabilities			
Payables	5.2	31,999	32,970
Interest bearing liabilities	6.1	51,815	36,601
Employee benefits - Provisions	3.2.2	10,733	9,157
Total current liabilities		94,547	78,728
Non-current liabilities	-		
Payables		249	200
Interest bearing liabilities	6.1	541,710	578,526
Employee benefits - Provisions	3.2.2	573	542
Net Deferred tax liabilities	8.1.2	358,345	354,184
Total non-current liabilities		900,877	933,452
Total liabilities	-	995,424	1,012,180
		4700.000	4 740 074
Net assets		1,730,028	1,718,071
EQUITY	040	C10 F2C	C10 C10
Reserves	9.1.2	618,536	619,613
Contributed Capital	9.1.1	459,098	459,098
Accumulated funds	9.1.3	652,394	639,360
Total equity		1,730,028	1,718,071

Consolidated Statement of Changes in Equity for the Financial Year Ended 30 June 2018

	Contributed Capital	Reserves	Accumulated Funds	Total
Notes	\$'000	\$'000	\$'000	\$'000
	459,098	620,047	635,518	1,714,663
9.1.3	0	0	3,842	3,842
9.1.2	0	(434)	0	(434)
	0	0	0	0
	0	(434)	3,842	3,408
9.1.1	0	0	0	0
_	459,098	619,613	639,360	1,718,071
	459,098	619,613	639,360	1,718,071
9.1.3	0	0	13,034	13,034
9.1.2	0	(1,077)	0	(1,077)
	0	0	0	0
_	0	(1,077)	13,034	11,957
	U	(1,077)	13,034	11,557
	9.1.3 9.1.2 9.1.1	Capital Notes \$'000 459,098	Notes \$'000 \$'000	Notes \$'000 \$'000 \$'000 459,098 620,047 635,518 9.1.3 0 0 3,842 9.1.2 0 (434) 0 0 0 0 0 0 (434) 3,842 9.1.1 0 0 0 459,098 619,613 639,360 9.1.3 0 0 13,034 9.1.2 0 (1,077) 0 0 0 0 0

Consolidated Cash Flow Statement for the financial year ended 30 June 2018

	2018	2017
Note	ş'000	\$'000
Cash flows from operating activities	Inflows	Inflows
Receipts	(Outflows)	(Outflows)
Service, usage and tradewaste charges	178,734	174,572
Interest	147	289
Non-government contributions	17.743	13.568
Government contributions	119	435
GST received from the ATO	12,252	12,171
Other	6,390	8,035
Payments		
Employees	(39,339)	(36,088)
Suppliers	(63,236)	(83,515)
Interest and other costs of finance	(34,480)	(34,342)
Environmental contribution	(6,651)	(6,651)
Net cash (outflow)/inflow from operating activities 6.2	71,679	48,474
Cash flows from investing activities		
Payments for intangible assets	0	(337)
Payments for purchase of property, plant and equipment	(67,858)	(84,177)
Proceeds from sale of property, plant and equipment 4.1.	7,468	3,850
Cash received on acquisition of Barwon Asset Solutions Pty Ltd 9.	1,098	0
Net cash (outflow)/inflow from investing activities	(59,292)	(80,664)
Cash flows from financing activities		
Proceeds from new and paid down and refinanced borrowings	15,000	64,000
Payment of maturing borrowings paid down and refinanced	(36,000)	(34,000)
Repayment of finance lease liability	(5,660)	(5,513)
Net cash (outflow)/inflow from financing activities	(26,660)	24,487
Net increase/(decrease) in cash held	(14,273)	(7,704)
Cash and cash equivalents at the beginning of the financial year	21,853	29,557
Cash and cash equivalents at the end of the financial year 6.	7,580	21,853

1. About this report

Basis of Accounting

The financial report includes consolidated financial statements for Barwon Region Water Corporation (Barwon Water) and its wholly owned subsidiary, Barwon Asset Solutions Pty Ltd (BAS), collectively known as the Group. This financial report is a general purpose financial report, that consists of a Consolidated Comprehensive Operating Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and notes accompanying these statements for the year ended 30 June 2018.

The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASs), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the Financial Management Act 1994 and applicable Ministerial Directions. Barwon Water is a state government owned corporation which has been classified as a not-for-profit entity for the purpose of preparing the financial statements. The State Government of Victoria is the sole shareholder. The principal activities of BAS are the provision of operational and maintenance services for Barwon Water.

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The annual financial statements were authorised for issue by the Board on 16th day August 2018.

The principal address is:

Barwon Region Water Corporation 55-67 Ryrie Street Geelong VIC 3220

Barwon Asset Solutions Pty Ltd 55-67 Ryrie Street Geelong VIC 3220

Principles of consolidation

Barwon Assets Solution Pty Ltd is 100 per cent owned by Barwon Water. On 2 December 2017 Barwon Water purchased all the shares in Programmed Facility Management BW Pty Ltd from Programmed Facility Management Pty Ltd, and changed its name to Barwon Asset Solutions Pty Ltd.

Information relating to the Parent is disclosed in Note 9.10. Barwon Water has made judgements and determined that the control test under AASB 10 *Consolidated Financial Statements* is satisfied based on:

- 1. Barwon Water having the capacity to affect the relevant activities of BAS that can significantly affect its returns.
- 2. Barwon Water has exposure to variable returns from BAS.
- 3 .Barwon Water has sufficient discretion to direct the activities of BAS.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated. For details regarding the controlled entity, please refer to Note 9.9.

Accounting policies

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

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

Where appropriate, comparative figures have been amended in line with the requirements of AASB 101 *Presentation of Financial Statements*. As Barwon Asset Solutions Pty Ltd was purchased on 2 December 2017 there is no prior period comparative data; therefore, comparative data is reflective of Barwon Water only.

Functional and presentation currency

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

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the Group's operational cycle, with the exception of employee benefits (refer note 3.2.2).

Rounding

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

Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, with the exception of certain non-current assets which, as noted, are measured at fair value.

Accounting estimates

The preparation of consolidated financial statements in conformity with AASs requires the use of certain critical accounting estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those related to employee benefit provisions, assumptions in estimating fair value of infrastructure assets, assessment of asset useful lives and impairment, recognition of deferred tax assets, and provisions and accruals.

These assumptions and their related carrying amounts are discussed in Notes:

- the fair value of land, buildings, infrastructure, plant and equipment (Note 7.3)
- Estimation of useful life (Note 4.1)
- Impairment of assets (Note 4.1)
- Employee benefit provisions (Note 3.2)
- Actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims,

future salary movements and future discount rates (Note 3.2.3)

- Revaluation of non-current physical assets (Note 4.1)
- Deferred tax (Note 8.1.2)
- · Receivables (Note 5.1)

2. Funding delivery of our services

Introduction

This section provides information about how the Group is funded and the accounting policies that are relevant for an understanding of the revenue recognised in the consolidated financial statements.

While continuing to deliver high quality water and sewerage services, the Group's objectives were to continue its commitment to financial sustainability and customer affordability. In achieving this, the Group's customers continued to receive a significant Government Water Rebate while the substantial capital works program

continued, driven by the need to respond to strong rates of urban growth in the region and the need to continue to invest in asset renewal programs to maintain service levels to customers.

The Group levies rates, tariffs and charges for water, sewerage and related activities under the authority of the *Water Act 1989* and in accordance with other regulatory requirements as applicable. The dominating revenue stream is from water and sewerage service and usage charges, allowing the Group to fulfil its obligations and provide the outputs in support of the Group's objectives.

Structure

- 2.1 Summary of income that funds the delivery of our services
- 2.2 Income from operating activities
 - 2.2.1 Service, usage and trade waste charges
 - 2.2.2 Non-Government contributions

2.1 Summary of income that funds the delivery of our services:

		2018	2017
	Notes	\$'000	\$'000
Revenue from operating activities			
Service Charges	2.2.1	92,168	88,369
Usage Charges	2.2.1	82,153	77,099
Tradewaste charges	2.2.1	6,878	6,393
Non Government contributions	2.2.2	44,017	33,066
Other income		7,206	7,852
Total revenue from operating activities		232,422	212,779

Income is recognised to the extent it is probable the economic benefits will flow to the Group and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes.

Part 6. Financial statements

2.2 Income from operating activities

2.2.1 Service, usage and trade waste charges

	2018	2017
	\$'000	\$'000
Service Charges		
Water service charges	27,139	26,412
Sewerage service charges	75,232	73,484
Recycled water service charges	1,102	1,102
Government Water Rebate	(11,305)	(12,629)
	92,168	88,369
Usage Charges		
Water usage charges	75,635	71,069
Sewage disposal charges	5,550	5,232
Recycled water usage charges	968	798
	82,153	77,099
Tradewaste charges		
Trade waste usage charges	4,028	3,732
Trade waste other fees and charges	2,850	2,661
	6,878	6,393
Total service, usage and trade waste charges	181,199	171,861

Service and usage charges are recognised as revenue when levied or determined.

Trade waste charges are recognised as revenue at the end of the service delivery period. Volume meters are read and appropriate charges levied as per the trade waste agreements. The meters are read on a cyclical basis with accounts sent on a quarterly basis.

Water usage and sewer disposal charges are recognised as revenue when the services are provided. Meter reading is undertaken progressively during the year. An estimation of service, usage and disposal charges, is made at the end of each accounting period for connections where meters were not read at balance date. This is calculated by determining the level of billable service provided multiplied by the cost of each service.

The Government Water Rebate is an initiative to deliver more than \$1 billion of savings across Victoria's urban water sector over four years commencing 2014/15. As part of this initiative Barwon Water residential customers are entitled to a bill reduction of \$50 in their first quarter bill starting from 2014/15, increasing to \$80 in 2015/16, \$90 in 2016/17 and is \$80 in 2017/18.

2.2.2 Non-Government contributions

	2018	2017
	\$'000	\$'000
Non Government contributions		
Assets received from developers	26,941	20,521
Fees paid by developers	16,910	12,122
Customer capital contributions	166	423
Total Non Government contributions	44,017	33,066

Assets received from developers are infrastructure assets built by developers in new land subdivisions that on completion are provided to the Group. Fees paid by developers are to connect to new developments to the Group's existing water supply and sewerage systems and are recognised as revenue when the contributions are received.

Developer contributed assets are recognised on the issue by the Group of the relevant declaration of serviced areas. The value of these assets is based on fair value. Fair value is determined based on a replacement cost matrix that allows for various asset types, locations and depths. The fair value of these assets is recognised as revenue in the accounts when the Group gains control of the assets.

Customer capital contributions are cash contributions received from developers towards the construction of water and sewerage infrastructure assets, recognised as revenue when the contributions are received.

3. The cost of delivering services

Introduction

This section provides additional information about how the Group's funding is applied and the accounting policies that are relevant for an understanding of the expenditure recognised in the financial statements.

Structure

- 3.1 Summary of expenses from operating activities
- 3.2 Our people
 - 3.2.1 Employee benefits consolidated comprehensive operating statement
 - 3.2.2 Employee benefits consolidated balance sheet
 - 3.2.3 Superannuation
- 3.3 Supplies and services

3.1 Summary of expenses from operating activities:

	2018	2017
	\$'000	\$'000
Employee benefits expense	39,910	35,515
Supplies and services	54,247	52,764
Total expenses from operating activities	94,157	88,279

3.2 Our people

3.2.1 Employee benefits – consolidated comprehensive operating statement

	2018	2017
	\$'000	\$'000
Employee benefits		
Salaries and wages	30,853	27,104
Annual Leave	2,564	2,422
Long service leave	1,050	648
Employer superannuation contributions	3,420	3,032
Termination benefit	0	0
Other	2,023	2,309
Total employee benefit costs	39,910	35,515

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

The amount charged to the Consolidated Comprehensive Operating Statement in respect of superannuation represents contributions made or due by the Group to the relevant superannuation plans in respect to the services of the Group's staff (both past

and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that the Group is required to comply with.

3.2.2 Employee benefits - consolidated balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	2018	2017
	\$'000	\$'000
Current provisions		
Employee benefits		
Annual leave		
Unconditional and expected to settle within 12 months	2,440	2,048
Long service leave		
Unconditional and expected to settle within 12 months	808	878
Unconditional and expected to settle after 12 months	6,046	4,937
Other		
Unconditional and expected to settle within 12 months	29	0
Provision for on-costs		
Unconditional and expected to settle within 12 months	494	488
Unconditional and expected to settle after 12 months	916	806
Total current provisions for employee benefits	10,733	9,157
Non-current provisions		
Employee benefits - Long service leave	498	466
On-costs	75	76
Total non-current provisions for employee benefits	573	542
Total provisions for employee benefits	11,306	9,699

Reconciliation of movement in on-cost provision

	2018	2017
	\$'000	\$'000
Opening balance	1,370	1,508
Net provisions recognised	(63)	(138)
Additions at acquisition	178	0
Closing balance	1,485	1,370
Current	1,410	1,294
Non current	75	76
	1,485	1,370

Annual leave

Employee benefits relating to annual leave are expected to be settled wholly within twelve months of the reporting date, are recognised in employee benefit liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, at their nominal values.

Regardless of the expected timing of settlements, liabilities in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date, in which case it would be classified as a non-current liability.

On-costs

Provision for employee benefit on-costs, such as payroll tax, worker's compensation and superannuation, are recognised separately from the employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

Long service leave

Current Liability – unconditional LSL (representing seven* or more years of continuous service) is disclosed as a current liability even where the Group does not expect to settle the liability within 12 months because it does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- present value component that the Group does not expect to settle wholly within 12 months; and
- undiscounted value component that the Group expects to settle wholly within 12 months

Non-Current Liability – conditional LSL (representing less than seven* years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional LSL is required to be measured at present value.

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

*Barwon Water - In accordance with Barwon Region Water Corporation Enterprise Agreement 2015

*Barwon Asset Solutions Pty Ltd - In accordance with Programmed Facility Management Barwon Water EBA 2014

3.2.3 Superannuation

Superannuation contributions

The Group makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in Consolidated Comprehensive Operating Statement when they are made or due.

Contributions by the Group (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2018 are detailed below:

			2018	2017
Scheme	Type of scheme	Rate	\$'000	\$'000
Vision Super	Defined Benefits	9.50% - 19.56%	905	823
Vision Super	Accumulation Plan	9.50%	1,791	1,656
Other Funds	Accumulation Plan	9.50%	887	629

There were no contributions outstanding or loans issued from or to either of the above schemes at 30 June 2018 (2017 \$0). The expected contributions to be paid by the Group to the defined benefits category of Vision Super for the year ending 30 June 2019 is estimated to be \$984,422.

Accumulation

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

Defined Benefit

The Group does not use defined benefit accounting because sufficient information is not available. There is no proportional split of the defined benefit liabilities. assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of the Group in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

On the basis of the results of the 2017 triennial/full actuarial investigation conducted by the Fund Actuary, the Group makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. In addition, the Group reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

The 2017 full actuarial investigation surplus amounts

As at 30 June 2017, a full actuarial investigation was held. The vested benefit index (VBI) was 103.1%. Because the VBI was above 100%, the 2017 full actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

To determine the VBI, the Fund Actuary used the following long-term assumptions:

- Net investment returns 6.5% pa
- Salary information 3.5% pa
- Price inflation (CPI) 2.5% pa.

Vision Super has advised that the estimated VBI at 30 June 2018 was 106.0%.

The Fund's full triennial actuarial investigation as at 30 June 2017 identified the following:

- A VBI surplus of \$69.8 million;
- A total service liability surplus of \$193 million: and
- A discounted accrued benefits surplus of \$228.8 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2017.

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

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2017.

The 2018 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2018 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed in October 2018.

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including the Group) are required to make an employer contribution to cover the shortfall.

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

Due to the nature of the contractual

obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

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

3.3 Supplies and services

Supplies and services expenses represent the day-to-day running costs incurred in the normal operations of the business. They are recognised as an expense in the reporting period in which they are incurred.

Direct operating expenses are recognised as an expense when incurred. These costs are directly incurred in relation to the harvesting, storage, treatment and transfer of water, the production and delivery of recycled water and the collection, treatment and disposal of sewage; including the costs directly

attributable to the maintenance and upkeep of the associated infrastructure.

Administration expenses are recognised as an expense when incurred. These costs are incurred by support service departments and management in support of the operational functions of the business. These costs where not directly identifiable as an operating expense include such functions as information technology, finance and procurement and includes all related salary and on-costs.

Bulk water supplies are service and usage charges incurred for the supply and delivery of bulk water sourced from the Melbourne Water Yarra Thompson bulk water supply are recognised as an expense when incurred.

	2018	2017
	\$'000	\$'000
Supplies and services		
Direct operating expenses	34,763	35,823
Administration expenses	14,345	11,296
Bulk water supplies	5,139	5,645
Total Supplies and services	54,247	52,764

4. Key assets available to support output delivery

Introduction

The Group controls infrastructure and other assets that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to the Group to be utilised for delivery of those outputs.

Structure

- 4.1 Total infrastructure, property, plant and equipment
 - 4.1.1 Carrying amount by asset class
 - 4.1.2 Depreciation and impairment
 - 4.1.3 Reconciliation of movements in carrying values of Infrastructure, property, plant and equipment
 - 4.1.4 Net gain/(loss) on disposal of non-current assets
 - 4.1.5 Capital commitments

4.2 Intangible assets

4.1 Total infrastructure, property, plant and equipment

4.1.1 Carrying amount by asset class

	Gross carrying amount		Accumulated and Impo	'	Net carrying amount		
Asset class	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	
Land at fair value	115,840	118,257	0	0	115,840	118,257	
Buildings at fair value	52,082	50,960	(5,407)	(650)	46,675	50,310	
Infrastructure - Water Distribution at fair value	1,012,087	989,386	(45,634)	(22,957)	966,453	966,429	
Infrastructure - Water Harvesting & Major Transfer at fair value	367,492	361,850	(7,778)	(3,863)	359,714	357,987	
Infrastructure - Water Quality at fair value	95,073	93,805	(7,054)	(3,732)	88,019	90,073	
Infrastructure - Sewer Collection at fair value	769,098	731,303	(37,995)	(19,176)	731,103	712,127	
Infrastructure - Sewer Treatment & Disposal at fair value	266,220	263,935	(35,776)	(18,242)	230,444	245,693	
Assets Under Finance Lease at fair value	42,351	42,351	(5,235)	(2,617)	37,116	39,734	
Plant, Equipment & Other at fair value	50,069	44,248	(36,681)	(35,064)	13,388	9,184	
Capital Works in Progress at cost	71,934	59,070	0	0	71,934	59,070	
Total infrastructure, property, plant and equipment	2,842,246	2,755,165	(181,560) (106,301)		2,660,686	2,648,864	

Initial recognition

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage and drainage infrastructure, plant, equipment, assets under finance lease, works in progress and motor vehicles, used by the Group in its operations. Items with a cost or value in excess of \$1,000 (2016/17 \$1,000) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

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

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

The Group has entered into contractual arrangements with a third party to build, own and operate a biosolids drying facility at the Black Rock water reclamation plant. The contractor leases land from the Group and has built a thermal drying plant and will operate the facility for twenty years in exchange for a stream of payments. At the end of the contract period, the assets will be decommissioned and removed by the contractor and the site returned to the Group at no cost to the Group.

While ownership of the asset does not transfer to the Group at the end of the contractual term, it is designated to be demolished and the site reinstated to original condition, as the term is for the major part of the economic life of the asset (in this case the full period of the asset's useful life), the Group accounts for the asset under the BOO (Build Own Operate) scheme as a finance lease. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

For the infrastructure, plant, equipment and vehicles asset class, where the Group is able to demonstrate that there is no evidence that a reliable market-based fair value (or other fair value indicators) exist for these assets, depreciated replacement cost is used to represent a reasonable approximation of fair value.

Subsequent measurement

All non-current physical assets are recognised initially at cost, except for developer contributions which are valued at fair value, and subsequently recorded at fair value less accumulated depreciation and impairment in accordance with the requirements of Financial Reporting Direction (FRD) 103F Non-Current Physical Assets.

Revaluation of infrastructure, property, plant and equipment

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

Water and sewer infrastructure assets, at both the entity reporting level and whole of government reporting level, are therefore measured at fair value less accumulated depreciation and impairment in accordance with FRD 103F. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and drainage systems, facilitating the collection, treatment and disposal of sewage.

The latest fair value assessment for water and sewer infrastructure occurred as at 30 June 2016 and was undertaken with involvement from the Valuer General of Victoria (VGV) and under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water and sewer infrastructures. Further details of the valuation exercise are provided in Note 7.3.

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

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

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Asset revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset.

Revaluation date

Infrastructure, land and building were valued at 30 June 2016 with either the depreciated replacement cost methodology or market approach being applied to determine the fair value. Where market based evidence of fair values is not available due to the specialised nature of an asset an allowance for community service obligations is made. Where properties have appropriate zoning and are capable of being readily sold, the sale history and other information in relation to similar properties in the area has been used to determine an active and liquid market valuation.

The valuations were performed under contract from the Valuer-General of Victoria:

- Infrastructure was valued by Massimo Gozzo AAPI, CPV (P&M), ASA from KPMG, and
- Land and building was valued by Malcolm Ashby FAPI, Certified Practising Valuer, Egan National Valuers (Vic).

The plant, equipment & other asset class has been assessed for fair value and, concluded that book value approximates fair value.

4.1.2 Depreciation, impairment and amortisation

Charge for the period

For a breakdown of the depreciation and impairment charge for the period by class of property plant and equipment refer to note 4.1.3, reconciliation of movements in carrying values of infrastructure, property, plant and equipment.

	2018	2017
	\$'000	\$'000
Depreciation	71,940	72,635
Impairment	2,630	0
Total Depreciation and impairment	74,570	72,635
Amortisation (Note 4.2)	1,399	1,646
Total Depreciation, impairment and amortisation	75,969	74,281

Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

Depreciation is not recognised in respect of land assets because service potential has not, in any material sense, been consumed during the reporting period. Depreciation on other assets is calculated using the straight line method to allocate their cost

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

Depreciation rates within each asset class are listed within the following ranges:

Property, Plant & Equipment Class	Depreciation Ranges (%)
Buildings	1.33 - 4.00
Infrastructure - distribution	1.25 - 4.00
Infrastructure - harvesting and major transfer	0.29 - 1.33
Infrastructure - quality	1.67 - 1.25
Infrastructure - collection	1.25 - 4.00
Infrastructure - treatment and disposal	0.83 - 4.00
Finance lease	5.00
Plant, equipment and other	6.67 - 27.27

Impairment

Non-financial assets, including items of infrastructure, property, plant and equipment, are assessed annually for indicators of impairment.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying amount exceeds its recoverable amount, the difference is written-off by a charge to the Consolidated Comprehensive

Operating Statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs of disposal. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs of disposal. It is deemed that, in the

event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading asset revaluation

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

4.1.3 Reconciliation of movements in carrying values of infrastructure, property, plant and equipment

	Carrying amount at 1 July \$'000	Additions \$'000	Disposals \$'000	Adjustments \$'000	Impairments \$'000	Transfers between Asset Classes \$'000	* Fair values of assets received free of charge \$'000	Depreciation \$'000	Closing WDV at 30 June \$'000
2017/18									
Land	118,257	0	(4,590)	0	0	2,173	0	0	115,840
Buildings	50,310	0	(176)	0	(3,460)	1,315	0	(1,314)	46,675
Water distribution	966,429	0	(80)	0	(704)	7,394	15,417	(22,003)	966,453
Water harvesting and major transfer	357,987	0	(42)	0	(6)	5,686	0	(3,911)	359,714
Water quality	90,073	0	(298)	0	0	1,599	0	(3,355)	88,019
Sewer collection	712,127	0	0	0	0	26,273	11,524	(18,821)	731,103
Sewer treatment and disposal	245,693	0	(237)	0	0	2,619	0	(17,631)	230,444
Assets under Finance Lease	39,734	0	0	0	0	0	0	(2,618)	37,116
Plant, equipment and other	9,184	45	(690)	0	0	7,136	0	(2,287)	13,388
Capital works in progress	59,070	94,000	0	0	0	(54,195)	(26,941)	0	71,934
	2,648,864	94,045	(6,113)	0	(4,170)	0	0	(71,940)	2,660,686

	Carrying amount at 1 July \$'000	Additions \$'000	Disposals \$'000	Adjustments \$'000	Impairments \$'000	Transfers between Asset Classes \$'000	* Fair values of assets received free of charge \$'000	Depreciation \$'000	Closing WDV at 30 June \$'000
2016/17									
Land	119,282	0	(1,795)	130	0	640	0	0	118,257
Buildings	14,124	0	(55)	(9)	0	36,906	0	(656)	50,310
Water distribution	964,913	0	(284)	(308)	0	16,705	7,939	(22,536)	966,429
Water harvesting and major transfer	359,523	0	(5)	0	0	2,319	0	(3,850)	357,987
Water quality	89,024	0	(363)	(270)	0	4,944	0	(3,262)	90,073
Sewer collection	708,562	0	(153)	0	0	10,211	12,582	(19,075)	712,127
Sewer treatment and disposal	263,680	0	(290)	(163)	0	883	0	(18,417)	245,693
Assets under Finance Lease	42,351	0	0	0	0	0	0	(2,617)	39,734
Plant, equipment and other	8,353	0	(986)	0	0	4,039	0	(2,222)	9,184
Capital works in progress	51,531	104,707	0	0	0	(76,647)	(20,521)	0	59,070
-	2,621,343	104,707	(3,932)	(620)	0	0	0	(72,635)	2,648,864

4.1.4 Net gain/(loss) on disposal of non-current assets

The net result for the period from ordinary activities includes the following specific net gains and expenses:

	2018	2017
	\$'000	\$'000
Proceeds on sale of infrastructure, property, plant and equipment	7,468	3,850
Less written down value	(6,113)	(3,932)
Net profit/(loss) on disposal	1,355	(82)

4.1.5 Capital commitments

Commitments for future expenditure include operating and capital commitments arising from non-cancellable contractual sources. Please refer to Note 6.3 and Note 8.2.1 for details on operational and environmental commitments, respectively.

Capital commitments are recorded below at their nominal value and inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

	2018	2017
	\$'000	\$'000
Capital expenditure commitments payable		
Infrastructure, property, plant and equipment		
Less than 1 year	20,190	21,896
Longer than 1 year but not longer than 5 years	8,140	399
Longer than 5 years	0	0
Total commitments (inclusive of GST)	28,330	22,295.
Less GST recoverable	2,575	2,027
Total commitments (exclusive of GST)	25,755	20,268

4.2 Intangible assets

	2018	2017
	\$'000	\$'000
At cost	31,150	30,459
Less: accumulated amortisation	(18,642)	(17,243)
Total intangible assets	12,508	13,216

	Software	Bulk Water Entitlement	Total
	\$'000	\$'000	\$'000
Year ended 30 June 2018			
Opening WDV at 1 July 2017	7,294	5,922	13,216
Additions	691	0	691
Impairment	0	0	0
Amortisation	(1,399)	0	(1,399)
Closing WDV at 30 June 2018	6,586	5,922	12,508

	Software	Bulk Water Entitlement	Total
	\$'000	\$'000	\$'000
Year ended 30 June 2017			
Opening WDV at 1 July 2016	8,603	5,922	14,525
Additions	337	0	337
Amortisation	(1,646)	0	(1,646)
Closing WDV at 30 June 2017	7,294	5,922	13,216

Notes:

(i) The consumption of intangible assets is included in the 'depreciation, amortisation and impairment' line item on the comprehensive operating statement.

Recognition

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

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

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

	Software	Bulk Water Entitlement
Useful lives	Finite	Indefinite
Amortisation method used	3.6 - 10 years straight line	Not amortised or revalued.
Internally generated/acquired	Acquired and internally generated	Acquired
Impairment test/Recoverable amount testing	Assessed annually and where an indicator of impairment exists.	Tested and assessed annually.

Bulk Permanent Water Entitlements

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

5. Other Assets And Liabilities

This section sets out those assets and liabilities that arose from the Group's controlled operations.

Structure

- 5.1 Receivables
- 5.1.1 Past due but not impaired receivables
- 5.2 Payables
- 5.3 Other non-financial assets

5.1 Receivables

	2018	2017
	\$'000	\$'000
Current		
Contractual		
Tariff and sundry	16,077	13,338
Accrued charges	11,777	10,936
Provision for impaired receivables	(220)	(180)
Other receivables	474	756
C		
Statutory		
Amount owing from Victorian Government	1,412	1,124
GST input tax credit receivables	1,802	1,946
Total current receivables	31,322	27,920

Receivables consist of:

- contractual receivables, such as debtors in relation to tariff and sundry debtors (including for water, sewerage and tradewaste services), accrued charges (including investment income) and other receivables; and
- statutory receivables, such as Goods and Services Tax (GST) input tax credits recoverable.

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

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

Contractual receivables are recognised initially at fair value (which equates to cost) and subsequently measured at amortised cost, less provision for impairment. Contractual receivables are due for settlement no more than 30 days from the date of recognition for tariff and sundry debtors.

Payments received from customers in advance have been separated out from debtors and disclosed as a liability within note 5.2 Payables – Other creditors.

The amounts recognised as owing from the Victorian Government are in the nature of grants for water saving incentives, concessional and pensioner rebates applied to water and sewerage tariffs, and tariff charges applicable to the Department of Justice and Regulation.

5.1.1 Past due but not impaired receivables

As at 30 June 2018, trade receivables of 44,495,914 (2016/17 4,105,632) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

The ageing of these receivables is as follows:

	2018	2017
Ageing analysis	\$'000	\$'000
30 to 90 days	2,016	1604
90 to 150 days	803	746
Over 150 days	1,677	1755
Total	4,496	4105

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

5.2 Payables

	2018	2017
	\$'000	\$'000
Current	'	
Contractual		
Trade creditors	8,639	7,650
Accrued expenses	15,142	17,799
Other creditors	8,051	7,404
Statutory		
Payroll tax payable	114	117
Withholding tax payable	53	0
Total current payables	31,999	32,970

Payables consist of:

- contractual payables, such as trade and other creditors and accrued expenses.
 These represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid, and arise when the Group becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as payroll tax payable and withholding tax payable.

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.

The contractual payables are unsecured and are usually paid within 30 days of recognition.

5.3 Other non-financial assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

2018 prepayments include a payment towards the Greater Yarra System Thompson River Entitlement charge to the year ending 2019/20.

6. How We Financed Our Operations

Introduction

This section provides information on the sources of finance utilised by the Group during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the Group.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 7.1 provides additional financial instrument disclosures.

Structure

- 6.1 Interest bearing liabilities
 - 6.1.1 Maturity analysis
 - 6.1.2 Borrowing costs
- 6.2 Cash flow information
 - 6.2.1 Reconciliation of net result to cash flow from operating activities
- 6.3 Commitments for expenditure
 - 6.3.1 Total commitments payable
 - 6.3.2 Operating commitments
 - 6.3.3 Build own operate (BOO) expenditure commitments
 - 6.3.4 BOO related Finance lease commitments

6.1 Interest bearing liabilities

	2018	2017
	\$'000	\$'000
Current interest bearing liabilities		
Borrowings*	51,000	36,000
Finance lease (refer Note 6.3.4)	815	601
Total current interest bearing liabilities	51,815	36,601
Non-Current interest bearing liabilities		
Borrowings*	494,400	530,400
Finance lease (refer Note 6.3.4)	47,310	48,126
Total non-current interest bearing liabilities	541,710	578,526
Total interest bearing liabilities	593,525	615,126

^{*} All borrowings have been transacted with the approval of the Treasurer of Victoria and hence are subject to Statutory Guarantee by the State of Victoria in accordance with the Borrowing and Investment Powers Act 1987. As a result, all borrowings are classified as secured; that is, all borrowings are secured by a State of Victoria guarantee which reduces the risk associated with lending.

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost.

Interest bearing liabilities in the Consolidated Balance Sheet are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

None of the Group's interest bearing liabilities are readily traded on organised markets in standardised form.

6.1.1 Maturity analysis of interest bearing liabilities

	Maturity dates						
	Carrying amount \$'000	Nominal Amount \$'000	Less than 1 month \$'000	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	5+ years \$'000
2018							
Finance lease liability	48,125	48,125	60	122	633	6,005	41,305
Borrowings	545,400	545,400	0	41,000	10,000	153,500	340,900
Total	593,525	593,525	60	41,122	10,633	159,505	382,205
2017							
Finance lease liability	48,727	48,727	44	88	469	4,839	43,287
Borrowings	566,400	566,400	0	26,000	10,000	147,000	383,400
Total	615,127	615,127	44	26,088	10,469	151,839	426,687

6.1.2 Borrowing costs

	2018	2017
	\$'000	\$'000
Interest on fixed government borrowings	27,062	27,522
Financial accommodation levy	7,300	6,700
Finance lease interest charges	5,074	5,125
Total borrowing costs	39,436	39,347

Borrowing costs include interest on fixed government borrowings, Financial Accommodation Levy costs and finance lease charges.

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

6.2 Cash flow information

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and those highly liquid investments with original maturity of three months or less.

	2018	2017
	\$'000	\$'000
Cash on hand	0	2
Cash at bank (non-interest bearing)	7,580	1,851
Investments at call - Treasury Corporation of Victoria		
(These investments are bearing floating interest rates of nil 2017/18 (2016/17: 1.45% and 1.7%)	0	20,000
Balance as per consolidated cash flow statement	7,580	21,853

Financing Facilities

	2018	2017
	\$'000	\$'000
Secured bank overdraft facility, reviewed annually and payable at call		
Amount used at balance date	0	0
Amount unused at balance date	100	100
Total	100	100
Secured loan facilites		
Amount used at balance date	545,400	566,400
Amount unused at balance date	41,000	39,500
Total	586,400	605,900

The Group has an overdraft facility of \$100,000 and is subject to annual review by its bankers.

Security for loans is by way of Treasurer's guarantee in favour of the Treasury Corporation of Victoria dated 24th June 1999. Loan interest is payable every six months and loans have a maturity up to 14.3 years (2017 15.3 years).

All loans are with the Treasurer Corporation of Victoria borrowed under the Treasurer's approval. Any unused facilities are not automatically carried over in the next financial year with a fresh approval required for each financial year. Treasurer's approval was obtained in June 2018 which included refinancing of \$36 million (2017 \$36 million) of loans maturing in 2018-19 and obtaining new loans of \$24.5 million (2017 \$69.5 million) between 1 July 2018 and 30 June 2019.

6.2.1 Reconciliation of net result for the period to cash flow from operating activities

	2018	2017
	\$'000	\$'000
Net result for the period after income tax	13,034	3,842
Add/(less) non-cash flows in net profit		
Depreciation, amortisation and impairment	75,969	74,281
(Profit)/Loss on disposal of infrastructure, property, plant and equipment	(1,355)	82
Non-cash capital contributions	(26,941)	(20,521)
Non-cash interest expense on finance lease	5,074	5,125
Increase/(decrease) in net deferred tax liability	4,161	829
Other non-cash adjustment	(254)	0
Gain on acquisition	(320)	0
Changes in assets and liabilities		
Increase/(decrease) in employee benefits provisions	1,606	(81)
Decrease/(increase) in receivables	(3,394)	1,216
Decrease/(increase) in inventories	(158)	23
Decrease/(increase) in prepayments	5,193	(15,760)
Increase/(decrease) in payables	(921)	(532)
Changes in amounts payable for the BOO	(15)	(31)
Net cash provided by operating activities	71,679	48,474

6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from non-cancellable contractual sources. Please refer to note 4.1.5, 6.3.2 and note 8.2.1 for details on capital, operating and environmental commitments, respectively.

Operating commitments are disclosed below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

6.3.1 Total commitments payable

	2018 \$'000	2018 \$'000	2017 \$'000	2017 \$'000
Total commitments payable	Nominal value	Present value	Nominal value	Present value
Operating commitments	9,133		10,787	
Build own operate (BOO) expenditure commitments - Biosolids drying facility	97,377	61,896	103,757	63,880
BOO related Finance lease commitments	95,390	48,125	101,064	48,727
Total commitments (inclusive of GST)	201,900		215,608	
Less GST recoverable	18,355		19,601	
Total commitments (exclusive of GST)	183,545		196,007	

6.3 Commitments for expenditure

6.3.2 Operating commitments

Nominal \$ - 2018	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
Operating commitments payable				
Annual licence fees and software maintenance	734	0	0	734
External consultants	920	1,139	0	2,059
Maintenance and meter services	274	274	0	548
Waste management	0	0	0	0
Other operating expenditure	2,158	3,634	0	5,792
Total operating commitments payable (inclusive of GST)	4,086	5,047	0	9,133
Less GST recoverable	371	459	0	830
Total operating commitments payable (exclusive of GST)	3,715	4,588	0	8,303

Nominal \$ - 2017	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
Operating commitments payable				
Annual licence fees and software maintenance	894	1,810	0	2,704
External consultants	130	0	0	130
Maintenance and meter services	3,279	1,970	0	5,249
Waste management	633	1,581	0	2,214
Other operating expenditure	346	144	0	490
Total operating commitments payable (inclusive of GST)	5,282	5,505	0	10,787
Less GST recoverable	480	500	0	981
Total operating commitments payable (exclusive of GST)	4,802	5,005	0	9,806

6.3.3 Build own operate (BOO) expenditure commitments

	2018	2017
	\$'000	\$'000
BOO expenditure commitments payable		
Property, plant and equipment		
Less than 1 year	5,931	5,820
Longer than 1 year but not longer than 5 years	25,242	24,772
Longer than 5 years	66,204	73,165
Total commitments (inclusive of GST)	97,377	103,757
Less GST recoverable	8,852	9,432
Total commitments (exclusive of GST)	88,525	94,325

The finance lease was capitalised at inception while the corresponding rental obligations, net of finance charges, are included in payables. Each stream of lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the comprehensive operating statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired in a BOO scheme that meets the classification of finance lease is depreciated over the asset's useful life.

The thermal drying plant was commissioned on 3 September 2012, at which time a leased asset and leased liability were recognised in the balance sheet at

\$49,316,314 respectively, while payments to the contractor for the operation of the facility also commenced at that time.

The terms and conditions of the finance lease consist of monthly repayments comprising a service charge associated with the throughput of the plant, recognised in the Consolidated Comprehensive Operating Statement, and a finance lease component incorporating both interest and principle repayments based on an implicit interest rate of 10.99% (2016–17 10.99%).

Refer to the table in note 6.3.3 for operating commitments relating to this arrangement and the table in note 6.3.4 for the finance lease commitment associated with this arrangement.

6.3.4 BOO related Finance lease commitments

	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
	Minimum future	lease payments	Present value of mir paym	
Commissioned BOO related finance lease liabilities payable	9			
Less than 1 year	5,816	5,674	5,498	5,364
Longer than 1 year but not longer than 5 years	24,755	24,151	18,098	17,657
5 years or more	64,819	71,239	24,529	25,706
Minimum future lease payments	95,390	101,064	48,125	48,727
less future finance charges	(47,265)	(52,337)	0	0
Present value of minimum lease payments	48,125	48,727	48,125	48,727
Included in the financial statements as:				
Current finance lease liabilities (Note 6.1)			815	601
Non-current finance lease liabilities (Note 6.1)			47,310	48,126
			48,125	48,727

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

The Group is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Group related mainly to fair value determination.

Structure

- 7.1 Financial instruments specific disclosures
 - 7.1.1 Financial instruments: Categorisation
 - 7.1.2 Financial risk management objectives and policies
- 7.2 Contingent assets and contingent liabilities
- 7.3 Fair value determination
 - 7.3.1 Fair value determination of financial assets and liabilities
 - 7.3.2 Fair value determination: Non-financial physical assets
 - 7.3.3 Reconciliation of Level 3 fair value movements

7.1 Financial instruments specific disclosures

Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Categories of financial instruments

Receivables and cash and cash equivalents are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement receivables are measured at amortised cost using the effective interest method (and for receivables, less any impairment), the Group recognises the following assets in this category:

- · Cash and cash equivalents, and
- Receivables (excluding statutory receivables)

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost. The Group recognises the following liabilities in this category:

- Payables (excluding statutory receivables), and
- Interest bearing liabilities (including finance lease liabilities)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:

- has transferred substantially all the risks and rewards of the asset; or
- has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Impairment of financial assets

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Consolidated Comprehensive Operating Statement.

All financial instrument assets, except those measured as fair value through profit or loss, are subject to annual review for impairment.

7.1.1 Financial instruments: Categorisation

Contractual financial assets - Contractual financial liabilities at amortised cost	Total
2018	\$'000
Cash and deposits	7,580
Receivables	28,155
Total contractual financial assets	35,735
Payables	32,082
Borrowings	545,400
Finance lease	48,125
Total contractual financial liabilities	625,607

Contractual financial assets - Contractual financial liabilities at amortised cost	Total
2017	\$'000
Cash and deposits	1,853
Receivables	24,905
Investments and other financial assets	20,000
Total contractual financial assets	46,758
Payables	33,053
Borrowings	566,400
Finance lease	48,727
Total contractual financial liabilities	648,180

7.1.2 Financial risk management objectives and policies

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

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

Risk management is carried out under policies approved by the Risk Management/Audit Committees and ratified by the Group's Board of Directors. Financial risks are identified and evaluated against with close cooperation with the Group's operating units. The Group's Boards provide written principles for overall risk management, as well as policies covering specific areas, such as, interest rate risk, credit risk, non-derivative financial instruments and investment of excess liquidity.

The main risks the Group is exposed to through its financial instruments are as follows.

Credit risk

Credit risk is the risk of financial loss to the Group as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from the Group's other receivables. The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The other receivables balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Other receivable balances are monitored on an on-going basis to ensure that exposure to bad debts is not significant the Group has in place a Billing and Collection Policy for the collection of overdue receivables.

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

	Financial institutions (A-1+ credit rating) ^(a)	Government agencies (A-1+ credit rating) ^(a)	Other	Total
2018	\$'000	\$'000	\$'000	\$'000
Cash and deposits	7,580		0	7,580
Receivables (b)			28,155	28,155
Investments and other financial assets		0		0
Total contractual financial assets	7,580	0	28,155	35,735

Total contractual financial assets	1,851	20,000	24,907	46,758
Investments and other financial assets		20,000		20,000
Receivables (b)			24,905	24,905
Cash and deposits	1,851		2	1,853
2017				

⁽a) Credit ratings sourced from Standard & Poor's.

Liquidity risk

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

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The following tables analyse the Group's financial liabilities measured at book value into relevant maturity groupings based on their contractual maturities at 30 June 2018 and 2017.

	Less than 1 year	2-5 years	Over 5 years	Total Contractual Cash Flows	Carrying Amount
At 30 June 2018	\$'000	\$'000	\$'000	\$'000	\$'000
Liabilities					
Payables	32,082	0	0	32,082	32,082
Finance Lease	815	6,005	41,305	48,125	48,125
Borrowings	51,000	153,500	340,900	545,400	545,400
Total	83,897	159,505	382,205	625,607	625,607

	Less than 1 year	2-5 years	Over 5 years	Total Contractual Cash Flows	Carrying Amount
At 30 June 2017	\$'000	\$'000	\$'000	\$'000	\$'000
Liabilities					
Payables	33,053	0	0	33,053	33,053
Finance Lease	601	4,839	43,287	48,727	48,727
Borrowings	36,000	147,000	383,400	566,400	566,400
Total	69,654	151,839	426,687	648,180	648,180

⁽b) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable).

Market risk

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

Objectives, policies and process used to manage these risks are disclosed in the paragraphs below:

a. Interest Rate Risk

The Group's exposure to market interest rates relates primarily to the Group's long-term borrowings and funds invested on the money market.

The Group minimises its exposure to interest rate changes on borrowings by holding fixed rate debt with an even spread of maturity profiles, at Board approved limits.

The Group has exposure to interest rate risk through its holding of cash assets and other financial assets.

b. Foreign Exchange Risk

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

c. Other Price Risk

The Group has no significant exposure to Other Price Risk.

Interest rate exposure of financial instruments

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

Refer to note 7.3 for accounting policy relating to disclosure of fair value measurement hierarchy.

Fair value of financial assets and liabilities not carried at fair value

Cash and cash equivalents, receivables, payables and finance lease payables carrying values approximate their fair values.

The fair value of borrowings is \$608,761,475 (\$636,169,897 in 2016/17) and is based on discounting the expected future cash flows at current market interest rates for liabilities with similar risk profiles. Borrowings are recorded in the financial report in accordance with the policy at note 6.1.

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods. Exposures arise predominantly from liabilities bearing variable interest rates as the Group intends to hold fixed rate liabilities to maturity.

				Fixed interest	maturing In				
30 June 2018	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	Non interest bearing \$'000	Total \$'000
Financial assets									
Cash and cash equivalents	7,580	0	0	0	0	0	0	0	7,580
Receivables	0	0	0	0	0	0	0	28,155	28,155
Total financial assets	7,580	0	0	0	0	0	0	28,155	35,735
Financial liabilities									
Payables	0	0	0	0	0	0	0	(32,082)	(32,082)
Borrowings	0	(51,000)	(36,000)	(35,000)	(40,000)	(42,500)	(340,900)	0	(545,400)
Finance lease	0	(815)	(1,058)	(1,330)	(1,636)	(1,981)	(41,305)	0	(48,125)
Total financial liabilities	0	(51,815)	(37,058)	(36,330)	(41,636)	(44,481)	(382,205)	(32,082)	(625,607)
Net financial assets/liabilities	7,580	(51,815)	(37,058)	(36,330)	(41,636)	(44,481)	(382,205)	(3,927)	(589,872)
Weighted average interest rate	0.00%	4.12%	5.14%	5.38%	5.08%	4.96%	4.85%		

		Fixed interest maturing In							
				Fixed interest	maturing in				
30 June 2017	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	Non interest bearing \$'000	Total \$'000
Financial assets									
Cash and cash equivalents	21,853	0	0	0	0	0	0	0	21,853
Receivables	0	0	0	0	0	0	0	24,905	24,905
Total financial assets	21,853	0	0	0	0	0	0	24,905	46,758
Financial liabilities									
Payables	0	0	0	0	0	0	0	(33,053)	(33,053)
Borrowings	0	(36,000)	(36,000)	(36,000)	(35,000)	(40,000)	(383,400)	0	(566,400)
Finance lease	0	(601)	(815)	(1,058)	(1,330)	(1,636)	(43,287)	0	(48,727)
Total financial liabilities	0	(36,601)	(36,815)	(37,058)	(36,330)	(41,636)	(426,687)	(33,053)	(648,180)
Net financial assets/liabilities	21,853	(36,601)	(36,815)	(37,058)	(36,330)	(41,636)	(426,687)	(8,147)	(601,422)
Weighted average interest rate	0.00%	5.09%	5.14%	5.14%	5.38%	5.08%	4.86%		

Interest rate risk sensitivity

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

The Group's exposure to interest rate movements has been calculated as outlined below:

- cash and cash equivalents average monthly balance of cash and cash equivalents held during year at 1% interest rate movement, and
- interest bearing liabilities total known maturing borrowings for following year at 1% interest rate movement.

		Interest Rate Risk				
		-1	%	19	6	
30 June 2018	Carrying Amount @\$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000	
Financial Assets						
Cash and cash equivalents	7,580	(87)	(87)	87	87	
Receivables	28,155	0	0	0	0	
Financial liabilities						
Payables	32,082	0	0	0	0	
Borrowings	545,400	510	510	(510)	(510)	
Finance Lease	48,125	0	0	0	0	
Total increase/(decrease)		423	423	(423)	(423)	

		Interest Rate Risk				
		-1	%	1%		
30 June 2017	Carrying Amount @\$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000	
Financial Assets						
Cash and cash equivalents	21,853	(146)	(146)	146	146	
Receivables	24,905	0	0	0	0	
Financial liabilities						
Payables	33,053	0	0	0	0	
Borrowings	566,400	360	360	(360)	(360)	
Finance Lease	48,727	0	0	0	0	
Total increase/(decrease)		214	214	(214)	(214)	

7.2 Contingent assets and contingent liabilites

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed by way of note and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain

future events not wholly within the control of the entity.

The Group had no contingent assets at 30 June 2018 (2016/17 \$0).

Contingent liabilities

Contingent liabilities are:

 possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
 - the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities of the Group are:

	2018	2017
	\$'000	\$'000
Contingent liabilities		
Details and estimates of maximum amounts of contingent liabilities for which no provision is included in the financial report, are as follows:		
Claims or possible claims in relation to a rainwater tank rebates scheme in a subdivision in the Geelong region.	1,215	1,193
Total Contingent liabilities	1,215	1,193

7.3 Fair value determination

Significant judgement: Fair value measurements of assets and liabilities

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of the Group.

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.

Consistent with AASB 13 Fair Value Measurement and Financial Reporting Directions, the Group determines the policies and procedures for recurring fair value measurements such as

infrastructure, property, plant and equipment and financial instruments.

Fair value hierarchy

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

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

the lowest level input that is significant to the fair value measurement is unobservable.

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

7.3.1 Fair value determination of financial assets and liabilities

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

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

models based on discounted cash flow analysis using unobservable market inputs.

The Group currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2017/18 reporting period.

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits	Payables:
Receivables:	Trade creditors
Tariffs and sundry	 Other payables
Other receivables	Interest bearing liabilities:
	 Borrowings

· Finance lease

7.3.2 Fair value determination: Non-financial physical assets

The fair value measurement hierarchy for non-financial assets at 30 June 2018 is presented below. Please note this does not reconcile to the tables presented in note

4.1.1 and note 4.1.3 as this only includes those assets measured at fair value, which excludes capital works in progress.

Classification	Fair value measurement at end of reporting period using:				
30 June 2018	Level 1 ⁽¹⁾ \$'000	Level 2 ⁽ⁱ⁾ \$'000	Level 3 \$'000		
Specialised Land	_	_	115,840		
Specialised Buildings	-	_	46,675		
Infrastructure – water distribution	-	_	966,453		
Infrastructure – water harvesting	_	_	359,714		
Infrastructure – water quality	_	_	88,019		
Infrastructure – sewer collection	_	_	731,103		
Infrastructure – sewer treatment (ii)	-	-	267,560		
Plant and Equipment	-	_	13,388		
Total			2,588,752		
30 June 2017					
Specialised Land	-	-	118,257		
Specialised Buildings	-	_	50,310		
Infrastructure – water distribution	-	_	966,429		
Infrastructure – water harvesting	_	_	357,987		
Infrastructure – water quality	_	_	90,073		
Infrastructure – sewer collection	_	_	712,127		
Infrastructure – sewer treatment (ii)	_	_	285,427		
Plant and Equipment	_	_	9,184		
Total			2,589,794		

Notes:

- (i) Classified in accordance with the fair value hierarchy, see Note 7.3,
- (ii) Includes the assets under finance lease.

There have been no transfers between levels during the period.

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

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

The Group's assets are subject to a revaluation model, as directed by the State's financial reporting directions. The Group records non-current assets at fair value, with revaluations completed every five years as required by FRD 103F. The most recent revaluation was completed at 30 June 2016.

During the interim years, an annual impairment assessment is conducted which aligns with the financial year-end.

A fair value review is also conducted for the land and building assets and a similar review is also conducted for the infrastructure classes to assist the assessment for impairment of these classes of assets.

Specialised land and specialised buildings

For the majority of the Group's specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciation. As depreciation adjustments are considered as significant unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

Land assets have been valued using a market based direct comparison approach by comparing properties to recent land sales and adjusting for points of difference to establish the fair value. A community service allowance (CSO) is applied to reflect the difference between unrestricted freehold land and assets held with constraints/restrictions.

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

An independent valuation of the Group's specialised land and specialised buildings was performed by Egan National Valuers (VIC) on behalf of the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2016. Barwon Water conducted an assessment at 30 June 2018 with no material movement identified since the 2016 valuation. There were no changes in valuation techniques throughout the period to 30 June 2018.

Plant and equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method. As depreciation adjustments are considered as significant unobservable inputs in nature, specialised plant and equipment are classified as Level 3 fair value measurements.

There were no changes in valuation techniques throughout the period to 30 June 2018. The Group conducted an assessment at 30 June 2018 with no material movement identified since the 2016 valuation.

Water and sewer infrastructure

Water and wastewater infrastructure are valued using the depreciated replacement

cost method. This cost represents the replacement cost of the building/ component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. These assets are classified as level 3 fair value as the lowest level input, the absence of an active market, has a significant impact on the fair value which is unobservable. Functional obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as underground water and sewerage pipes and fittings, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction includes surface reinstatement works as applicable.

Due to the nature of the finance lease asset (biosolids treatment plant), the Group classifies this asset within the wastewater infrastructure asset category.

An independent valuation of the Group's water and wastewater infrastructure was carried out by KPMG on behalf of the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2016.

These assets are classified as level 3 fair value as the lowest level input, the absence of an active market, has a significant impact on the fair value which is unobservable. There were no changes in valuation techniques throughout the period to 30 June 2018.

The Group conducted an assessment at 30 June 2018 with no material movement identified since the 2016 valuation

7.3.3 Reconciliation of Level 3 fair value movements

A reconciliation from the opening balances to the closing balances for fair value measurements categorised within Level 3 of the fair value hierarchy, disclosing separately changes during the period.

	Specialised	Specialised	Water	Water	Water	Sewer	Sewer	Plant, Equipment
	land	buildings	Distribution	Harvesting	quality	Collection	Treatment	& Other
2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	118,257	50,310	966,429	357,987	90,073	712,127	285,427	9,184
Purchases (sales)/Adjustments	(2,417)	1,139	22,731	5,644	1,301	37,797	2,382	6,491
Transfers in (out) of Level 3	0	0	0	0	0	0	0	0
Gains or losses recognised in net result	0	0	0	0	0	0	0	0
Depreciation	0	(1,314)	(22,003)	(3,911)	(3,355)	(18,821)	(20,249)	(2,287)
Impairment loss	0	(3,460)	(704)	(6)	0	0	0	0
Subtotal	(2,417)	(3,635)	24	1,727	(2,054)	18,976	(17,867)	4,204
Revaluation	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0
Closing balance	115,840	46,675	966,453	359,714	88,019	731,103	267,560	13,388
2017								
Opening balance	119,282	14,124	964,913	359,523	89,024	708,562	306,031	8,353
Purchases (sales)	(1,025)	36,842	24,052	2,314	4,311	22,640	430	3,053
Transfers in (out) of Level 3	0	0	0	0	0	0	0	0
Gains or losses recognised in net result	0	0	0	0	0	0	0	0
Depreciation	0	(656)	(22,536)	(3,850)	(3,262)	(19,075)	(21,034)	(2,222)
Impairment loss	0	0	0	0	0	0	0	0
Subtotal	(1,025)	36,186	1,516	(1,536)	1,049	3,565	(20,604)	831
Revaluation	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0
Closing balance	118,257	50,310	966,429	357,987	90,073	712,127	285,427	9,184

Description of significant unobservable inputs to Level 3 valuations

2018 and 2017	Valuation technique	Significant unobservable inputs
Specialised land	Market/Direct comparison approach	Average cost per square metre adjusted for community service obligations
Specialised buildings	Depreciated replacement cost	Average cost per asset Useful life of specialised buildings
Infrastructure - Sewer Collection		
Sewer Retic Mains	Depreciated replacement cost	Average cost per square metre Useful life of the infrastructure
Sewer Rising Mains	Depreciated replacement cost	Average cost per square metre Useful life of the infrastructure
Sewer Pump Station	Depreciated replacement cost	Average cost per facility Number of pump stations Useful life of the infrastructure
Infrastructure - Sewer Treatment		
Wastewater Treatment Plants	Depreciated replacement cost	Average cost per facility Number of treatment plants Useful life of the infrastructure
Wastewater Treatment Plants Mechanical/ Electrical	Depreciated replacement cost	Average cost per asset Useful life of the infrastructure
Specialised Buildings	Depreciated replacement cost	Average cost per asset Useful life of the infrastructure
Infrastructure – Water Distribution		
Reticulation Mains	Depreciated replacement cost	Average cost per square metre Useful life of the infrastructure
Service Basins & Tanks	Depreciated replacement cost	Average cost per facility Number of facilities Useful life of the infrastructure
Infrastructure - Water Harvesting		
Channels	Depreciated replacement cost	Average cost per facility Number of facilities Useful life of the infrastructure
Reservoirs	Depreciated replacement cost	Average cost per facility Number of facilities Useful life of the infrastructure
Groundwater	Depreciated replacement cost	Average cost per facility Number of facilities Useful life of the infrastructure
Infrastructure - Water Quality		
Specialised Buildings	Depreciated replacement cost	Average cost per asset Useful life of the infrastructure
Water Treatment Plants	Depreciated replacement cost	Average cost per facility Number of facilities Useful life of the infrastructure
Water Treatment Plants Mechancial/Electrical	Depreciated replacement cost	Average cost per asset Useful life of the infrastructure
Plant & Equipment		
Computer Hardware	Depreciated replacement cost	Average cost per asset Useful life of the asset
Vehicles	Depreciated replacement cost	Average cost per asset Useful life of the asset

8. STATUTORY OBLIGATIONS

Introduction

This section includes disclosures in relation to the Group's statutory obligations.

Structure

8.1 Tax

8.1.1 Income tax

8.1.2 Deferred tax assets and liabilities

8.2 Environmental contribution

8.2.1 Environmental commitments

8.1 Tax

8.1.1 Income tax

The Group has formed an income tax consolidated group consisting of Barwon Region Water Corporation and Barwon Asset Solutions Pty Ltd. Barwon Region Water Corporation is the head entity of the Group.

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

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

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

	2018	2017
	\$'000	\$'000
Income statement	'	
Current income tax expense	11,661	(1,004)
Deferred income tax expense		
Temporary differences	(6,684)	1,812
Under/(over) provided in current year	(36)	21
Income tax reported in the Consolidated Comprehensive Operating Statement	4,941	829
State of changes in Equity		
Net deferred tax - debited/(credited) directly to Equity (refer Note 8.1.2)	(462)	(186)
Income tax reported in Equity	(462)	(186)
Tax reconciliation		
Net result before income tax expense	17,975	4,671
Tax at the Australian tax rate of 30% (2017: 30%)	5,393	1,401
Under/(over) provided in current year	(36)	21
Non deductable items	(416)	(593)
Income tax on profit before tax	4,941	829

8.1.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the

transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The Group's deferred tax liabilities exceed the level of deferred tax assets and

therefore a net deferred tax liability has been disclosed in the balance sheet.

The recoverability of the deferred tax asset has been assessed based on long term corporate planning cash flow projections. This assessment includes a consideration of the NTER taxation provisions.

Deferred tax assets

	2018	2017
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Amounts recognised in consolidated operating statement		
Provisions and accrued expenditure not deductible	18,795	18,268
Tax losses	62,526	74,188
Deferred Tax Assets	81,321	92,456
Movements		
Opening balance at 1 July	92,456	91,274
Acquisition of BAS	345	0
Credited/(charged) to the consolidated operating statement	181	178
Tax losses	(11,661)	1,004
Closing balance at 30 June	81,321	92,456
Deferred tax asset to be recovered after more than 12 months	81,255	92,402
Deferred tax asset to be recovered within 12 months	66	54
	81,321	92,456

Deferred tax liabilities

	2018	2017
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Amounts recognised in consolidated operating statement		
Depreciation	147,143	138,425
Expenditure capitalised	16,304	31,529
Other	0	5
Amounts recognised in equity:		
Asset revaluations	276,219	276,681
Deferred Tax Liabilities	439,666	446,640
Movements		
Opening balance at 1 July	446,640	444,815
Acquisition of BAS	0	0
Credited/(charged) to the consolidated operating statement	(6,476)	1,990
Under/(over) provided in prior years	(36)	0
Under/(over) provided in current year	0	21
Other adjustment to asset revaluation	(462)	(186)
Asset revaluation recognised in equity	0	0
Closing balance at 30 June	439,666	446,640
Deferred tax liability to be recovered after more than 12 months	439,666	446,635
Deferred tax liability to be recovered within 12 months	0	5
	439,666	446,640
Deferred Tax Assets at 30 June	81,321	02 456
	·	92,456
Deferred Tax Liabilities at 30 June	(439,666)	(446,640)
Net Deferred Tax Liability	(358,345)	(354,184)

8.2 Environmental contribution

	2018	2017
	\$'000	\$'000
Environmental contribution levy	6,651	6,651

The Water Industry (Environmental Contributions) Act 2004 amended the Water Industry Act 1994 to make provision for environmental contributions to be paid by water supply authorities. The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the

amounts payable by each corporation. The Victorian Government has committed to a fourth round or ('tranche') of the environmental contribution. The four-year tranche commenced on 1 July 2016.

The purpose for 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 environmental contributions are disclosed separately within expenses.

The Group 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.

8.2.1 Environmental commitments

At 30 June 2018, the Group's outstanding environmental contribution commitments are as follows:

2018		Less than one year \$'000	Between 1 and 5 years \$'000	Total \$'000
Environmental Contribution expenditure commitments	(i)	8,410	8,410	16,820
2017				
Environmental Contribution expenditure commitments	(i)	6,651	16,820	23,471

⁽i) note: the environmental contribution does not attract GST.

9. OTHER DISCLOSURES

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

Structure

- 9.1 Equity
 - 9.1.1 Contributed capital
 - 9.1.2 Reserves
 - 9.1.3 Accumulated funds
- 9.2 Events occurring after balance date

- 9.3 Remuneration of executives
- 9.4 Responsible persons
- 9.5 Remuneration of auditors
- 9.6 Related parties
- 9.7 Ex-gratia expense
- 9.8 Goods and services tax
- 9.9 Controlled entity
- 9.10 Parent entity information Barwon Region Water Corporation
- 9.11 Australian Accounting Standards issued that are not yet effective

9.1 Equity

9.1.1 Contributed capital

	2018	2017
	\$'000	\$'000
Contributed capital at 1 July	459,098	459,098
Capital transactions with the State in its capacity as owner arising from:		
- Transfer of Crown Land	0	0
Closing balance at 30 June	459,098	459,098

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Group.

Additions to net assets that have been designated as contributions by owners are recognised as contributed capital.

9.1.2 Reserves

	2018	2017
	\$'000	\$'000
Balance at 1 July	619,613	620,047
Revaluation increment / (decrement) on non-current assets	0	(620)
Impairment (increment) / decrement on non-current assets	(1,539)	0
Tax effect of impairment of assets	462	186
Balance at 30 June	618,536	619,613

9.1.3 Accumulated funds

	2018	2017
	\$'000	\$'000
Opening balance at 30 June	639,360	635,518
Net result for the period	13,034	3,842
Closing balance at 30 June	652,394	639,360

9.2 Events occurring after the balance date

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

9.3 Remuneration of executives

The number of executive officers, other than the Minister and accountable officers, and their total remuneration during

the reporting period are shown in the table below. Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period.

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

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

Post-employment benefits include superannuation contributions where the benefit is realised post-employment.

Other long-term benefits include long service leave paid.

Termination benefits include coaching support benefits paid or payable on a discrete basis when employment had ceased.

	2018	2017
	\$'000	\$'000
Remuneration		
Short-term employee benefits	3,802	3,277
Post-employment benefits	356	306
Other long-term benefits	212	100
Termination Benefits	7	4
Total remuneration (a)	4,377	3,687
Number of executive officers (b)	25	19
Total annualised employee equivalent (AEE) (c)	19.5	16.7

Notes:

- (a) No executive officers met the definition of Key Management Personnel (KMP) of the entity under AASB 124 *Related Party Disclosures* and therefore not reported within the related parties note disclosure (Note 9.6).
- (b) The increase in the number of executive officers is the result of an expanded management team at Barwon Water and the acquisition of the wholly owned subsidiary, Barwon Asset Solutions Pty Ltd, which added two executives to the above table for 2018.
- (c) Annualised employee equivalent is based on the time fraction worked over the reporting period. This is based on paid working hours of 38 ordinary per week over the 52 weeks for a reporting period.

9.4 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

The persons who held the positions of Minister, Directors and Accountable Officers in Barwon Water are as follows:

Name	Title	Period of appointment
The Hon. Lisa Neville MP	Minister for Water	1 July 2017 to 30 June 2018
J E Plummer '	Director - Chair	1 July 2017 to 30 June 2018
C J Lovell	Director - Deputy Chair	1 July 2017 to 30 September 2017
E C Carbines	Director - Deputy Chair from 1 October 2017	1 July 2017 to 30 June 2018
J N Heath	Director	1 July 2017 to 30 September 2017
R M Leonard	Director	1 July 2017 to 30 June 2018
J J Gavens	Director	1 July 2017 to 30 June 2018
J M Mifsud	Director	1 July 2017 to 11 September 2017
B C Walsh •	Director	1 July 2017 to 30 June 2018
D Powell	Director	1 October 2017 to 30 June 2018
A E Lansberry	Director	1 October 2017 to 30 June 2018
T A Slatter*	Managing Director (Accountable Officer)	1 July 2017 to 30 June 2018

^{*}These responsible persons are also Directors for Barwon Asset Solutions Pty Ltd, as part of those responsibilities they received a total remuneration of \$15,161 for the period 2 December 2017 to 30 June 2018.

Remuneration paid to the respective Minister is shown in the financial statements of the Department of Parliamentary Services.

Responsible persons remuneration

\$	\$	2018	2017
0 –	9,999	1	0
10,000 –	19,000	2	0
20,000 –	29,999	2	0
30,000 –	39,999	2	7
40,000 –	49,999	2	0
70,000 –	79,999	0	1
80,000 –	89,999	1	0
210,000 –	219,999	0	1
390,000 –	399,999	1	0
530,000 –	539,999	0	1
Total Numbers		11	10
Total Remunerati	ion Amount	\$714,722	\$1,074,097

Remuneration received or receivable by the Accountable Officer in connection with the management of the Group during the reporting period was in the range: \$390,000 – \$399,999 (\$210,000 – \$219,999 and \$530,000 – \$539,999 in 2016/17.

Note, there was a change in Accountable Officers during 2016/17 resulting in two remuneration ranges as noted above.)

With the acquisition of the wholly owned subsidiary, Barwon Asset Solutions Pty Ltd, four of the directors of Barwon Water are entitled to director's fee of \$15,161.

9.5 Remuneration of auditors

2018 2017 \$ \$ 116,600 88,400

Amounts received, or due and receivable, by the Victorian Auditor-General for auditing the financial report.

9.6 Related parties

The Barwon Water is a wholly owned and controlled entity of the State of Victoria.

Barwon Water wholly owns and controls BAS.

Related parties of the Group include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members; and

 all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Significant transactions with government-related entities

The Group received funding and made payments of \$30.22 million and \$70.10

million respectively (2016–17 \$53.74m and \$72.37m) respectively to government related entities.

During the year, the Group had the following government-related entity transactions:

Entities with significant influence

Department of Environment, Land, Water and Planning (DELWP) DELWP leads and directs the Group in the implementation of the framework for achieving the Victorian Government's responsibilities for sustainability of the natural and built environment.	2018	2017
	\$'000	\$'000
Payments		
Environmental Contribution Levy	6,651	6,651
Monitoring program	355	0
Receivables		
Operational funding grant	264	0
Department of Treasury and Finance (DTF) DTF administers the Water Act 1989 and the Financial Management Act 1994 for which the Group is required to comply. In that role the department collects from the Group the financial accommodation levy and an annual water license fee which are recognised as expenses.	2018	2017
	\$'000	\$'000
Payments		
Financial Accommodation Levy	7,219	6,604
License fee	110	113

Entities with significant transactions

Department of Health and Human Services (DHHS) The Group provides a number of services to the community including the administration of the pension rebate and Health Care Card schemes on behalf of DHHS. DHHS administers and levies fees under the Safe Drinking Water Act 2003.	2018	2017
	\$'000	\$'000
Receipts		
Customer rebate reimbursements – water, sewerage and dialysis	8,469	9,820
Receivables		
Customer rebate reimbursements – water, sewerage and dialysis	1,050	982
Department of Justice and Regulation (DJR) The DJR provides a number of correctional facilities in the region requiring operations and maintenance associated with the water reclamation plants. In 2016/17 the Group received payments and gifted assets from DJR recognising them as revenue. No revenue for operations and maintenance has been recognised in 2017/18 due to the cessation of the contract, while no further gifted assets were received and recognised in 2017/18.	2018	2017
	\$'000	\$'000
Receipts		
Gifted assets received	0	4,922
Operations and maintenance of water reclamation plants	0	554
Treasury Corporation of Victoria (TCV) As required by the State Government pursuant to the Borrowings and Investment Powers Act 1987, the Group's borrowings are sourced and investments made solely with TCV. TCV also provides an advisory and administrative service under normal commercial terms. TCV provides the brokerage services to facilitate the sale of internally generated large scale generation certificates.	2018	2017
	\$'000	\$'000
Receipts		
Net borrowings during the year	(21,000)	30,000
Interest received	102	253
Net investments redeemed	20,000	8,900
Sale of large scale generation certificates	23	0
Payments		
Finance costs	27,254	27,736
Receivables		
Interest receivable	0	18
Payables		
Finance costs	6,683	6,875

Melbourne Water Corporation (MWC) The Group and MWC have the same controlling entity and therefore are considered to be related parties. The Group has a bulk water entitlement to water from the Yarra Thompson bulk water supply controlled by MWC extending over a number of years which consists of annual bulk water charges and usage fees with the payments being recognised as expenses. The bulk water charges being paid in-advance in 2016/17 are recognised as prepayments. No bulk water usage fees applied in 2017/18. The Group collects waterways and drainage charges on behalf of MWC recognising them as liabilities prior to the transfer of receipts payment being made.	2018	2017
	\$'000	\$'000
Receipts		
Bulk water charge	0	5,400
Bulk water usage fees	0	245
Bulk water charge (prepaid)	0	15,807
Other	20	45
Western Water Corporation (WWC) The Group and WWC have the same controlling entity and therefore are considered to be related parties. In 2016/17 funds received from the sale of 5,000ML of the Group's Greater Yarra System Thomson River water allocation to WWC was recognised as revenue. No sale of water allocation occurred in 2017/18.	2018	2017
	\$'000	\$'000
Receipts		
Water allocation sale	0	1,600

Barwon Asset Solutions Pty Ltd

Barwon Asset Solutions Pty Ltd is a wholly owned subsidiary of Barwon Region Water Corporation. During the financial period ended 30 June 2018 Barwon Region Water Corporation purchased goods and services and provided accounting and administrative assistance to Barwon Asset Solutions Pty Ltd. All financial transactions between Barwon Region Water Corporation and Barwon Asset Solutions Pty Ltd are eliminated upon consolidation.

Key management personnel

 $\label{thm:constraint} \textit{Key management personnel of the Group includes:}$

Name	Title	Period of appointment
The Hon. Lisa Neville MP	Minister for Water	1 July 2017 to 30 June 2018
J E Plummer *	Director - Chair	1 July 2017 to 30 June 2018
C J Lovell	Director - Deputy Chair	1 July 2017 to 30 September 2017
E C Carbines	Director - Deputy Chair from 1 October 2017	1 July 2017 to 30 June 2018
J N Heath	Director	1 July 2017 to 30 September 2017
R M Leonard	Director	1 July 2017 to 30 June 2018
J J Gavens •	Director	1 July 2017 to 30 June 2018
J M Mifsud	Director	1 July 2017 to 11 September 2017
B C Walsh [*]	Director	1 July 2017 to 30 June 2018
D Powell	Director	1 October 2017 to 30 June 2018
A E Lansberry	Director	1 October 2017 to 30 June 2018
T A Slatter *	Managing Director (Accountable Officer)	1 July 2017 to 30 June 2018

 $^{^{\}star} \text{These key management personnel are key management personnel for both Barwon Water and Barwon Asset Solutions Pty Ltd.} \\$

	2018	2017
Compensation of KMPs	\$'000	\$'000
Short-term employee benefits	655	786
Post-employment benefits	59	58
Other long-term benefits	0	230
Total	714	1,074

Transactions with key management personnel and other related parties

Given the breadth and depth of the Group's activities, related parties transact with the Group in a manner consistent with other members of the public (e.g. water and sewerage fees and charges). Further employment of processes within the Group occur on terms and conditions consistent with the *Public Administration Act 2004* and

Codes of Conduct and Standards issued by the Victorian Public Sector Commission.

Outside of normal citizen type transactions with the Group, the only related party transactions that involved key management personnel and their close family members are as follows:

Jo Plummer Barwon Water Director is a non-executive director of the Victorian Water Industry Association during 2017–18.	2018	2017
Victorian Water Industry Association (VicWater)	\$'000	\$'000
For the 2017 year end funding was receivable from VicWater, the peak industry association for water businesses in Victoria, for the reimbursement of costs for works undertaken in relation to the Intelligent Water Networks (IWN) Program; a collaboration of the Victorian water corporations, VicWater and the State Government to trial new and emerging technologies.	0	89
Barwon Water payments to VicWater during the year included Barwon Water's 2017/18 Intelligent Water Networks (IWN) Progam Funding Contribution, membership fees and other transactions being minor or commercial in nature.	141	138

John Gavens Barwon Water Director during 2017–18.	2018	2017
Related party transactions	\$'000	\$'000
Barwon Water payments to a related party of John Gavens were made in relation to the provision of specialised pipe fitting installation services during 2017/18. These transactions were made on commercial terms and all being at arm's length in accordance with the Group's procurement policies and procedures, with recognition as either operating expenditure or capital works in progress at the time of payment.	132	6

All other transactions that have occurred with KMP and their related parties have been trivial or domestic in nature. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making and

evaluation decisions about the allocation of scare resources.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

9.7 Ex-gratia expense

	2018	2017
Barwon Water made the following ex-gratia payments:	\$'000	\$'000
Forgiveness or waiver of debt ⁽ⁱ⁾	100	91
Other ^(ij)	232	209
Total ex-gratia expenses	332	300

Notes

(i) Forgiveness of debt under Barwon Water's 'Arrange & Save' program. This program assists customers who are in financial hardship by offering a payment plan where the customer is provided a 'credit' of one instalment payment if they meet their instalment arrangements for several consecutive periods.

(ii) Other ex-gratia expenses. Reductions of charges due to leaks or unexplained high consumption events experienced by customers who satisfy the requirements of Barwon Water's write-off policy - \$227k during 2017/18 (\$201k 2016/17). Rebates offered

to customers undertaking dialysis or suffering severe medical conditions that require higher than usual water consumption \$5k during 2017/18 (\$8k 2016/17) offered over and above government funded rebates. Waiver of debt due to uneconomical to pursue \$0 during 2017/18 (2016/17 \$0k).

Ex-gratia expenses are recorded in the Services and Supplies expenditure line within the Consolidated Comprehensive Operating Statement.

9.8 Goods and services tax

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Consolidated Balance Sheet.

Cash flows arising from operating activities are included in the Consolidated Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO, are classified as operating cash flows.

9.9 Controlled entity

The consolidated financial statements at 30 June 2018 include the following controlled entity. The financial reporting period for the controlled entity is 2 December 2017 to 30 June 2018

The following table excludes prior year comparative results as control of the controlled entity was obtained on the 2 December 2017 resulting in a seven-month reporting period to 30 June 2018.

Controlled Entity	Place of incorporation	Book value of parent entity's investment	% Shares held	Contribution to the results in \$'000
		2018	2018	2018
Barwon Asset Solutions Pty Ltd	Australia	\$2	100	10

Prior to 2 December 2017 Barwon Water sourced civil maintenance services for planned and unplanned water and sewerage systems via a maintenance service agreement contract with Programmed Facilities Management Pty Ltd (PFM) and its wholly owned subsidiary Programmed Facilities Management BW Pty Ltd (PFM BW).

Barwon Water purchased all the shares of PFM BW from PFM for \$2 on the 2 December 2017 and changed the name from PFM BW to Barwon Asset Solutions Pty Ltd (BAS).

The relevant activities of BAS include the civil maintenance services for planned and unplanned water and sewerage systems.

On acquisition the assets and liabilities of PFM BW were:

	2018
	\$
Purchase consideration:	
Cash	2
- being 100% share ownership	
	2
	\$'000
Less:	
Cash at bank	1,098
Payable	(11)
Employee Benefits provision for Annual Leave	(303)
Employee Benefits provision for Long Service Leave	(809)
Deferred tax asset	345
Gain on acquisition	320

The gain on acquisition is recognised in the Consolidated Comprehensive Operating Statement within Other revenue.

The assets and liabilities on acquisition noted above related to:

- Payables: superannuation owing to the super fund.
- Employee benefits: the provision for employee benefits related to employees transferring with the acquisition.

Adjustments:

 Deferred tax asset: generated as a consequence of the employee benefits taken-up on acquisition. Employee benefits: generated to adjust the acquisition long service leave liability to reflect a present value measurement calculation.

Performance since acquisition.

Revenue of Barwon Assets Solutions Pty Ltd included in the consolidated revenue of the Group since the acquisition date on 2 December 2017 amounted to \$8.899 million while \$8.889 million was related to Barwon Water and was eliminated upon consolidation.

9.10 Parent entity information – Barwon Region Water Corporation

Information relating to Barwon Region Water Corporation	2018	2017
	\$'000	\$'000
Current assets	51,674	68,117
Non-current assets	2,673,265	2,662,134
Total assets	2,724,939	2,730,251
Current liabilities	94,289	78,728
Non-current liabilities	901,064	933,452
Total liabilities	995,353	1,012,180
Reserves	618,536	619,613
Contributed Capital	459,098	459,098
Accumulated funds	639,361	639,360
Total equity	1,716,995	1,718,071
Net result after income tax of the parent entity	12,591	3,842
Comprehensive result of the parent entity	11,514	3,408

Contractual requirements

The funding agreement between Barwon Water and BAS is for Barwon Water to provide daily cash flow if requested, this is equivalent to a loan facility with BAS to pay Barwon Water interest if utilised.

Barwon Water has contractual obligations to BAS under the Maintenance Services
Agreement including the provision of vehicles, plant and equipment.

BAS is a proprietary limited company and Barwon Water is the sole shareholder. A company limited by shares, limits the liability of shareholders to the value of their shares. The value of the shares in BAS are 2×1 shares.

There are no contingent assets or liabilities resulting from the contractual arrangements. Refer Note 7.2 for the Group's contingent assets and liabilities.

9.11 Australian Accounting Standards issued that are not yet effective

The following AASs become effective for reporting periods commencing after the operative dates stated.

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2018 reporting period. As at 30 June 2018, the following applicable standards and interpretations had been issued but were not mandatory for financial year ended 30 June 2018. The Group has not and does not intend to adopt these standards early.

Standard/ Interpretation	Summary	Effective date	Effective date for the Group	Estimated impact on the Group
AASB 9 Financial Instruments	The key changes introduced by AASB 9 include 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	1 July 2018	The Group's preliminary assessment has not identified any material impact to the Group arising from AASB 9, further analysis will be undertaken during the implementation of AASB 9 'expected loss' impairment model.
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2018	1 July 2019	The Group's preliminary assessment has determined the current accounting treatment of major revenue streams are consistent with the requirements of AASB 15, therefore the requirements of AASB 15 are unlikely to materially impact the recognition and measurement of revenues.
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: the entity's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and	1 January 2017, except amendments to AASB 9 (December 2009) and AASB 9 (Dec 2010) apply from 1 January 2018	1 July 2019	The Group's assessment indicates there will be no significant impacts.
AASB 2016–3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: • A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and • For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	1 January 2018	1 July 2019	The Group's assessment indicates there will be no significant impacts other than the impact identified for AASB 15 above.

AASB 2016–7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for- Profit Entities	This standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 January 2019	1 July 2019	Defers the effective date applicable to the Group to the 2019-20 reporting period.
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 which has an impact on net debt.	1 January 2019	1 July 2019	The Group's operations have not changed significantly during 2017-18, as such the preliminary assessment findings remain; being no material impact to the Group identified arising from AASB 16. Monitoring and assessment of impacts is ongoing.
AASB 1058 Income of Not-for-Profit Entities	This Standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives.	1 January 2019	1 July 2019	The Group's preliminary assessment suggests a potential impact to revenue recognition as a result of this standard. Ongoing analysis will be undertaken to gauge the impacts.
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for- Profit Entities	This Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events.	1 January 2019	1 July 2019	The Group's preliminary assessment indicates there will be no significant impacts other than the impacts identified for AASB 9 and AASB 15 above.
AASB 1059 Service Concession Arrangements: Grantor	This standard prescribes the accounting treatment of Public Private Partnership (PPP) arrangements involving a private sector operator providing public services related to a service concession asset on behalf of the State, for a specified period of time. For social infrastructure PPP arrangements, this would result in an earlier recognition of financial liabilities progressively over the construction period rather than at completion date. For economic infrastructure PPP arrangements, that were previously not on balance sheet, the standard will require recognition of these arrangements on-balance sheet.	1 January 2019	1 July 2019	The Group's preliminary assessment indicates there will be no significant impacts other than a potential reclassification of a current PPP arrangement already on balance sheet.

The AASB has also issued a number of other amending standards that are not effective for the 2018–19 reporting period, however preliminary assessment suggests these will not impact the Group.

Barwon Region Water Corporation

Directors and chief finance and accounting officer's declaration

The attached financial statements for the Group have been prepared in accordance with Standing Directions 5.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Consolidated Comprehensive Operating Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and accompanying Notes, presents fairly the financial transactions during the year ended 30 June 2018 and financial position of the Group at 30 June 2018.

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

We authorise the attached financial statements for issue on 16 August 2018.

J Plummer

Chair

T Slatter

Managing Director (Accountable Officer)

J Grapsas

Chief Financial Officer

Dated this 16th day of August 2018

Independent Auditor's Report



To the Board of the Barwon Region Water Corporation

Opinion

I have audited the consolidated financial report of the Barwon Region Water Corporation (the corporation) and its controlled entity (together the consolidated entity), which comprises the:

- consolidated balance sheet as at 30 June 2018
- consolidated statement of comprehensive income for the year then ended
- consolidated statement of changes in equity for the year then ended
- consolidated cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- directors and chief finance and accounting officer's declaration.

In my opinion, the consolidated financial report presents fairly, in all material respects, the financial position of the consolidated entity as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for Opinion

I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the corporation and the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Board's responsibilities for the financial report

The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

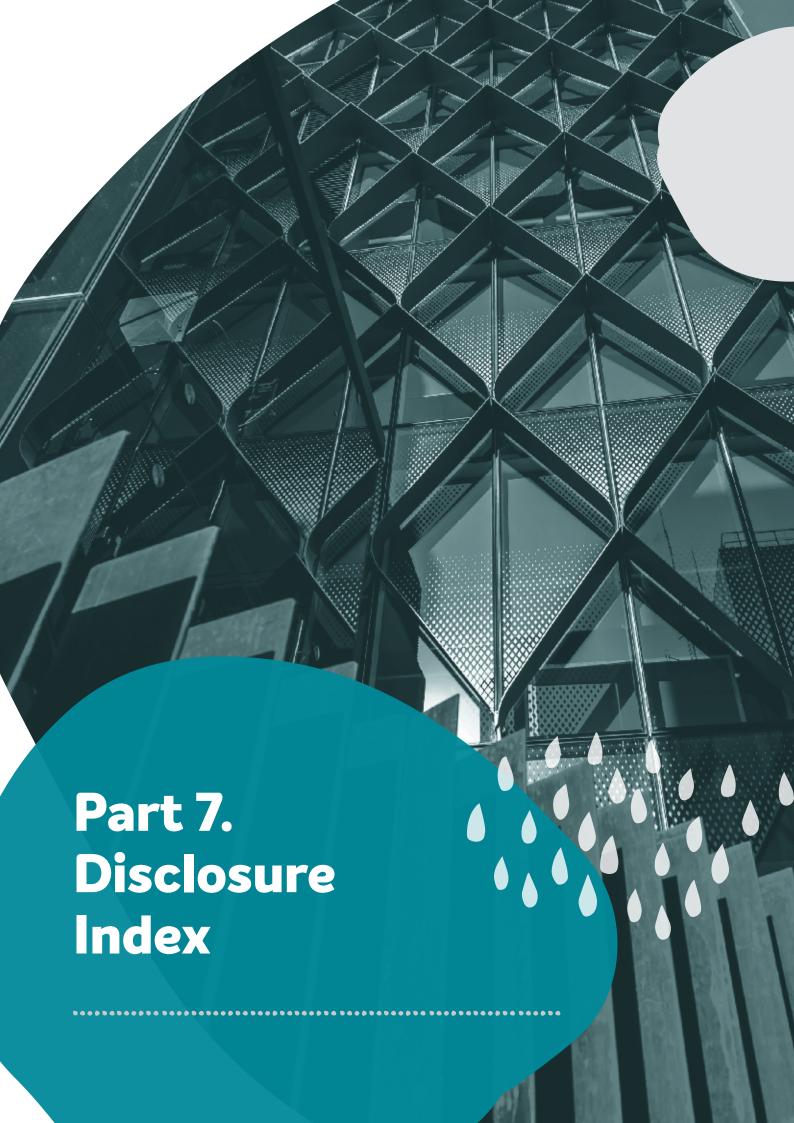
Auditor's responsibilities for the audit of the financial report As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is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

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

- identify and assess the risks of material misstatement of the consolidated financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit
 procedures that are appropriate in the circumstances, but not for the purpose of expressing
 an opinion on the effectiveness of the consolidated entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities
 or business activities within the corporation and consolidated entity to express an opinion on
 the financial report. I remain responsible for the direction, supervision and performance of
 the audit of the corporation and the consolidated entity. I remain solely responsible for my
 audit opinion.

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

MELBOURNE 27 August 2018 Paul Martin as delegate for the Auditor-General of Victoria



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The 2017-18 Annual Report of Barwon Region Water Corporation is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the authority's compliance with statutory disclosure requirements.

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Reconciliation Action Plan	www.barwonwater.vic.gov.au/about/community/reconciliation
Urban Water Strategy	www.barwonwater.vic.gov.au/learning/urban-water-strategy

Additional copies

This annual report is available for viewing or download from Barwon Water's website www.barwonwater.vic.gov.au.

As part of our goal to continually improve environmental performance, we print limited numbers of the annual report and encourage those with internet access to view the report online. If you require any additional printed copies, please telephone Barwon Water 1300 656 007.

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We are always looking for ways to improve our practices to reduce our environmental

footprint. This extends to the paper and processes we use.

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