

ANNUAL REPORT

2010-2011



Coliban
WATER

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About this report

This Annual Report describes the programs, initiatives and actions we undertook between 1 July 2010 and 30 June 2011

It reports on our progress in implementing our *2010/11 Corporate Plan*.

Vision

To meaningfully contribute to improving living standards in our region.

Mission

To realise our vision by:

- › Engaging our communities and stakeholders to understand and meet their water cycle related needs
- › Building, operating and maintaining sustainable water infrastructure to meet the needs of our community
- › Ensuring that improved services, increased standards of living and commercial viability are incorporated into our financial planning
- › Actively contributing to the sustainability of the region.

Our Profile

Coliban Region Water Authority was established on 1 July 1992 under the *Water Act 1989* as a Regional Urban Water Authority. The Authority became the Coliban Region Water Corporation on 1 July 2007 and operates as Coliban Water.

Our shareholder is the Victorian Government.

Our responsible Ministers for the year were The Hon. Tim Holding MP, Minister for Water (1 July 2010 to 2 December 2010) and The Hon. Peter Walsh MP, Minister for Water (2 December 2010 to 30 June 2011).

We provide water and wastewater services to a region with a population of 140,000 people, across 16,500 square kilometres of Central and Northern Victoria. Our service area covers 49 towns in nine separate supply systems, extending from Cohuna and Echuca in the north to Kyneton and Trentham in the south; and from Boort, Wedderburn, Bealiba and Dunolly in the west to Heathcote and Tooborac in the east.

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Photography supplied by: Coliban Water and Shooter Photography.

Connections

	30 June 2011	30 June 2010
Residential	60,319	59,592
Non-Residential	6,588	6,547
Rural Licences	1,606 ⁽¹⁾	1,698

1. Decrease in number due to consolidation of rural licences throughout our system.

Services

We provide urban water and wastewater services in accordance with the provisions of *Part 8 – Water supply and Part 9 – Sewerage*, of the *Water Act 1989*. Rural customers are supplied under *Part 4 Division 2 Section 51 of the Act*.

OUR SERVICES INCLUDE:

- › Water harvesting
- › Water storage
- › Water treatment
- › Water distribution
- › Urban wastewater collection
- › Treatment, re-use and disposal, including trade waste
- › Water purchase
- › Recycled water
- › Rural water supply

We provide recycled water services to some rural customers and some urban non-residential customers.

Asset Snapshot

The assets we manage to deliver our services include:

- › 2,351 kilometres of water mains
- › 38 kilometres of recycled water infrastructure
- › 1,785 kilometres of sewer mains
- › 438 kilometres of rural channels
- › 69 kilometres of main channels
- › 19 water treatment plants + 2 operated by Veolia Water (Bendigo and Kyneton)
- › 16 water reclamation plants
- › 46 water reservoirs and service basins
- › 173 wastewater pump stations
- › 54 water pump stations.

Figures recalculated since 2009/10 Annual Report.

Asset Values	Net book value (ooo's)
Land	41,281
Buildings	4,587
Corporate assets	5,612
Water infrastructure	372,285
Water distribution infrastructure	43,885
Sewer infrastructure	354,661
Recycling infrastructure	51,529
Rural	29,794
Headworks	170,941
BOOT (1) schemes infrastructure	75,152
Work in progress	74,217
TOTAL	1,223,944

- 1 Build Own Operate Transfer. These assets are owned by our BOOT partners.

Note: Asset revaluations were completed as at 30 June 2011.

Coliban Water Service Region

INCLUDING WATER SUPPLY SYSTEMS WITHIN THE REGION

3



Diagram for illustration purposes only

Chairman and Managing Director's Message

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The 2010/11 financial year was dominated by record rain and flooding. Over the last five years we have had two of the driest years on record, with this year being the wettest.

The floods damaged multiple pumping stations and treatment plants, caused several mains bursts and in some cases, washed away infrastructure altogether.

These impacts resulted in services to 15 towns within our region being severely disrupted.

Our training programs in emergency management, our plans and our procedures were all put to the test. We delivered 247,000 bottles of water, organised temporary toilets and showers to a number of our towns and called in expertise from all over Australia – with the aim of minimising the impacts and restoring services as soon as possible to our customers.

Whilst the year was dominated by heavy rainfall and subsequent flooding, we continued on with our capital works program. Key projects included:

- › Castlemaine Water Reclamation Plant upgrade; a \$5.88 million investment to improve operational efficiency and reduce the volume of odour generated at the plant
- › The commencement of our \$12.4 million sewer duplication project in Bendigo; to create more capacity in our network and cater for future population growth
- › A \$20 million project to upgrade the Bendigo Water Treatment Plant commenced; with the filtration membranes replaced, allowing water restrictions to be eased in Bendigo earlier this year with further works still to be completed.

The wet year has seen all our storages fill and has enabled the removal of restrictions for all but two towns in our region. Although restrictions have been effectively removed, water consumption for the year tracked at equivalent to use of Stage 3. Clearly, this was largely influenced by the weather, however the benefits of investments in water conservation are starting to show.

Financially, the organisation continued on the pathway to sustainability. Revenue increased by \$12.3 million primarily as a result of increases in price. Expenditure increased by \$5.6 million as a result of increases in depreciation and finance charges as our asset base continues to grow.

Fundamentally the organisation has returned to a positive cashflow position. Whilst still making a loss, our net position has improved by \$6.2 million on last year and will continue to improve next year.

This result has been achieved whilst ensuring that our region still enjoys some of the lowest water prices in the state.

Importantly the organisation continued to invest in its internal capability meaning less reliance on consultants. Increased capability, coupled with the commitment and dedication of our staff has enabled the organisation to steer itself through a difficult and challenging year.

Gavin Hanlon

Chairman's Postscript

As this Annual Report goes to print, we have learned that our Managing Director is to leave us to take up the position of Managing Director at Goulburn-Murray Water.

Gavin has given outstanding service to Coliban Water and through his work of enhancing water security and operational efficiency to the wider community of our region. He goes with our best wishes and grateful thanks for a job well done.

In accordance with the *Financial Management Act 1994*, I am pleased to attest that the Coliban Region Water Corporation's annual report is compliant with all statutory reporting requirements.



John Brooke
Chairman
26/08/2011

Strategic Direction

Our strategic focus is about enabling us to meaningfully contribute to the well-being of the region, through creating a sustainable organisation that is customer focused, financially diligent and able to continually adapt to constant change and the opportunities it brings. Our key result areas, objectives and initiatives are detailed below.

KRA 1	Engage with the community and stakeholders to understand and meet their water cycle needs
Objective 1	Understand what customers, communities and other stakeholders want
Key initiatives	<ul style="list-style-type: none"> Commenced researching and consulting for <i>Water Plan 3 (2013–2018)</i> Explored opportunities in <i>Water Plan 3</i> to maximise customer choice – through different pricing plans, more responsive pricing, similar servicing across region and more innovative products Explored opportunities in <i>Water Plan 3</i> to strengthen ‘fairness’ – through hardship support, state government programs, guaranteed service levels and pricing to reflect household size/demographic
Objective 2	Provide customers with information to make informed input into decisions
Key initiatives	<ul style="list-style-type: none"> Further developed our website, created a blog Provided accurate and timely information during flood incidents – including through social media avenues
Objective 3	Engage with all stakeholders
Key initiatives	<ul style="list-style-type: none"> Updated stakeholder engagement plans Continued annual research, including customer contact surveys and customer benchmarking
KRA 2	Build, operate and maintain sustainable water cycle infrastructure to meet the needs of our community for now and into the future utilising best practice
Objective 1	Ensure our capital expenditure program meets the immediate and strategic needs of our community
Key initiatives	<ul style="list-style-type: none"> Continue to deliver on our \$38.5 million capital works program that is outlined in our <i>2008-2013 Water Plan</i> Developed decision-making to improve service performance – by better evaluating investment options, including non-asset options like (self) insurance and emergency management Identified options to measure ‘social return on investment’ for business cases – especially for smaller towns
Objective 2	Build fit for purpose infrastructure on time and on budget
Key initiatives	<ul style="list-style-type: none"> Completed \$5.88 million upgrade to Castlemaine Water Reclamation Plant Commenced \$2 million upgrade to the historic Back Creek Siphon pipeline, which supplies water from our catchment storages near Kyneton to Bendigo and Castlemaine Continued major water and sewer main works – including the \$12.4 million Bendigo Creek sewer duplication project Continued ‘Stop the Block’ programme to target sewer maintenance and replacement Developed asset life cycle modelling (Hansen) Finalised growth strategies for Bendigo and Echuca

KRA 3	Ensure improved services, increased standards of living and commercial viability are incorporated into all our financial plans
Objective 1	Further integrate economic, social and environmental criteria into our decision making
Key initiatives	<ul style="list-style-type: none"> Developed an innovative economic optimisation model to ensure water transfers are done in a cost-minimising manner Developed a decision support system which uses quantitative and qualitative economic, environmental, social and technical criteria to assess project options to determine the most sustainable solution
Objective 2	Maximise socio-economic benefits by strengthening our financial position
Key initiatives	<ul style="list-style-type: none"> Commenced developing strategies to strengthen Information Technology and Human Resources Started formally reviewing our business model Initiated review of land and other assets, with view to rationalisation
KRA 4	Ensure our sustainability and actively contribute to regional sustainability
Objective 1	Minimise impacts of variability on service standards
Key initiatives	<ul style="list-style-type: none"> Maintained services while responding to floods across the region Commenced project to audit energy consumption for pumping and treatment operations – as basis for projects to reduce consumption
Objective 2	Maximise socio-economic benefits from our environmental assets, through local initiatives
Key initiatives	<ul style="list-style-type: none"> Endorsed sustainability strategy for public consultation, with focus on local initiatives Completed temporary connections to supply Class A recycled water to residential developments in Bendigo and Kyneton Commenced identifying other options for integrated water cycle management, including storm water

We have continued our commitment to making information more accessible and to creating opportunities for customers and stakeholders involvement in our business operations and decision-making.

Community Committees

Three community committees have assisted us with planning and decision making this year.

HARCOURT WATER SERVICES COMMITTEE

- › The committee formally met twice during the year.
- › Their focus was involvement in development of the Business Case for the Harcourt Modernisation Project which was submitted to government in December 2010.

RAYWOOD-SEBASTIAN WATER SERVICES COMMITTEE

- › The committee met twice during the year.
- › The committee assisted in providing customer input into to the Raywood-Sebastian pipeline project. Focus has now turned to the modernisation of the rural system in this area.

RURAL CUSTOMER ADVISORY GROUP (CAG)

- › The committee met twice during the year
- › Focus of the both meetings was discussion and feedback on the modernisation of the rural system, day to day operational performance and policy development.



Raywood-Sebastian Pipeline Construction, October 2010

Customer and Stakeholder Research

Each year we commission research to evaluate and benchmark our performance from a customer perspective, and to understand more about our customers to assist with our planning and communications.

This year we commissioned research to understand:

- › The performance of our Customer Contact Centre compared to other water organisations and utilities.
 - Overall high ranking. Eighth in performance against 23 other water businesses compared to fourth last year. The major difference this year was the survey was conducted during our flood response/recovery.
 - Opportunities for improvement: Connect Times and Clarifying Caller Needs.
- › How customers viewed our performance in dealing with their enquiries.
 - Overall 95 per cent customers were satisfied with how we handled their matter, and of these 72 per cent were extremely satisfied. Last year 95 per cent were satisfied and 70 per cent extremely satisfied.
- › We also asked our key stakeholder and partners for feedback on leadership, communication, community engagement and relationship management to identify opportunities for improvement.

Media and General Communications

Our customers continue to identify media, direct mail and our website as the main methods of accessing information. With the growing trend toward use of social media we added the use of Twitter and Flickr to our communication tools.

MEDIA

We issued 72 media releases and information statements this year compared to 81 last year.

SOCIAL MEDIA

Between December 2010 and the end of June 2011 we issued 74 'tweets' and between January and June 2011 14 Flickr sets were created.

WEBSITE

Visits to our website had a 44 per cent jump from 75,515 in 2009/10 to 108,699 in 2010/11. The highest peaks in usage were September 2010 and January 2011 following flood events impacting on our region.

27 blog posts were added to the Managing Director's Blog during the year.

Customer Contact Centre

We have a dedicated Customer Contact Centre in Bendigo for telephone enquiries and over-the-counter contacts. We have handled 106,780 customer contacts during the year.

This year we have achieved the requirements of the Essential Services Commission Grade of Service, with an annual average of 90.08 per cent of calls answered within 30 seconds against a target of 90 per cent.

Management of Social and Economic Impacts

Our Urban and Rural Customer Charters set out customers' rights, obligations and service expectations and our own obligations for service delivery. Copies are available from our website at www.coliban.com.au or on request from our office.

We produce an extensive range of publications to ensure that information about water restrictions, policies, how to save water, support for hardship customers and other services is readily available to our customers.

We actively seek to ensure customers receive all relevant concession entitlements, and approved over 10,460 payment arrangement plans during the year compared to 7,000 last year.

Customer service staff are trained in assisting customers experiencing hardship, and this training is refreshed regularly.

Community Service Obligations

There are some customers in our region who are eligible for residential concessions or not-for-profit rebates from the Victorian Government. The table below summarises the value of concessions and rebates we have processed over the past three years.

Concessions for residential customers (tenants or owner-occupiers) are limited to a maximum of 50 per cent off water and sewerage costs up to a maximum of \$245.00 per year, or if a household is billed for only a water or sewerage service, the concession is capped at \$122.50 per year.

Utility Relief Grants support eligible concession card holders who are unable to pay their account due to a temporary (within last 12 months) financial crisis.

Concessions and Rebates			
	2010/11	2009/10	2008/09
Not for profit rebates	\$277,858	\$263,878	\$279,878
Pension concessions	\$4,191,155	\$3,499,256	\$3,180,040
Utility Relief Grants	\$21,770	\$8,653	\$7,851
Water concession: life support machines/haemodialysis	\$410	\$497	\$345
Hardship relief grant scheme	\$25,077	\$44,534	\$92,926

Increases in concessions

This year we saw an increase in the amount that eligible pension concession customers could receive, with an increase of \$25.20 from the 2009/10 figure. We have approximately 20,000 customers in our region who are eligible for this payment.

Recent changes to the Utility Relief Grant scheme has now made it possible for customers to apply once every two years, meaning more customers are applying more often than in previous years.

Our Customer Service Team received additional training on the Governments' rebates, grants and concessions programs at the beginning of the year which has led to more active promotion with customers. We have also actively promoted our Hardship program throughout the year.

Indigenous Consultation

Harcourt Rural Modernisation

Cultural heritage assessment of the Harcourt Rural Modernisation Pipeline began in July 2010. Representatives from the Dja Dja Wurrung Clans Aboriginal Corporation accompanied our consultants, SKM Pty Ltd, on the field survey. A *Cultural Heritage Management Plan (CHMP)* has been prepared and will be submitted to Dja Dja Wurrung Clans Aboriginal Corporation in July 2011 for review.

Raywood-Sebastian Pipeline Project

Continuing work carried out in 2009/10, two CHMP were developed in line with the two stages of the Raywood-Sebastian Pipeline project. Representatives from the Dja Dja Wurrung Clans Aboriginal Corporation were involved in the development of both plans. The CHMPs were approved by Coliban Water in October 2010, and copies lodged with the Department of Planning and Community Development.

Energy and Water Ombudsman

The Energy and Water Ombudsman (Victoria) (EWOV) receives, investigates and facilitates the resolution of customer complaints about electricity, gas and water companies.

During 2010/11 five complaints were referred to EWOV for investigation and 25 cases were referred to higher level contact for investigation. In addition, 13 enquiries to EWOV were noted for Coliban Water.

EWOV referred the equivalent of 0.4 complaints for every 1,000 customers to us for action during 2010/11, compared to the Essential Service Commission's target of 0.3 per 1,000 customers. Whilst this number has decreased from 0.6 in 2009/10 it does reflect an increasing trend in complaints to EWOV for the water industry, and at 3.8 per cent of water industry cases remains well below EWOV's expected target of an equivalent proportion of case share to our customer base share (11 per cent).

Community Inclusiveness

We comply with the Victorian Government's policy framework on multicultural and gender issues and youth and indigenous affairs. We respect the diversity of our customers and our employees and try to deliver culturally appropriate communications that meet their needs and expectations.

We offer telephone interpreter and text telephone (TTY) services to help with customer communications.



Bottled water distribution at Pyramid Hill, January 2011

WaterSmart Rebates

Our customers continued to take advantage of the Victorian Government's Water Smart Gardens and Homes Rebate Scheme. The total amount rebated during 2010/11 was \$64,700.

Water Restriction Enforcement

We are responsible for investigating reports of water restriction breaches and providing community education about restrictions and water conservation.

The majority of our supply systems moved off water restrictions during the year and moved to Permanent Water Savings Rules. 17 water restriction offences were reported during 2010/11 compared to 97 in 2009/10. All reports were investigated. The majority were not in breach of water restrictions and were using grey water systems or rain water supplies.

We issued five formal warning letters for non-compliance of water restrictions and two customers had their water service restricted. No fines were issued during the year.

In 2010/11 we had 949 customers register for a potable water 'Water Carter Permit' and 30 register for recycled water use.

Water Restriction Compliance 2010/11	Number
Water restrictions offender investigations	17
High water consumption investigations	0
Penalty infringement notices issued	0
Restrictors applied for breach of water restrictions	0
Total Actions	17

Water supply systems

We manage nine separate urban water supply systems in the Coliban Water region. This includes two separate groundwater supply systems in Elmore and Trentham.

The Coliban supply system is divided into two – Coliban System Northern and Coliban System Southern following the connection of the Goldfields Superpipe to Bendigo in 2007.

Refer to page 3 to see the towns in each of our supply areas.

Water Resource Plan

We continued to review our water resource position as detailed in our annual *Water Resource Plan*. Our storage position improved significantly during 2010/11 enabling water restrictions to be removed in all of our systems.

Raywood and Sebastian townships continue to receive carted water and remain on Stage 3 water restriction levels until the pipeline project to connect these townships to the Bendigo supply system is completed later in 2011.

Water balance volume notes:

1. *Water held in storage is 173,942 megalitres. This is an additional 117,554 megalitres or more than three times the water held in storage at June 2010.*

This is the largest end of season volume of water ever held by Coliban Water and its predecessors. This was made possible with the interconnection of the Coliban System Northern with the Goulburn System in 2007 via the Goldfields Superpipe.

The three largest increases in storage water were: 37,487 megalitres additional inflow water held in Upper Coliban Reservoir; 35,176 megalitres of additional inflow water held in Lake Eppalock; and 21,975 megalitres of Goulburn Water Shares allocation stored in Lake Eildon. The water stored in Lake Eildon is available for supply to the Coliban System Northern area in 2011/12, via the Goldfields Superpipe interconnection with the Sandhurst Reservoir.

2.73 per cent of our water resource, or 127,351 megalitres, is held in our storages, including our share of Lake Eppalock. The remaining 46,591 megalitres, is held in storages controlled by Goulburn-Murray Water; some of this water can be subject to spill in 2011/12 should the Goulburn-Murray Water storages fill and spill.

Water balance volumes

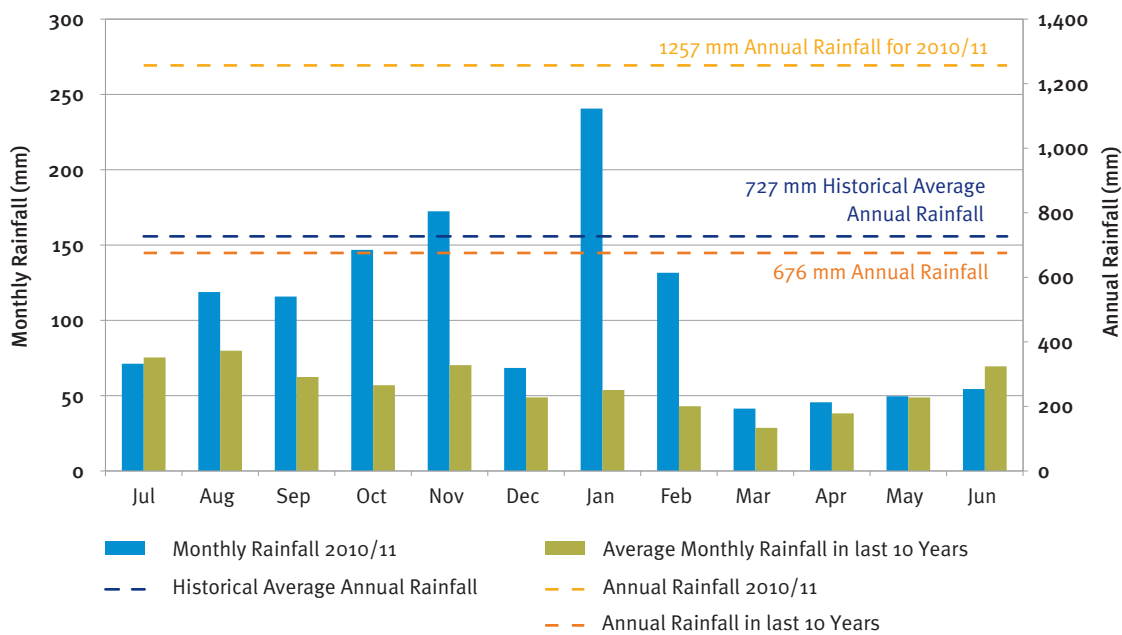
	As at 30 June 2010 ML	As at 30 June 2011 ML	% Full 30 June 2011
Storage volume in our region			
Coliban System Northern – Sandhurst Reservoir	2,110	2,207	85%
Coliban System Northern – Caledonia Reservoir	120	84	45%
Coliban System Northern – Lake Eppalock (Coliban Share)	18,551	53,789	98%
Coliban Rural Northern – Spring Gully Reservoir (Recycled Water)	680	1,017	61%
Coliban System Southern – Upper Coliban Reservoir	483	37,890	100%
Coliban System Southern – Lauriston Reservoir	15,270	19,730	100%
Coliban System Southern – Malmsbury Reservoir	465	10,130	84%
Coliban System Southern – McCay Reservoir	882	1,265	93%
Coliban Rural Southern – Barkers Creek Reservoir	536	1,690	100%
Groundwater – Trentham Storages	79	39	40%
Total	39,176	127,841	97%
Available water in other systems			
Campaspe System Bulk Entitlement – held in Lake Eppalock	70	357	n/a
Campaspe System Water Shares - held in Lake Eppalock	317	3,016	n/a
Coliban System Northern – held in Lake Eildon	13,217	35,192	n/a
Goulburn System – held in Lake Eildon	554	1,685	n/a
Loddon System, held in Loddon storages	228	410	n/a
Murray System – held in Murray River storages	2,826	5,931	n/a
Total	17,212	46,591	n/a
TOTAL	56,388	173,942	n/a

Rainfall and Water Inflows

Our three main Coliban System catchment storages, Upper Coliban, Lauriston and Malsbury, are located near Kyneton.

Rainfall at Malsbury Reservoir was 1,257 millimetres for the year. This is almost double (86 per cent more) than the 10-year average of 676 millimetres and 73 per cent more than the long-term historical average of 727 millimetres. Above-average rainfall fell in the months between August and February this year.

MALMSBURY RESERVOIR MONTHLY RAINFALL 2010/11



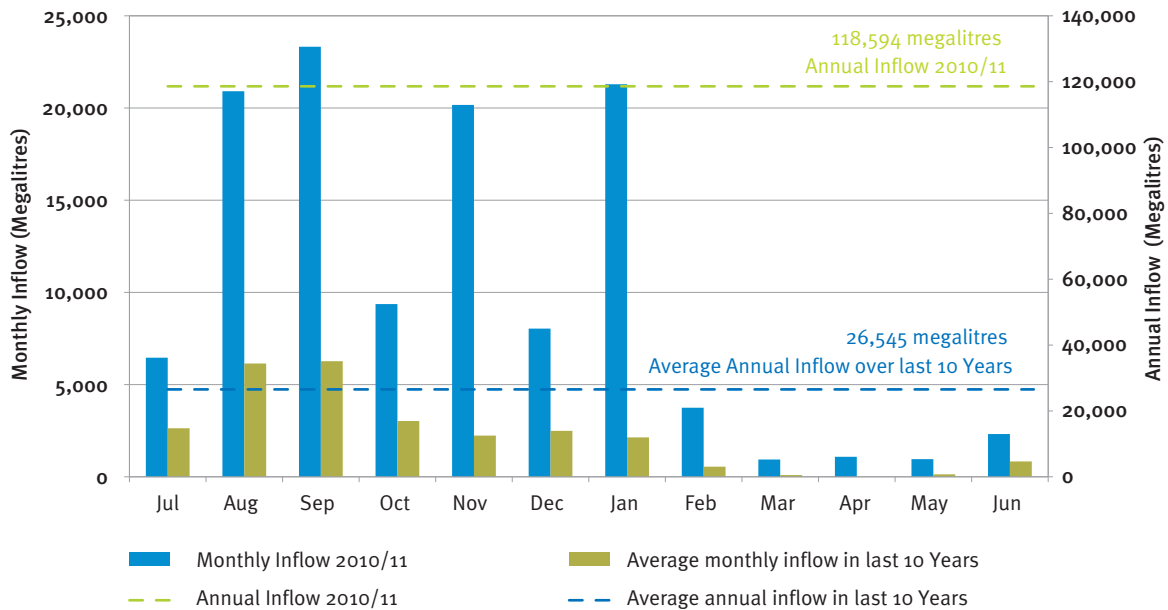
The high rainfall and ‘wet’ catchment resulted in inflows to the Coliban catchment storages for the year of 118,594 megalitres. This is one of the highest 10 percentile of recorded inflows and 90 per cent greater than the long-term average inflow of 62,000 megalitres.

Very high inflows were received in late winter and throughout spring and summer. The summer inflow of 33,071 megalitres was 86 per cent above the long-term summer inflow of 4,431 megalitres. The inflow in autumn dropped away to 2,980 megalitres or 110 per cent of the long-term autumn inflow. The last three months of the year

dropped further to only 73% of the long-term average inflows for that period.

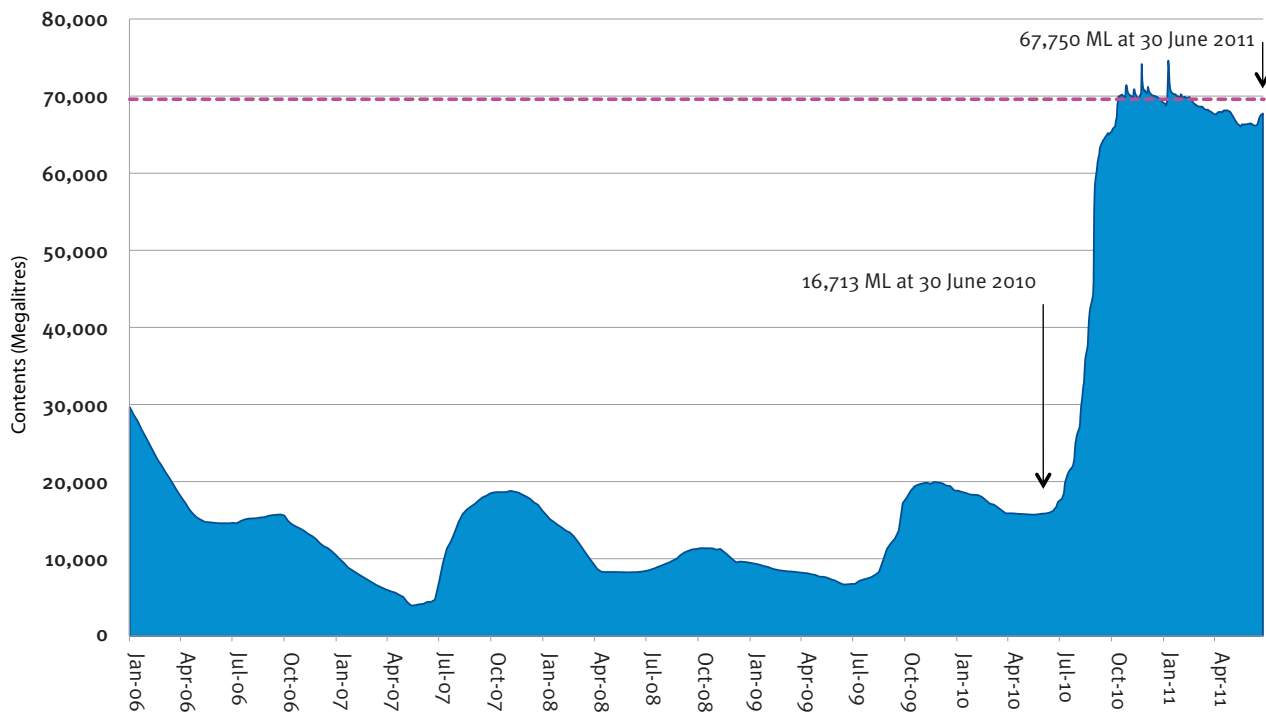
The natural inflow to our share of Lake Eppalock exceeded 112,000 megalitres, filling our share of Lake Eppalock to capacity and resulting in spills of some 72,000 megalitres for the year. Water delivered this year to Lake Eppalock from the Goulburn System through the Goldfields Superpipe was only 59 megalitres. A further 14 megalitres was pumped from the Goulburn System directly to Sandhurst Reservoir, by-passing Lake Eppalock.

COLIBAN STORAGES MONTHLY INFLOW 2010/11



COLIBAN STORAGE CONTENTS

UPPER COLIBAN, LAURISTON AND MALMSBURY RESERVOIRS



Flood impact to our infrastructure

During the January flood event our Coliban River stream gauge located at Malmsbury equaled the largest flood since continuous records commenced in 1964. The previous largest flood peak recorded at the site was on 18 September 1975.

The flood was successfully routed through Lauriston Reservoir which has a gated spillway. Flood flows passed through Malmsbury Reservoir over the fixed crest spillways without the need for manual operation. The only damage sustained at the storages was to the newly installed Coliban River stream gauge below Lauriston Reservoir. Electrical components worth \$8,000 required replacement.

The Coliban Main Channel suffered significant damage as a result of these heavy rainfall events. Up to nine sites required repairs and/or replacement before the Channel could be operated again this year, at a total cost of \$400,000. Final repairs were completed in May although the Channel was operational from mid February.

The Goldfields Superpipe Lake Eppalock pump station was inundated in January. Two electric pumps were removed and located on higher ground before the flood peak. However, major damage occurred to fixed electrical equipment and the pump station itself. Repair and restoration work is not expected to be completed until late 2011.

A 100 metre section of our Eppalock to Heathcote pipeline was washed away due to extensive erosion below the secondary spillway at Lake Eppalock in January. This is the first time the secondary spillway has operated since the dam was constructed in the 1960s.

Heathcote has a raw water supply option from Caledonia Reservoir which supplied the township for two months during which time the Eppalock to Heathcote pipeline was repaired, at a cost of \$185,000.

We have also experienced a significant change in the raw water quality and quality of the water in storage as a result of these events, which must be managed as well as treated prior to supply to our customers.

Water allocation

Due to the very high rainfall and inflows experienced during the year there was no need for any temporary water purchases.

Water stored in Lake Eppalock was used in the first half of the year to supply our customers in Bendigo and Heathcote. Recycled water was also used to supply some rural customers in the Coliban System Northern.

Due to the good inflows to Lake Eppalock there was no need to transfer water from the Goulburn system and the Goldfields Superpipe was used to transfer only 73 megalitres of water from the Goulburn System into Lake Eppalock (59 ML) and to Sandhurst Reservoir in Bendigo (14ML) for operational reasons.

A minimum amount needs to be transferred through the pipeline for operational reasons each year. These include ensuring equipment remains operable, operator training and familiarisation and to refresh the water sitting in the pipe to prevent potential water quality issues.

Water in our catchment reservoirs near Kyneton was used to supply our customers in Castlemaine and Kyneton areas (Coliban System Southern) and a 70 per cent allocation was made to rural customers. Additional water was available for rural customers but due to the wet conditions and after consultation with representative customer group, the allocations were not raised further. Rural demand remained very low for the entire season.

Our three Coliban catchment storages started the year at 16,218 megalitres (22 per cent of capacity). The storages rose steadily to full capacity of 69,594 megalitres in mid-October and remained full or near full for the remainder of the year. The storages fell to 66,011 megalitres (95 per cent of capacity) in late May but again rose marginally to 67,750 megalitres (97 per cent) at 30 June 2011.

Our share of Lake Eppalock at the start of the financial year was 18,551 megalitres and at 30 June 2011 was 53,789 megalitres (98 per cent of capacity).

2010/11	Megalitres
Direct river extraction	2,640
Groundwater	183
Draw from dams/impounding reservoirs	9,462
Channel supplies	2,241
TOTAL	14,526

Bulk Water Entitlements

We hold Bulk Water Entitlements in the Campaspe, Coliban, Goulburn, Loddon, Murray and Wimmera Systems and groundwater extraction licences in Elmore and Trentham (Groundwater supply systems).

We also hold high and low reliability water shares in the Goulburn and Campaspe systems. The volumes taken during 2010/11 were as follows:

Supply System	Source of Supply	Bulk Entitlement Volume ML	Bulk Entitlement Allocation ML	Carry-over from 2009/10 ML	Raw Water Volume Taken ML	Carry-over to 2011/12 ML	Reporting requirements in accordance with Bulk Entitlement clause
Campaspe	Campaspe River						See Note 1
Bulk Entitlement Reference: Bulk Entitlement (Axeedale, Goornong & part Rochester) Conversion Order 1999							
Axeedale & Goornong		215	215	66	58	224	12.1 (c) – Any credits granted – Nil 12.1 (d) – Metering Program – Nil 12.1 (e) – Temporary or permanent transfer of all or part of BE – Nil 12.1 (f) – Period of restriction – see page 16 12.1 (g)&(h) – Any amendment to BE, or new BE for Axeedale, Goornong & Rochester – See Note 5 12.1 (i) – Any failure to comply with BE – Nil 12.1 (j) – Difficulties in complying – Nil
Rochester		134	134	0	0	134	
Coliban	Coliban River, Campaspe River						
Bulk Entitlement Reference: Bulk Entitlement (Campaspe System – Coliban Water) Conversion Order 1999							
Bendigo area, Castlemaine area, Kyneton area, Heathcote area & Coliban Rural	Coliban River Reservoirs: Upper Coliban, Malmesbury & Lauriston and Lake Eppalock	50,260		N/A	9462	N/A	18.1 (f) – see Notes 1, 2, 3 & 4 18.1 (g) – annual evaporation loss 9,496 megalitres 18.1 (h) – 71,035ML internal spill in Lake Eppalock to G-MW share 18.1 (i) – passing flows qualified under Temporary Qualification of Rights June 2009 18.1 (j) – any credits granted – Nil 18.1 (k) – temporary or permanent transfer of bulk entitlement – Nil 18.1 (l) – bulk entitlement or licence transferred to CW – Nil 18.1 (m) – Period of restriction – see page 16 18.1 (n) – alteration to primary entitlements – Nil 18.1 (o) – transfer of primary entitlements Nil 18.1 (p) – annual volume supplied to primary entitlements – 9,462 megalitres 18.1 (q) – any amendment to bulk entitlement – see Note 5 18.1 (r) – any new bulk entitlement – Nil 18.1 (s) – implementation of environmental and metering programs – Nil 18.1 (t) – any failure to comply with BE – Nil 18.1 (u) – Difficulties in complying – Nil 18.1 (v) – passing flows less than specified – Nil
Goulburn	Waranga Western Channel						
Bulk Entitlement Reference: Bulk Entitlement (Town) Conversion Order 1995							
Boort		425	425	193	102	515	13.1 (c) – Amount and location of water taken from other than specified point – Nil
Dingee		50	50	40	7	84	13.1 (d) – water returned to channel system – Nil
Lockington		130	130	44	75	99	13.1 (e) – Metering Program – Nil
Macorna		40	40	32	2	70	13.1 (f) – Change to security of supply and annual entitlement – Nil
Mitiamo		60	60	36	10	95	13.1 (g) – Temporary or permanent transfer of all or part of BE – Nil
Mysia		15	15	13	1	27	13.1 (h),(i),(j) – Any transfers of entitlement to, amendment of BE, or new BE – see Note 6
Pyramid Hill		300	300	160	86	374	13.1 (k) – Any failure to comply with BE – Nil
Rochester		1400	1400	9	992	418	13.1 (l) – Difficulties in complying – Nil
Total			2420		1275		
Groundwater	Groundwater						
Elmore		284	213	N/A	98	N/A	
Trentham	Bore Spring Water	48	48	N/A	0		
		N/A	N/A	N/A	81		
Loddon	Loddon River						
Bulk Entitlement (Loddon System- Coliban Water) Conversion Order 2005							
Bridgewater & Inglewood		820	820	216	102	410	13.1 (c) – Any credits granted – Nil 13.1 (d) – Metering Program – Nil 13.1 (e) – Temporary or permanent transfer of all or part of BE – Nil 13.1 (f) – Period of restriction – see page 16 13.1 (g) – Any amendment to BE – See Note 7 13.1 (h) – New BE granted – Nil 13.1 (i) – Any failure to comply with BE – Nil 13.1 (j) – Difficulties in complying – Nil
Laanecoorie, Dunolly, Bealiba & Tarnagulla					20		
Serpentine					1		
Jarklin							
Total					327		

Supply System	Source of Supply	Bulk Entitlement Volume ML	Bulk Entitlement Allocation ML	Carry-over from 2009/10 ML	Raw Water Volume Taken ML	Carry-over to 2011/12 ML	Reporting requirements in accordance with Bulk Entitlement clause
Wimmera	Wimmera Channel						See Note 1
Bulk Entitlement Reference: Bulk Entitlement (Wimmera and Glenelg Rivers – Coliban Water) Conversion Order 2004							
Korong Vale & Wedderburn, Borung Wychitella		300	300	N/A	120 2 2	176	13.1 (c) – Amount and location of water taken from other than specified point – Nil 13.1 (e) – Metering Program – Nil 13.1 (f) – temporary or permanent transfer of all or part of BE – Nil 13.1 (g) – Any BE or other entitlement transferred to Coliban Water under this order – Nil 13.1 (h) – Any amendment to BE – see Note 8 13.1 (i) – New BE granted – Nil 13.1 (j) – Any failure to comply with BE – Nil 13.1 (k) – Difficulties in complying – Nil
Total					124		
Murray	Murray River						
Bulk Entitlement Reference: Bulk Entitlement (River Murray – Coliban Water) Conversion Order 1999							
Cohuna, Echuca, Gunbower Leitchville		6285	6285		520 2255 29 220	5176 771	20.1 (c) – New offtake points – Nil 20.1 (d) – Water returned – Nil 20.1 (e) – Metering Program – Nil 20.1 (f) – Temporary or permanent transfer of all or part of BE – Nil 20.1 (g) – Any BE or other entitlement transferred to supply primary entitlements under this order – Nil 20.1 (h) – Any amendment to BE – see Note 9 20.1 (i) – New BE granted – Nil 20.1 (j) – Any failure to comply with BE – Nil 20.1 (k) – Difficulties in complying – Nil
Total					3024		
Goulburn	Waranga Western Channel						
Bendigo	Water Shares HR Water Shares LR	22,709 2857.7	22,709	12,557	73	33,433	Temporary market purchase – Nil Urban Trading Program purchase – Nil Volume transferred to Bendigo – 14 megalitres Volume transferred to Lake Eppalock – 59 megalitres Volume transferred to Heathcote – 0 megalitres
Campaspe	Lake Eppalock						
Bendigo	Water Shares HR Water Shares LR	2597 131.6	2723	301	0	2872	

Notes:

- 8,737 megalitres discharged from Malmsbury Reservoir to Coliban Main Channel.
- 725 megalitres discharged from Lauriston Reservoir to Kyneton system.
- Nil pumped from Lake Eppalock to Heathcote.
- Nil pumped from Lake Eppalock to Eppalock-Sandhurst Pipeline
- Campaspe and Coliban System bulk entitlements were amended by Amendment of Temporary Qualification of Rights in the Campaspe Water System June 2010.
- Goulburn System bulk entitlements were amended by Amendment to Temporary Qualification of Rights in the Goulburn Water System – June 2010 and Revocation of Temporary Qualification of Rights in the Goulburn Water System, September 2010.
- Loddon System bulk entitlements were amended by Temporary Qualification of Rights in the Loddon Water System – June 2010.
- Wimmera System bulk entitlements were amended by Bulk Entitlement (Wimmera and Glenelg Rivers – Coliban Water) Revocation Order 2010 and Bulk Entitlement (Wimmera and Glenelg Rivers – Coliban Water) Order 2010.
- Murray System bulk entitlements were amended by Amendment to Temporary Qualification of Rights in the Murray Water System – 2010 and Revocation of Temporary Qualification of Rights in the Murray Water System, September 2010.

Permanent water purchase

There was no purchase of permanent water entitlement during the year.

Water supply demand strategy

We are currently developing our revised *Water Supply Demand Strategy* in line with the *2001 Department of Sustainability and Environment (DSE) Guidelines*. Detailed work is presently underway across all of our systems and a draft is due to DSE in November 2011, with the final strategy in March 2012.

Consultation with the community and our customers will be undertaken as part of the process for the development of *Water Plan 3*.

Most of our systems have been on some level of restriction, some cases severe, for the best part of the last 10 years until recent times. As such, there is a high degree of uncertainty as to what volumes of water customers will utilise into the future, now that restrictions have been removed.

Water conservation targets are being considered as part of the development of the *Water Supply Demand Strategy*.

Water restrictions

Our *Drought Response Plan* was first implemented in 2002. At the start of the 2010/11, Trentham was our only town on Permanent Water Saving Rules while the other 48 towns across our region were on some level of water restriction.

By the 30 June 2011, only Raywood and Sebastian remain on restrictions, while all other towns have had restrictions lifted and are on Permanent Water Saving Rules. Raywood and Sebastian will come off restrictions as soon as a pipeline connecting them to Bendigo is completed.

Through the year a number of Ministerial Qualifications of Rights and Ministerial Directions on Bulk Water Entitlement supply were made and these are listed in the notes on the previous page.

SUMMARY OF WATER RESTRICTIONS

Supply System	Summary 2010/11
Campaspe	
Goornong	Stage 3 in force on 1 July 2010 PWSR introduced on 1 October 2010 and remained in force on 30 June 2011
Coliban Urban Northern	
Bendigo, Axedale	Stage 3 in force on 1 July 2010 Stage 2 modified introduced on 1 October 2010 PWSR introduced on 15 Jan 2011
Heathcote Areas	Stage 3 in force on 1 July 2010 PWSR introduced on 15 January 2011 and remained in force on 30 June 2011
Raywood & Sebastian	Stage 4 GE in force on 1 July 2010 Stage 3 introduced on 1 October 2010 and remained in force on 30 June 2011
Coliban Urban Southern	
Castlemaine	Stage 3 in force on 1 July 2010 Stage 1 introduced on 1 October 2010 PWSR introduced on 1 March 2011 and remained in force on 30 June 2011
Kyneton Areas	Stage 3 in force on 1 July 2010 Stage 1 introduced on 1 October 2011 PWSR introduced on 15 January 2011 and remained in force on 30 June 2011
Coliban Rural	
Goulburn	
Boort, Dingee, Lockington, Macorna, Mitiamo, Mysia, Pyramid Hill & Rochester	Stage 1 in force on 1 July 2010 PWSR introduced on 1 October 2010 and remained in force on 30 June 2011

Supply System	Summary 2010/11
Coliban Rural continued...	
Groundwater	
Elmore	Stage 1 in force on 1 July 2010 PWSR introduced on 1 October 2010 and remained in force on 30 June 2011
Trentham	PWSR in force on 1 July 2010 and remained in force on 30 June 2011
Loddon	
Bealiba, Bridgewater, Dunolly, Inglewood, Jarklin, Laanecoorie, Serpentine & Tarnagulla	Stage 4 in force on 1 July 2010 Stage 3 introduced on 1 September 2010 Stage 1 introduced on 1 October 2010 PWSR introduced on 15 January 2011 and remained in force on 30 June 2011
Murray	
Cohuna	Stage 2 in force on 1 July 2010 Stage 1 introduced on 1 October 2010 PWSR introduced on 15 January 2011 and remained in force on 30 June 2011
Echuca and Leitchville	Stage 1 in force on 1 July 2010 PWSR introduced on 1 October 2010 and remained in force on 30 June 2011
Gunbower	Stage 2 in force on 1 July 2010 PWSR introduced on 15 January 2011 and remained in force on 30 June 2011
Wimmera	
Borong, Korong Vale, Wedderburn & Wychitella	Stage 1 in force on 1 July 2010 PWSR introduced on 15 January 2011 and remained in force on 30 June 2011

Rural usage

Our rural customers received a 70 per cent allocation for the 2010/11 season.

Recycled water was supplied to customers on the Ascot, White Hills, Cockatoo Hill and Sebastian channels.

Channel Name	Number Rural Licenses	Base Entitlement (Megalitres)	Number Licenses Supplied	Volume Delivered (Megalitres)	Channel Efficiency (%)	Notes
Abbotts	99	369.2	5	5.503	77.07	
Ascot	44	697.5	12	70.507	75.26	Supplied recycled water
Axe Creek	83	494.8	6	7.975	22.82	
Campbells Creek (Rostered)	3	19.8	0	0	0.00	No supply
Cockatoo Hill	37	129.7	3	7.389	62.46	Supplied recycled water
Coliban Main	173	1,419.9	11	275.042	103.83	
Cominis	14	160.1	1	.349	1.61	
Diamond Hill	14	88.9	0	0	0.00	No supply
Eagles	28	200.6	3	1.636	15.29	
Ellesmere	42	165.7	0	0	0.00	No supply
Emu No 1	21	153.5	1	1.920	43.93	
Emu No 2	23	177.7	1	1.076	29.81	
Emu Valley No. 1	91	456.3	2	3.871	68.68	
Emu Valley No. 2	79	500.4	2	.581	41.13	
Eppalock Pipeline	72	970.4	54	151.179	98.77	
Gaol Hill	1	15.1	0	0	0.00	Channel closed
Goornong	20	379.2	0	0	0.00	No supply
Harcourt Main	99	2,472.2	12	119.558	38.20	
Huntly	5	39.4	0	0	0.00	No supply
Ironstone	7	14.6	0	0	0.00	No supply
Jackass Flat	5	27.2	0	0	0.00	No supply
Kangaroo	3	43.2	0	0	0.00	No supply
Lauriston Reservoir	6	12.0	0	0	0.00	No supply
Lockwood	143	668.9	2	1.451	64.68	
Maiden Gully	46	370.8	4	25.944	57.47	
Malmsbury Reservoir	4	8.0	0	0	0.00	No supply
Mannes	14	149.3	2	2.467	53.51	
Marong	34	307.0	4	24.050	76.46	
Myers Flat	18	295.9	1	12.669	54.65	
Neilborough	15	36.8	0	0	0.00	No supply
Poverty Gully	17	64.4	1	2.514	90.96	
Ranters	1	5.3	0	0	0.00	Channel closed
Raywood	71	362.3	0	0	0.00	No supply
Sebastian	9	65.9	4	1.992	58.04	Supplied recycled water
South Lockwood Pipeline	46	403.3	31	30.747	98.00	
Sparrowhawk	1	5.3	1	.381	13.41	
Speciman Gully	26	398.4	2	7.038	50.53	
Speciman Hill	44	383.7	5	3.266	75.90	
Spring Gully	41	192.4	0	0	0.00	No supply
Strathfieldsaye	2	5.0	0	0	0.00	No supply
Trust	15	217.4	1	0	0.00	No supply
Warrens	46	849.1	5	56.167	44.80	
White Hills	8	201.4	2	31.656	106.21	
Wilsons Hill	36	275.3	1	1.796	71.93	
	1,606	14,273.5 ML	179	848.724 ML		

IN SUMMARY

Sources	Number of Rural Licences	Licence Volume (Megalitres)
Raw	1,442	14,259
Recycled	254	1,746.2
Priority	0	0
Goulburn	0	0
Urban	0	0



Recycled water production and usage

Recycled water was produced and used from the following water reclamation plants during the year:

AXEDALE

The Axedale Water Reclamation Plant produces Class B recycled water, which is supplied to the Axedale Golf Club for irrigation use.

BENDIGO

The Bendigo Water Reclamation Plant produces Class A, Class B and Class C recycled water. Class B and C are produced and supplied to Northgate Minerals' Fosterville Gold Mine, the Bendigo Livestock Exchange and local irrigators.

Class A is produced in the Bendigo Recycled Water Factory and is available via the recycled water pipeline, standpipes in Avery's Road and Stanley Street Bendigo and some rural channels. Customers include City of Greater Bendigo for its sporting facilities, parks and gardens, primary schools, industrial laundry, rural customers, car washing, fire fighting, road works and commercial customers for dust suppression.

CASTLEMAINE

The Castlemaine Water Reclamation Plant produces Class C recycled water, which is supplied to the Castlemaine Golf Course via a pipeline and to earthworks companies for dust suppression and construction works via tanks in accordance with Environmental Protection Authority (EPA) guidelines.

DUNOLLY

The Dunolly Water Reclamation Plant produces Class C recycled water, which is used for on-site irrigation.

ECHUCA

The Echuca Water Reclamation Plant produces Class C recycled water, which is supplied to local irrigators.

HEATHCOTE

The Heathcote Water Reclamation Plant produces Class C recycled water, which is supplied to the Heathcote Golf Club for irrigation use.

KYNETON

The Kyneton Water Reclamation Plant produces Class B and Class C recycled water, which is supplied to the Kyneton Racecourse and a local on-site irrigator. A project is currently being undertaken to supply recycled water to local sports grounds and the Botanical Gardens.

PYRAMID HILL AND WEDDERBURN

The Pyramid Hill and Wedderburn Water Reclamation Plants produce Class C recycled water, which is used for on-site irrigation.

TYPES OF CLASS A RECYCLED WATER USES

Types of Use	Number of customers	
	2010/11	2009/10
Rural domestic garden watering#	121	84
Toilet flushing #	60	22
Livestock drinking #	161	97
Irrigation of pasture for grazing #	77	58
Irrigation of horticulture crop #	30	31
Irrigation of public sporting facilities	17	20
Irrigation of school grounds	6	6
Irrigation of parks and gardens	4	3
Nurseries	1	1
Hospital	1	1
Recreational lake	1	1
Standpipe water carters	31	29

Recycled water is supplied via the Ascot, Cockatoo Hill and Raywood channel system.

TYPES OF CLASS B AND CLASS C RECYCLED WATER USES

Types of Use	Number of customers	
	2010/11	2009/10
Irrigation of pasture for grazing	4	4
Mining	1	1
Dust suppression	2	5
Irrigation of sporting facilities	4	4

Please refer to our website www.coliban.com.au for further information on recycled water class definitions.

Our remaining water reclamation plants produce Class C recycled water which is stored on site for future use.

Water Reclamation Plant	Recycled water usage volume (Megalitres)	
	2010/11	2009/10
Axedale	5	6
Bendigo		
› Class A	383	2,360
› Class B & C	779	1,525
Boort	15	0
Castlemaine	5	111
Dunolly	5	0
Echuca	457	1,055
Heathcote	79	88
Kyneton	33	263
Pyramid Hill	9	0
Rochester	0	59
Wedderburn	27	16
TOTAL	1,781	5,483

Recycled water management

All of our customers using recycled water must comply with management requirements contained in the *Site Management Plan* or *Environment Improvement Plan* for each site. We audit every recycled water customer's management practices, water uses and volumes annually to ensure compliance with these plans.

Capital Projects

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We are committed to delivering our capital works program as part of our *Water Plan 2008–2013*. We have dedicated project teams continuing to deliver these projects.

Our project delivery teams are Water, Wastewater, Rural and Routine Renewals. In addition we have a Planning team for technical planning and an Infrastructure Development team who provide a range of technical services to our project teams. We also have a Land Development team to manage planning applications, new developer works and new connections.

2010/11 was the third year of our five year capital works program – *Water Plan 2008–2013*, with the project delivery teams delivering \$38,504 million of works.

CAPITAL PROJECTS EXPENDITURE

Projects	2010/11	
	Expenditure (\$'000)	% of total
Water Reticulation	8421.278	21%
Water Treatment	6430.733	17%
Standpipes	0	0%
Sewer Collection	8409.009	22%
Sewer Treatment	6481.806	17%
Recycled Water	951.367	2%
Standpipes Recycled	0	0%
Rural	1919.095	5%
Raw Water Transfer	1840.405	5%
Headworks	230.869	1%
Operations Support	1151.505	3%
Administration Support	2668.917	7%
TOTAL	38,504.982	100%



Lead project manager Corey Bourne, Nationals MP for Northern Victoria Damian Drum, Coliban Water Chairman John Brooke and Coliban Water General Manager Infrastructure Dr Dharma Dharmabalan, Bendigo Creek Sewer Duplication Project, March 2011



Bendigo Sewer Duplication Project, March 2011

The key capital expenditure projects managed across the business during the year are outlined in the table below in order of total cost.

Project Name	Location	Purpose	Cost	Start	Completion Target
Water Quality Improvement Program	Boort, Bridgewater, Cohuna, Echuca, Elmore, Goornong, Heathcote, Korong Vale, Laanecoorie, Leitchville, Lockington, Pyramid Hill, Raywood, Rochester, Serpentine and Trentham	Water Treatment	\$31.8 million	2006	Jan 2012
Description: This program involves improvements to water quality by enhancing treatment processes, control and monitoring, occupational health and safety (OH&S) and vehicle access to multiple water treatment plant locations across our region.					
Bendigo Creek sewer duplication – stage 2	Bendigo	Sewerage Collection	\$12.4 million	2011	April 2012
Description: To upgrade Bendigo's sewer system, duplication of sewer main from Maple Street (Golden Square) to Elvey Drive (Kangaroo Flat), as part of a plan to meet the increasing demands of the city's growing population. This will connect to the Stage 1 duplication completed in 2006 between Maple Street and Bayne Street Bendigo.					
Chemical systems upgrade	Various sites across region	Water Treatment	\$12.18 million	Jan 2010	Aug 2012
Description: The project involves upgrades to 13 water treatment plants across our region to ensure that we meet the safe drinking water guidelines.					
Leitchville Water Treatment Plant upgrade	Leitchville	Water Treatment	\$9.6 million	May 2010	Nov 2011
Description: This project involves the upgrading of the Leitchville Water Treatment Plant in order to address process and OH&S risks on the site. The upgrade will include the replacement of the existing sand filtration with membrane filtration and Ultra Violet (UV) treatment. The existing clarifier will be retained as pre-treatment, and the existing chlorination system will also be retained as post-UV treatment. As part of the project, the existing clear water storage will be replaced and a new elevated storage tank will be installed.					
Castlemaine Water Reclamation Plant upgrade	Castlemaine	Sewer Treatment	\$5.88 million	Feb 2010	July 2011
Description: This project aims to improve the operation of the Castlemaine Water Reclamation Plant by upgrading existing equipment and installing additional operational controls.					
Raywood-Sebastian pipeline	Potable pipeline from Eaglehawk to Raywood via Sebastian	Water Reticulation	\$5.08 million	Mar 2009	Jan 2012
Description: The Raywood-Sebastian pipeline will connect the townships of Raywood and Sebastian to the Bendigo water supply system, providing greater water security and water quality to urban customers in these townships.					
Gunbower Water Treatment Plant upgrade	Gunbower	Water Treatment	\$3.4 million	Feb 2010	Dec 2011
Description: This project involves the upgrading of the Gunbower Water Treatment Plant to provide a more reliable and robust treatment process at site.					
Bridgewater Water Treatment Plant upgrade	Bridgewater	Water Treatment	\$3.67 million	Jun 2009	Dec 2011
Description: A desalination plant and associated works to facilitate operation between the existing treatment plant and the desalination plant was constructed at Bridgewater. This will improve water quality for customers due to the extremely saline raw water supply from the Loddon River. Also planned as part of this project is the construction of brine lagoons to store the additional waste produced by the desalination plant and the development of a local bore to guarantee an alternative raw water supply for Bridgewater.					
Bendigo Water Reclamation Plant upgrade	Bendigo	Sewer Treatment	\$2.47 million	May 2010	Completed
Description: This project will improve the operation of the Bendigo Water Reclamation Plant by upgrading existing equipment and installing additional operational controls.					
Back Creek Siphon upgrade	Rural	Raw Water Transfer	\$2 million	June 2011	Aug 2011
Description: The current pipeline had now exceeded the end of its useful life and new methods are being used to upgrade the pipeline whilst keeping the historical integrity of the pipeline intact.					
Bendigo Water Network augmentation	Bendigo	Water Reticulation	\$1.76 million	Nov 2010	Dec 2011
Description: The Bendigo water augmentation strategy identified a number of areas around Bendigo where the network would fail to deliver adequate water pressure to customers now that water restrictions have been eased. Duplication of a number of pipes in various locations is needed to improve the capacity of the system to ensure that acceptable water pressure is delivered.					

Capital Projects

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Project Name	Location	Purpose	Cost	Start	Completion Target
Asset Management System upgrade	Regional	Administration Support	\$1.6 million	Dec 2007	Completed
Description: Implement a new asset management system that will help us to better manage our ageing infrastructure assets. The system will improve maintenance activities and renewal programs to optimise overall asset lifecycle costs for our business.					
Tooborac Tank	Tooborac	Water Reticulation	\$900,000	Apr 2010	Aug 2011
Description: This project is to replace the basin with two new tanks and an adequate dosing system to provide the residents of Tooborac with a secure water supply.					
Wilkinson Drive Sewer Pump Station	Echuca	Sewerage Collection	\$800,000	Jan 2011	Aug 2011
Description: Install sewer pump station, rising main and gravity trunk sewer to provide service to developing area in Echuca West.					
Kyneton Water Reclamation Plant – trade waste lagoon	Kyneton	Sewer Treatment	\$800,000	Apr 2010	Jul 2011
Description: Replace four existing aerators in the Kyneton trade waste lagoon. Other works include reconfiguring the recycled water line and filter operation, upgrading the septic tank unloading area and general access around the lagoon. These works will improve plant operations and overall efficiency.					
Coliban Main Channel upgrade	Rural	Raw Water Transfer	\$720,000	May 2011	Oct 2011
Description: To enhance the operational capability of the channel and prevent future failure of sections of the channel.					
Sewer connectivity – Ironstone Rd to Allen St Epsom	Bendigo	Sewerage Collection	\$700,000	Aug 2010	Aug 2011
Description: Construct a trunk sewer main to service the developing area in Epsom and to remove two old sewer pump stations from the Coliban sewer network.					
Echuca growth – immediate works	Echuca	Water Reticulation	\$690,000	Mar 2010	Completed
Description: A new water pipeline was built along Ogilvie Avenue to increase capacity at key points in the water reticulation network. This pipeline will also provide improved pressure to our customers on the western side of Echuca.					
Water Pressure Monitoring Stations	Various	Water Reticulation	\$642,644	Oct 2009	Completed
Description: The objective of the project is to construct pressure monitoring stations at various pressure zones to achieve: <ul style="list-style-type: none"> • continuous pressure measurement at various locations; • calibrate networks model; • facilitate operational control; and • deliver high quality services to meet current and future customer needs and expectations. 					
Harcourt basin tank replacement	Harcourt (Rural)	Water Reticulation	\$622,600	Apr 2010	Dec 2011
Description: To secure the supply of water to the Harcourt community by replacing the existing failed liner & cover with an enclosed steel tank.					
Kyneton recycled water scheme – stage 2	Kyneton	Recycled Water	\$600,000	May 2010	June 2012
Description: Construction of a recycled water pipeline to the Kyneton Golf Club.					
Echuca Sewer Pump Station No. 5	Echuca	Sewerage Collection	\$589,306	Mar 2011	Aug 2011
Description: Upgrade the existing sewer pump station to meet current standards.					
Kyneton recycled water pipeline – stage 1	Kyneton	Recycled Water	\$295,000	Jan 2010	Completed
Description: To install a recycled water pump station and pipeline to supply recycled water to Barkley Square (soccer ground), the Kyneton Showground and the Botanical Gardens. This will provide the required water to maintain these community areas and protect the vegetation in the Botanical Gardens.					
Eppalock/Heathcote pipeline repair	Heathcote	Water Reticulation	\$240,000	Feb 2011	Mar 2011
Description: Repairs were needed to the Eppalock to Heathcote pipeline following January's flood event where a 100 metre section was washed away.					

We provide water to 66,907 properties in our region and with our partners we operate 21 water treatment plants.

Customer Service Objectives – water reticulation

Within our Customer Charter there are 14 service standards that are reported to the Essential Services Commission. These service standards relate to the number and duration of supply interruptions, the response time to attend to bursts and leaks and the amount of unaccounted for water.

Compliance was achieved with 10 standards. The target for the average duration of unplanned supply interruptions (90 minutes), average time taken to attend bursts and leaks (priority 1), unplanned water supply interruptions restored within five hours and average duration of unplanned water supply interruptions were exceeded due to the premature failure of asbestos cement water mains due to excessive ground movement following wet weather in our region. A number of these mains have now been replaced.

Safe Drinking Water Act 2003

We met all our obligations under the *Safe Drinking Water Act 2003*, including:

- › Reporting of water quality performance to the Department of Health (DoH)
- › Managing water quality incidents and flood impacts

A high chlorine event was experienced at Tooborac on 2 May 2011, due to the failure of the booster chlorinator at the Tooborac Basin. This resulted in customers being supplied water containing 11mg/l of chlorine. The Australian Drinking Water Guideline health limit is 5mg/l.

Once identified, the storage was isolated from the town and the reticulated network was flushed of the highly chlorinated water. Bottled water was supplied to residents that evening.

The chlorinator and basin were in the process of being replaced by new tanks and new chlorine booster. This project was scheduled for completion by the end of July 2011. In the interim following the incident, the faulty chlorinator was removed and staff manually dosed the water supply using slowly dissolving calcium hypochlorite tablets to maintain a safe and controlled chlorine residual in the system.



Lauriston Reservoir, January 2011

Water Quality

This table shows the compliance of potable water sampling localities with the water quality standards specified in the *Safe Drinking Water Act 2003*.

Town/Supply Zone	E. coli (orgs/100ml) ≥98% Compliance	Aluminium (≤0.2mg/L)	Turbidity (≤5 NTU)	Disinfection By-Products
Axedale	✓	✓	✓	✓
Bealiba	✓	✓	✓	✓
Bendigo (Northern)	✓	✓	✓	✓
Bendigo (Southern)	✓	✓	✓	✓
Bendigo (Spring Gully)	✓	✓	✓	✓
Big Hill	✓	✓	✓	✓
Boort	✓	✓	✓	X ⁽²⁾
Bridgewater	✓	✓	✓	✓
Castlemaine	✓	✓	✓	✓
Cohuna (Rural)	✓	✓	✓	X ⁽³⁾
Cohuna (Urban)	✓	✓	✓	X ⁽³⁾
Dunolly	✓	✓	✓	✓
Echuca	✓	✓	✓	✓
Elmore	✓	✓	✓	✓
Epsom – Huntly	✓	✓	✓	✓
Fryerstown	✓	✓	✓	✓
Goornong	✓	✓	✓	X ⁽⁴⁾
Guildford	✓	✓	✓	✓
Gunbower	✓	✓	✓	X ⁽⁵⁾
Harcourt	✓	✓	✓	✓
Heathcote	✓	✓	✓	✓
Inglewood	✓	✓	✓	✓
Junortoun	✓	✓	✓	✓
Korong Vale	✓	✓	✓	✓
Kyneton	✓	✓	✓	✓
Laanecoorie	✓	✓	✓	✓
Leitchville (Rural)	✓	✓	✓	✓
Leitchville (Urban)	✓	✓	✓	✓
Lockington	✓	✓	✓	✓
Maiden Gully – Marong	✓	✓	✓	✓
Maldon	X ⁽¹⁾	✓	✓	✓
Malmsbury	✓	✓	✓	✓
Newstead	✓	✓	✓	✓
Pyramid Hill	✓	✓	✓	✓
Raywood	✓	✓	✓	✓
Rochester	✓	✓	✓	✓
Sebastian	✓	✓	✓	✓
Serpentine	✓	✓	✓	X ⁽⁶⁾
Strathfieldsaye	✓	✓	✓	✓
Taradale-Elphinstone	✓	✓	✓	✓
Tarnagulla	✓	✓	✓	✓
Tooborac	✓	✓	✓	X ⁽⁷⁾
Trentham	✓	✓	✓	✓
Tylden	✓ ⁽⁸⁾	✓	✓	✓
Wedderburn	✓	✓	✓	✓

Borong, Dingee, Jarklin, Macorna, Mitiamo, Mysia and Wychitella were supplied with non-potable water during 2010/11.

Notes to the Water Quality table

- (1) Annual E.coli compliance was 96 per cent at Maldon due to two detections. Subsequent mains flushing and retesting established that this posed no risk to the community.
- (2) Boort achieved 98 per cent compliance with disinfection by-products due to a single high result on Trihalomethane (THM). This was caused by poor raw water quality as a result of the floods.
- (3) Cohuna urban supply achieved 92 per cent compliance with disinfection by-products and Cohuna rural supply achieved 96 per cent compliance. This was due to poor raw water quality after minor flooding events.
- (4) Goornong achieved 98 per cent compliance with disinfection by-products due to a single high result for Trihalomethane (THM). This was due to poor raw water quality following flooding earlier this year.
- (5) Gunbower achieved 90 per cent compliance with disinfection by-products. Continued poor raw water quality has caused this. Upgrade works at the water treatment plant is currently underway which will provide a more robust treatment process to deal with fluctuating raw water quality.
- (6) Serpentine achieved 98 per cent compliance with disinfection by-products, one single result exceeded the guideline following the January floods.
- (7) Tooborac achieved 98 per cent compliance with disinfection by-products, one single result marginally exceeded the guideline following the January floods.
- (8) E.coli was detected in customer tap samples at Tylden in February 2011. As a result a boil water notice was put in place until the system was deemed safe. The likely cause of the contamination was a new water main connection shortly before the failed sample was taken.

Flood impacts on water quality

The Rochester Water Treatment Plant was impacted by flooding on three occasions during the year. On two occasions, flood water entered the plant and caused damage to the electrical systems and on all three occasions the flood water caused a deterioration in the raw water quality. As a result water was tankered from Echuca and Elmore to maintain supply to Rochester customers.

During the January flood incident, we were not able to access to the plant for three days which restricted our ability to provide tankered water to the towns' water reticulation network.

Bottled water and large tankers with tap outlets were made available to customers during this period and remained in place until the precautionary boil water notice was lifted.

Bridgewater was also impacted by the January flood as rising flood waters broke the water main located under the bridge that supplies the majority of the township. Due to the potential contamination of the town supply with flood water, a boil water notice was issued. Repair and temporary supply arrangements were delayed due to the town being isolated by flood waters, however the pipeline was reinstated within a few days of the event.

Tarnagulla's supply was also impacted for a number of days as a result of the January floods due to a water main failure that could not be accessed in the flood waters. With the potential for contamination, a boil water notice was issued.

Pyramid Hill, Boort and Serpentine also had precautionary boil water notices issued due to the potential flood contamination, inaccessibility and loss of remote monitoring due to power failures during the January flood event.

In all instances where a boil water notice was issued, bottled water was made available to customers during the event until the towns supply had passed all required testing to ensure water quality was restored.

Blue Green Algae

Although it was a cool summer, Blue Green Algae (BGA) was a major issue in a number of catchment systems across the state. This is believed to be due to the high organic load in water bodies from the catchment runoff after years of drought and vegetation growth in areas of storages that have not been inundated for many years.

Algae blooms were noted in the Campaspe (Lake Eppalock), Goulburn (Lake Eildon) and the Loddon systems. Coliban catchment storages recorded higher than normal levels of BGA. Water quality sampling was regularly reviewed along with regular meetings of the BGA Incident Team to assess water supply risks.

We supply the Mitiamo township (51 customers) with non potable water delivered via Goulburn system raw water irrigation channels from Goulburn-Murray Water. In March high levels of BGA was detected in this supply, with tankered water arrangements put in place until water quality could be re-established.

Water carting was initiated to Macorna (7 customers) also in March due to similar water quality complaints.

BGA related raw water quality returned to normal (low) levels with water carting ceasing in May. Although these townships are non-potable supplies – where the water is not suitable for drinking, cooking and bathing purposes – a number of households in these townships did have internal plumbing connected to these supplies, with no other alternative supply available (ie tanks).

Close monitoring of Dingee (non potable) and Lockington raw water supplies was also maintained given elevated BGA levels detected but no subsequent actions were required.

Locust

Locust plagues were also an issue during the year with spraying causing a potential risk to water quality in catchment areas.

Following the locust plague notification in August, fortnightly meetings were held to monitor locust activity and to determine the need for additional water monitoring in 'hot spot' areas in our region.

As a result of the locust activity additional water sampling took place at Boort, Cohuna, Echuca, Goornong, Gunbower, Heathcote, Korong Vale, Leitchville, Lockington, Pyramid Hill, Rochester and Serpentine. Testing showed there were no water quality issues at these sites as a result of locust activities. Spraying did occur on two Coliban Water sites – Bendigo Water Reclamation Plant and Dunolly Reclamation Plant.

Meetings ceased in February when the locust plague was over.

Water Treatment Process

The following table shows how we treat our water to make it safe to drink.

Water Treatment Plant Location	Water Sampling Locality	Treatment Process								Added Substances						
		Coagulation	Clarification	Filtration	Taste / Odour / Algae Toxin Removal	pH Correction	Desalination	Disinfection	Alum / Alum Chlorohydrate	Polyelectrolyte	Activated Carbon	Ozone	Lime/Soda Ash/Caustic Soda/Carbon Dioxide/Sulphuric Acid	Chlorine	Ammonia	Flouride
Bendigo	Axedale Bendigo Northern Bendigo Southern Bendigo Spring Gully Big Hill Epsom – Huntly Junortoun Maiden Gully – Marong Raywood Sebastian Strathfieldsaye	✓		✓	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓
Boort	Boort	✓	✓	✓		✓		✓	✓	✓			✓	✓		
Bridgewater	Bridgewater Inglewood	✓	✓	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓	
Castlemaine	Castlemaine Fryerstown Guildford Harcourt Maldon Newstead Taradale – Elphinstone	✓		✓	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓
Cohuna	Cohuna (Rural) Cohuna (Urban)	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓		
Echuca	Echuca	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓		✓
Elmore	Elmore					✓		✓					✓			
Goornong	Goornong	✓	✓	✓		✓		✓	✓				✓	✓		
Gunbower	Gunbower			✓				✓						✓		
Heathcote	Heathcote Tooborac	✓	✓	✓		✓		✓	✓	✓			✓	✓	✓	
Korong Vale	Korong Vale Wedderburn	✓	✓	✓		✓		✓	✓	✓			✓	✓	✓	
Kyneton	Kyneton Malmsbury Tylden	✓		✓	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓
Laanecoorie	Bealiba Dunolly Laanecoorie Tarnagulla	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓	✓	
Leitchville	Leitchville (Rural) Leitchville (Urban)	✓	✓	✓	✓	✓		✓	✓		✓		✓	✓		
Lockington	Lockington	✓	✓	✓		✓		✓	✓	✓			✓	✓		
Pyramid Hill	Pyramid Hill	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓		
Rochester	Rochester	✓	✓	✓		✓		✓	✓	✓			✓	✓		
Serpentine	Serpentine	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓	✓	
Trentham	Trentham			✓	✓			✓				✓		✓	✓	

Please refer to our website www.coliban.com.au for further information on our treatment process and added substances.

Water, Wastewater and Customer Numbers by System

	Wastewater	Water Supply Residential		Water Supply Non Residential		Total		3 Year Average Annual Demand	Consumption Variation	Non Revenue Water ¹
Water Supply System	No.	No.	ML	No.	ML	No.	ML	ML	%	ML
Campaspe										
Goornong	0	144	22	26	5	170	27	28	-4%	10
Total	0	144	22	26	5	170	27	28	-4%	10
Coliban Northern										
Axedale	102	97	15	17	3	114	18	18	2%	Note 2
Bendigo	41,074	37,874	5,402	3,223	2,210	41,097	7,612	8,052	-5%	425
Heathcote	808	1,012	107	125	47	1,137	154	174	-11%	55
Raywood	0	78	11	15	1	93	12	14	-12%	4
Sebastian	0	62	9	5	1	67	10	11	-9%	1
Tooborac	0	47	8	8	2	55	10	10	0%	Note 5
Total	41,984	39,170	5,552	3,393	2,264	42,563	7,816	8,278	-36%	485
Coliban Southern										
Castlemaine	4,515	5,195	621	452	510	5,647	1,131	1,145	-1%	229
Elphinstone/Taradale	0	206	25	16	11	222	36	33	8%	Note 3
Kyneton	2,458	2,317	298	412	276	2,729	574	573	0%	97
Maldon	707	840	90	111	26	951	116	131	-11%	Note 3
Malmsbury	241	267	28	20	16	287	44	46	-4%	Note 4
Newstead	295	299	35	42	9	341	44	46	-4%	Note 3
Tylden	127	123	13	11	3	134	16	17	-6%	Note 4
Total	8,343	9,247	1,110	1,064	851	10,311	1,961	1,991	-18%	326
Goulburn										
Boort	463	390	60	106	25	496	85	334	-75%	7
Dingee	0	29	3	12	1	41	4	17	-77%	1
Lockington	205	189	28	25	6	214	34	27	26%	45
Macorna	0	8	1	3	<0.5	11	1	4	-73%	<1
Mitiamo	0	42	5	10	1	52	6	5	20%	4
Mysia	0	8	<0.5	2	<0.5	10	<0.5	1	-37%	<1
Pyramid Hill	285	254	34	52	28	306	62	81	-24%	6
Rochester	1,340	1,309	236	176	587	1,485	823	607	36%	22
Total	2,293	2,229	367	386	648	2,615	1,015	1,075	-6%	85
Groundwater										
Elmore	381	361	51	70	24	431	75	117	-36%	23
Trentham	471	453	49	65	14	518	63	68	-8%	18
Total	852	814	100	135	38	949	138	185	-26%	41
Loddon										
Bealiba	0	77	7	11	1	88	8	6	30%	Note 6
Bridgewater	196	185	20	33	12	218	32	25	30%	Note 7
Dunolly	375	385	37	62	10	447	47	54	-13%	Note 6
Inglewood	344	384	41	40	15	424	56	50	13%	29
Jarklin	0	6	1	3	1	9	2	4	-60%	0
Laanecoorie	0	35	3	4	<0.5	39	3	19	-84%	59
Serpentine	0	64	7	20	2	84	9	8	8%	3
Tarnagulla	0	105	8	13	2	118	10	10	0%	Note 6
Total	915	1,241	124	186	43	1,427	167	177	-6%	91
Murray										
Cohuna	1,062	1,018	216	364	211	1,382	427	469	-9%	64
Echuca	6,049	5,590	1,105	793	1,029	6,383	2134	2,266	-6%	297
Gunbower	164	136	24	41	11	177	35	43	-19%	2
Leitchville	172	145	33	125	122	270	155	225	-31%	52
Total	7,447	6,889	1,378	1,323	1,373	8,212	2,751	3,004	-8%	415
Wimmera										
Borong	0	19	2	3	<0.5	22	2	2	0%	<1
Korong Vale	0	116	10	8	1	124	11	11	-3%	5
Wedderburn	438	438	42	63	12	501	54	58	-7%	18
Wychitella	0	12	1	1	<0.5	13	1	1	-25%	<1
Total	438	585	55	75	13	660	68	73	-7%	23
Totals	62,272	60,319	8,708	6,588	5,235	66,907	13,943	14,812	-6%	1,476

Notes

1. *Non-revenue water is water that is lost from within the urban system through leaks, bursts, meter inaccuracy, theft etc. It is not included in the total consumption.*
2. *Included with Bendigo*
3. *Included with Castlemaine*
4. *Included with Kyneton*
5. *Included with Heathcote*
6. *Included with Laanecoorie*
7. *Included with Inglewood*
8. *Includes the towns/areas of Eaglehawk, Huntly, Kangaroo Flat, Maiden Gully, Marong and Strathfeldsaye*
9. *Includes the towns/areas of Campbells Creek, Chewton, Fryerstown, Guildford and Harcourt*

Non Revenue Water % (Unaccounted for water)

The term *Non-Revenue Water* (refer table on previous page) is the difference between the volume of bulk water that leaves our treatment plants and the volume of water for which we bill customers. It has also been known as *Unaccounted for water*.

Non-revenue water for 2010/11 was calculated to be 2,150 megalitres (13.4 per cent). The Essential Services Commission (ESC) target of less or equal to 20 per cent non-revenue water was achieved. We are currently working through a program for validation and replacement of bulk meters and flow meters to further improve our reporting of non-revenue water.

We are also developing an electronic monitoring system for regular reporting of non-revenue water which will enable us to target works to reduce our water losses.

Non-Residential Consumption

WaterMAPs

In 2007/08 the Victorian Government made it mandatory for non-residential customers that use more than 10 megalitres of water a year to produce a *Water Management Action Plan (WaterMAP)*.

This year the Minister has revised the reporting threshold for all non-residential customers. Previously the threshold was 50 megalitres. This has now been increased to customers using more than 200 megalitres.

The number of *WaterMAP* customers in our region decreased this year to 41, compared to 49 in 2009/10.

MAJOR NON-RESIDENTIAL CUSTOMERS BY VOLUME RANGE

Usage range – megalitres per year	Number of customers
Equal to or greater than 200ML and less than 300ML	2
Equal to or greater than 300ML and less than 400ML	1
Equal to or greater than 400ML and less than 500ML	1
Equal to or greater than 500ML and less than 750ML	0
Equal to or greater than 750ML and less than 1000ML	0
Greater than 1,000ML	0
TOTAL CUSTOMERS	4

MAJOR NON-RESIDENTIAL CUSTOMERS

Names of major customers and their participation in water conservation programs are listed below.

Name of customer (in alphabetical order)	Water Conservation Plan
Hazeldenes	Yes, water management plan developed.
Murray Goulburn Co-Operative Co Ltd	Yes, water management plan developed.
Don KRC	Yes, water management plan developed.
Parmalat Australia Ltd	Yes, water management plan developed.

We provide wastewater services to 62,272 properties in our region and with our partners we operate 16 water reclamation plants.

Customers Service Objectives – sewerage collection

Our *Customer Charter* contains five service standards that are reported to the Essential Services Commission (ESC). These service standards relate to sewerage blockages (number per 100km), average time to attend sewer spills and blockages, average time to rectify blockages, percentage of spill contained within five hours and number of customers receiving more than three sewer blockages in a year.

Compliance was achieved with four service standards. The target for the average time to rectify a sewer blockage was exceeded by 5.5 minutes, which was due to gaining access to spill locations and availability of resources during the flood events.

Water Reclamation – sewerage influent and treated effluent volumes

Water reclamation plants treat the sewerage influent to a specified quality and then discharge the treated effluent for either reuse as recycled water or to waterways.

The following volumes were treated and discharged during 2010/11:

Town	Sewerage influent (ML)	Total effluent discharged (ML)	Effluent discharged to waterways (ML)	Effluent discharged for reuse (ML)
Axedale	10	5	0	5
Boort	75	0	0	0
Bendigo	7,463	5,815	4,653	1,162
Bridgewater/Inglewood	80	0	0	0
Castlemaine/Harcourt/Maldon/Newstead	1,325	1,296	1,291	5
Cohuna	216	0	0	0
Dunolly	37	5	0	5
Echuca	1,609	457	0	457
Elmore	34	0	0	0
Gunbower/Leitchville	35	0	0	0
Heathcote	200	231	153	78
Kyneton/Trentham/Tylden	937	967	934	33
Lockington	23	0	0	0
Pyramid Hill	54	9	0	9
Rochester	248	0	0	0
Wedderburn	27	27	0	27
TOTAL	12,373	8,812	7,031	1,781



Sewer smoke testing in Kyneton, April 2011

Sewer Blockages

The Bendigo sewer system blockage program, *Stop the Block*, commenced in January 2005 and is focused on preventative sewer maintenance – removing causes of potential blockages before they occur.

Results from this program have shown significant improvement with our blockage rate for the region being the lowest it has been since the program's inception.

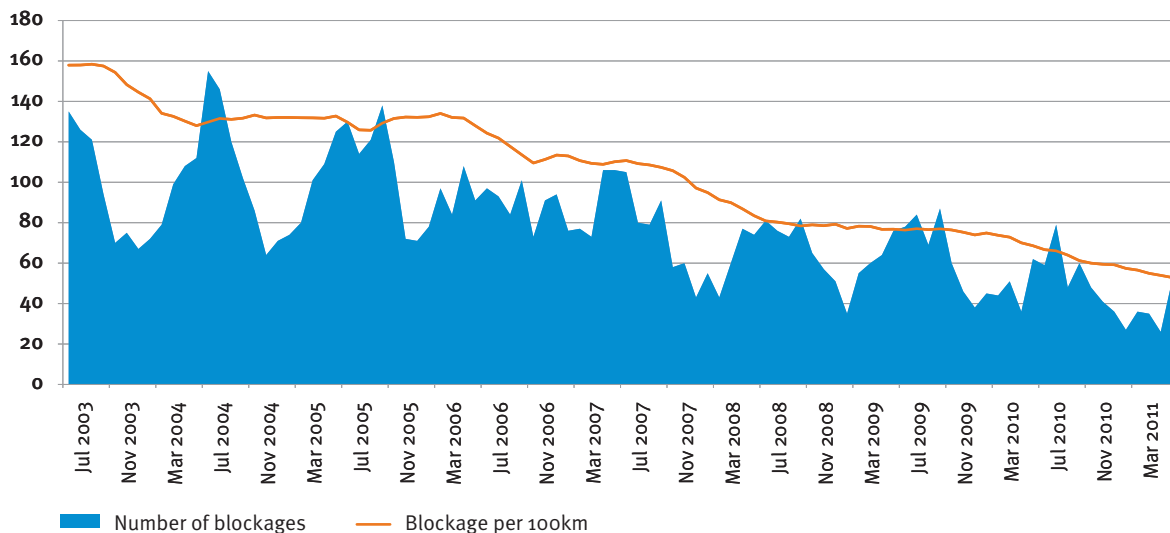
In the past 12 months we have led a project for the Water Services Association of Australia (WSAA) in developing a *Sewer Blockage Management Tool*. This tool will form the basis for our *Sewer Management Plan* in to the future.

Programs for Sewer Main Condition Assessment and Mains Renewal have continued this year prioritised based on location, criticality and risk.

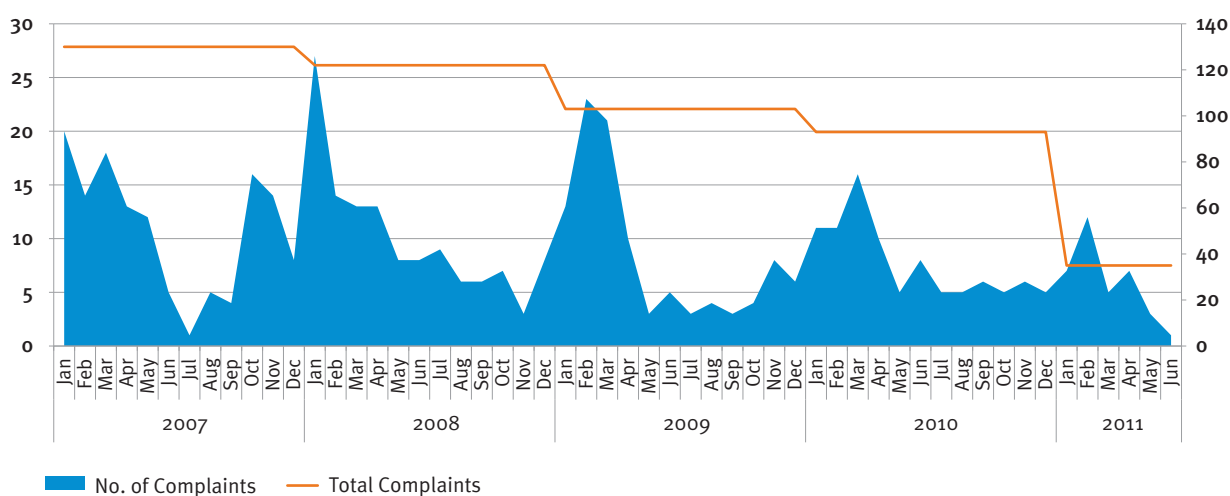
A \$2 million capital investment into this program will see further system improvements over the next two years.

Sewer blockages continued

BLOCKAGE RATE CHART (BLOCKAGES PER 100 KILOMETRES)



Odour Management



The number of odour complaints received has continued to reduce this year. This is largely due to dedicated programs and projects in our region including:

- › An odour reduction component was part of a \$5.88 million project to upgrade the Castlemaine Water Reclamation Plant.
The project commenced in May 2010 and completed in July 2011. The works including the installation of covers for the anaerobic tank and inlet works, together with odour filtration facilities.
- › Odours generated from the Hopkins Avenue Sewer Pump Station (SPS) in Eaglehawk have continued to be an ongoing issue. A chemical dosing system will be installed at an upstream pump station in Maiden Gully.

At Hopkins Avenue SPS a continuous odour monitoring program will continue, a well washer installed, pH monitoring conducted and the odour filter will be upgraded.

- › To reduce odours at McKenzie Hill in Castlemaine, the sewer rising mains from Newstead and Maldon will have an oxygenation system installed. A project to augment sewer gravity-line from McKenzie Hill to the Castlemaine Water Reclamation Plant will commence later in 2011. This will reduce hydrogen sulphide generation within the sewer network system.
- › The covers of the centrate tank at the Bendigo Water Reclamation Plant will be upgraded later in 2011 to address odour complaints generating from the plant.

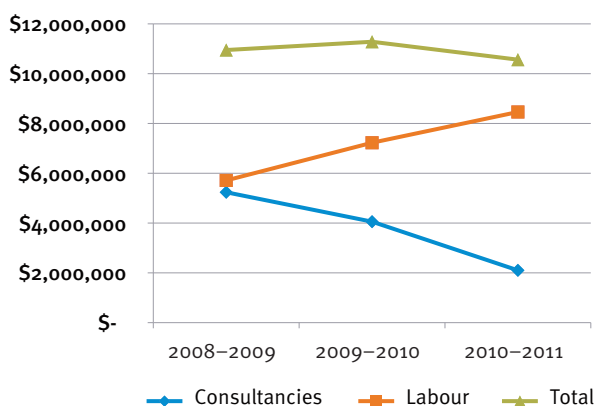
Building our capability

We strive to have a collaborative workforce, built on trust and confidence among our stakeholders. We aim to deliver on our promises by doing what we say we will do.

This year, we have invested in recruiting new members to the Coliban team as a deliberate strategy to increase the knowledge of the business and decrease our reliance on external consultants. The recruitment of the new staff was done with the following aims:

- › Build the capacity of our workforce
- › Build on innovative work practices
- › Increase our resources to deal with compliance requirements

Whilst this has been a significant investment, combined labour and consultant expenditure decreased in 2010/11 and is budgeted to fall further in 2011/12 as the reliance on consultants continues to reduce.



Highlights during the year have included:

- › Welcoming 38 new employees to the business
- › Restructure of the Operations & Headworks department to provide increased levels of service and pathways for succession planning
- › Introduction of a graduate program to four recently qualified Engineers to provide exposure in four different operational departments
- › Development of a new three year Enterprise Agreement
- › Training of key staff in the Australasia Inter-service Incident Management System (AIIMS) to better equip us to respond to incidents

Working at Coliban Water

Our employees have expertise and experience in a variety of disciplines including Customer Service, Engineering, Environmental Science, Project Management, Plumbing, Accounting, Economics, Human Resources, Corporate Communications and Administration.

EMPLOYEE STATISTICS

Employees	2010/11	2009/10
Full-time	112	88
Part-time	15	13
Total	127	101
Full-time equivalent	122.02	96.5
Casual	15	10
Female	45 (35%)	42 (42%)
Male	82 (65%)	59 (58%)

Our corporate structure can be found on page 39.

Employee Relations

Our Consultative Committee comprises representatives from staff and management. This Committee's charter is to oversee the implementation of the Enterprise Agreement and to work together in the development of human resource policy for Coliban Water.

There was no time lost due to industrial disputes during the year.

Employee Training and Development

All employees participate in our Performance Development Program (PDP). This process aligns individual expectations with business objectives and enables staff and managers to identify opportunities for formal training and professional development.

All staff were encouraged to participate in training and development during the past year.

	2010/11	2009/10
Total training hours	5,522	3,757
Total training investment	\$280,096	\$193,196

We continue to support employees who wish to undertake formal study at undergraduate and postgraduate levels and currently have several staff combining their work with part-time tertiary education.

Attraction and Retention

We have adopted the Victorian Public Sector employment principles of:

- › Fair and reasonable treatment
- › Equal opportunity
- › Merit in employment
- › Reasonable avenue of redress against unfair and unreasonable treatment

These principles underpin our human resources policies and practice.

Employers must ensure that:

- › Decisions are based on merit
- › Employees are treated fairly and reasonably
- › Equal employment opportunity is provided
- › Reasonable avenues of redress against unfair or unreasonable treatment

Employees must:

- › Act with impartiality
- › Display integrity, including avoiding real or apparent conflicts of interest
- › Be accountable for their actions
- › Provide responsive service

Together with our business partners, we provide employment for over 260 people throughout the region.

Our Business Partners

Campaspe Asset Management Service Pty Ltd (CAMS)

CAMS is an equal joint venture between TRILITY and APA Group providing Operation and Maintenance services for Coliban Water.

Under a 10-year contract that commenced in 2003, CAMS provides the following services to Coliban Water:

- › Operation and maintenance of water and waste water networks, including treatment plants
- › Asset management
- › Information technology systems and support
- › Revenue collection and processing

Bendigo Water Services Pty Ltd (BWS)

BWS is owned by Veolia Water Australia. The company owns and operates water treatment plants for Bendigo, Castlemaine and Kyneton areas under a 25-year Build Own Operate Transfer (BOOT) contract that started in June 2002.

Veolia Water Australia

Veolia Water Australia operates the Kyneton and Castlemaine Water Reclamation Plants under separate operations and maintenance agreements.

ETE Coliban Pty Ltd (ETEC)

ETEC is an operating entity controlled by the Water Infrastructure Group (WI Group) and owned by Tyco International. ETEC owns and operates the Echuca Water Reclamation Plant under a 25-year Build Own Operate Transfer (BOOT) contract that commenced in September 2004.

Introduction

We strive to be leaders in environmental performance. We demonstrate this leadership through increasing opportunities to reuse treated wastewater throughout the region, improving our plant performance to minimise impacts on the environment and making biodiversity investments on our land.

During the year rainfall recorded at Malmsbury Reservoir was 1,257 millimetres while at Bendigo it was 1,127 millimetres. For both locations this was approximately double the long-term average. This rainfall has resulted in multiple environmental benefits, and some significant challenges relating to the management of major assets. These major assets include our sewer networks and water reclamation plants.

We have maintained ISO 14001 certification for environmental management with continued implementation of a comprehensive Environmental Management System (EMS). The EMS provides for the identification and management of impacts on waterways, wetlands and the broader natural environment. The significant aspects and impacts of the organisation's activities were reviewed this year.

Environmental Stakeholders

We have strong working partnerships with the North Central Catchment Management Authority (NCCMA), Goulburn-Murray Water, the Department Sustainability and Environment (DSE), Environment Protection Authority (EPA), Parks Victoria and the Department Primary Industries (DPI). During the year we have continued to work with these stakeholders through proactive resource planning, workshops, reference groups and steering committees.

Biodiversity & Catchment Management

We manage approximately 4,585 hectares of land across five bioregions in North Central Victoria. We must ensure that our operations and activities do not impact negatively on biodiversity.

We maintain a biodiversity register of threatened flora and fauna found on our land. This register was updated during the year. All our flora and fauna records are provided to DSE under our data share agreement, contributing to state-wide databases.

The threatened species recorded on our land this year was the Eltham Copper Butterflies. This is an endangered fauna species in Victoria and was listed with the *Flora Fauna Guarantee Act* with Action Statement prepared.



Black Fronted Potterel, Bendigo Water Treatment Plant, May 2011

River Health

The exceptionally high rainfall over 2010/11 has seen the Coliban River return to high flows with approximately 50,000 megalitres released from our catchment storages. This has had significant benefits for the aquatic flora and fauna, surrounding riparian vegetation and aesthetic values.

It has also presented environmental issues such as increased erosion due to scouring, loss of established vegetation such as large trees, increased nutrient run-off and damage to infrastructure.



Silt Fencing

Sustainability Initiatives

During 2010/11 we developed a sustainability strategy to integrate sustainability as a core element of our business strategy. This strategy incorporates existing sustainability initiatives while adding new projects connected with water resource management, reuse and recycling, water leakage, sewerage treatment, energy consumption and water quality. The implementation of the strategy has commenced across our business.

We have continued our existing sustainability initiatives such as the Greener Office Program. This program includes initiatives such as the purchase and lease of lower emission vehicles, the promotion of reduce-reuse-recycle material within the office, the collection of redundant electrical equipment and use of stationery items with recycled paper content.

Corporate water consumption

The 2010/11 water consumption represents 13.4 litres per day per full-time equivalent staff member working in our head office. The total corporate water consumption per unit of space is 244L/m².

Head office water consumption			
	2010/11	2009/10	2008/09
Total water consumption (litres)	693,000	677,000	546,000
Full-time equivalent staff including contractors	142	118.9	130.4
Volume per FTE (litres)	4,880	5,694	4,032

Total water consumption applies to 37–45 and 28 Bridge Street, Bendigo.

Energy Use and Greenhouse Gas Emissions

We generate Greenhouse Gas Emissions from all water and wastewater service provision activities. These activities include those managed through public/private partnerships with Campaspe Asset Management Services, Veolia and the Water Industry Group.

The operation of the Bendigo Recycled Water Factory and the Goldfields Superpipe also contribute to the energy emissions we generate, however, the operation of these assets have been limited over the last year.

During 2010/11 there was no greenhouse gas offsets purchased. Our business activities generated approximately 32,674 tonnes of CO₂-equivalent emissions predominantly through water treatment and wastewater treatment. This is 18,613 tonnes less than last year, due to the limited use of the Goldfields Superpipe and Bendigo Recycled Water Factory this year.

	Total tonnes CO ₂ Equivalent
Water Treatment and Supply	9,626.6
Sewerage Treatment and Supply	21,420.7
Transport	985.7
Depots and Offices	641.2
TOTAL	32,674.2

Environmental Compliance

Our Corporate Licence includes a commitment to sustainability as well as performance conditions relating to discharge limits and environmental monitoring requirements. We report annually on sustainability, which includes:

- › working with major commercial customers to reduce water use and achieve cleaner production
- › reduction of greenhouse gas emissions. We are continuing to explore opportunities to reuse treated wastewater and improve the process of treatment through infrastructure works.

We received one Pollution Abatement Notice (PAN) from the Environment Protection Authority (EPA) for ongoing odour issues at a sewer pump station in Bendigo.

Sewer spills into the natural environment are a high risk to our environmental performance. Although no EPA regulated penalties were received, we identified 15 environmentally significant sewer spills during the year. Immediate response and priority clean up is given to these sewer spills, particularly in areas with unrestricted public access or where sensitive land uses are at risk.

Subject to conditions, our corporate licence allows us to discharge to waterways from three of our treatment sites. The increased rainfall in our region over 2010/11 has created capacity and treatment challenges at a number of our Water Reclamation Plants (WRP). As a result of these high inflows we received emergency discharge approval from the EPA for Heathcote WRP, Dunolly WRP, and Bendigo WRP.

Kyneton WRP had reduced capacity in the lagoon storage system to manage storm flows. This reduced capacity and additional treatment challenges resulted in exceedences in the maximum levels discharged in suspended solids, biological oxygen demand and total phosphorus on three occasions. The EPA was notified of these exceedences. However overall, the median licence discharge conditions were met.

We are invested in delivering effective corporate governance structures that encourage innovation and development while providing appropriate control systems for risks.

Board Responsibilities

Our Board comprises seven non-executive directors (including the Chairman) and also the Managing Director.

Non-executive directors are appointed on the basis of their skills by the Victorian Minister for Water.

The Board is responsible for overall corporate governance including:

- › monitoring of corporate strategies, objectives and targets
- › implementation of appropriate monitoring and reporting systems to manage business risks
- › assessment and review of senior executive performance
- › remuneration policy.

The Board also establishes policies and procedures to ensure we meet all of our legal and ethical responsibilities.

A Statement of Obligations outlining the service, accountability and reporting obligations of our Board is available from our website at www.coliban.com.au

The Board meets formally each month, and convenes informally as required to discuss specific issues and projects.

Board Directors as at 30 June 2011

John Brooke

OAM, BCom., BEd., FCPA, CA, Chairman.

Appointed as Chairman on 8 November 2007, Mr Brooke farms beef cattle and walnuts near Pyramid Hill.

Mr Brooke has extensive experience in water resource management, local government and business. He is a former senior partner in Brooke Bird & Co., chartered accountants, a firm which specialises in insolvency work.

Noel Harvey

OAM, MIPA, MAICD, Deputy Chairman

Appointed to the Board in October 2001, Mr Harvey has been involved in local government in Central Victoria since 1991. He was twice President of the Shire of Kyneton and served three terms as Mayor of Macedon Ranges Shire Council.

Mr Harvey is a Board Member of Parks Victoria, Chairman of the Victorian Mineral Water Committee and a former board member of the North Central Catchment Management Authority. He has extensive experience in the travel, transport and tourism industries and is currently involved in the natural resource management and carbon offset industry.

Gavin Hanlon

MBA, MApp Sci (Env Sci), BApp Sci (Soil Sci & Cons), MAICD, FAIM, Managing Director.

Appointed to the Board on his commencement as Managing Director on 2 July 2008.

Mr Hanlon is a Williamson Fellow and has a background in environmental management and business. He has extensive experience in leadership roles in both catchment management authorities and local government.

He was Chief Executive Officer of the North Central Catchment Management Authority for four years prior to his appointment to Coliban Water and was Chief Executive Officer of Mallee Catchment Management Authority from 2001 to 2004.

In August 2011 Gavin Hanlon resigned as Managing Director of Coliban Water. The Board of Coliban Water have thanked Gavin for the contribution he has made and wish him well in his future role.

Andrew Skewes

BSc, Grad Dip Ed, MComm (Econ Hons).

Appointed to the Board on 1 July 2010, Mr Skewes has a background as an academic and as a senior executive in both the State and Federal Government developing policy for innovation, economic development and the governance of government enterprises.

He is the Executive Director of La Trobe University Bendigo, a Non-Executive Director of the Queensland Cyber Infrastructure Foundation and the Principal of Canvass Consulting.

David Beard

MAICD, FIEAust, CP Eng., MBus.

Appointed to the Board in October 2005, Mr Beard is currently Group General Manager for Veolia Environmental Services and has over 20 years experience in engineering, transport and business. Mr Beard has previously worked in local Government as Infrastructure Director for both Murrindindi and Bendigo Councils.

Mr Beard has served on the MAV's Transport Advisory Committee, Goulburn Valley and Calder Regional Waste Management Groups, Calder Highway Improvement Committee, the Institute of Engineers Australia and the Victorian Waste Management Association. Mr Beard holds a Bachelor of Engineering, qualification in Water Engineering, Masters of Business and is a Fellow of the Institute of Engineers and Member of ACID.

Andrew Cairns

BEng (Electrical), AFAIM, MAICD.

Appointed to the Board in October 2007, Mr Cairns has extensive experience in a variety of industries including manufacturing, pay television and telecommunications. Andrew is formerly Chief Executive Officer of Bendigo Community Telco. He is now the Head of Community Solutions & Partnering at the Bendigo & Adelaide Bank.

Andrew's current directorships include Bendigo Community Telco, iTEL Community Telco Limited and Loddon Mallee Housing Services Limited.

Russell A Walker

FCPA, DipBus(Acc), GradDip(Govt Acc).

Appointed to the Board on 1 July 2010, Mr Walker works as a consultant specialising in governance, auditing, and financial and performance reporting. Mr Walker was the former Assistant Auditor General for Victoria, a Commissioner on the Victorian Commission of Audit, and has undertaken a number of consultancies, including for the Victorian Parliament's Public Accounts and Estimates Committee. He is a Board member and Treasurer of Guide Dogs Victoria, and was a former chair of a Western Bulldogs Football Club fundraising group. Mr Walker has a Diploma of Business Accounting, Graduate Diploma in Government Accounting and is a Fellow of CPA Australia.

Jane Holt

BAppSc (WineSc), AssocDegAppSc (Wine-growing), GAICD

Appointed to the Board in October 2008, Ms Holt is a winemaker and viticulturist for Berrys Bridge wines, having established the vineyard in 1990. She has operated as a contract book keeper for 20 years, following 10 years in administration in mineral exploration. Ms Holt is a board member of the North Central Catchment Management Authority and a regional delegate for the Victorian Wine Industry Association.

Committees of the Board

Committees of the Board are established to help the Board in their deliberations and ensure compliance with legislated responsibilities. Each committee has a charter describing its role and responsibilities consistent with best practice corporate governance principles.

Remuneration Committee

The Remuneration Committee is responsible for:

- › ensuring that remuneration policies and practices support the strategic goals of our business
- › setting the Managing Director's remuneration and managing his or her performance
- › approving our other remuneration policies, employment practices and compliance.

Members the Committee are John Brooke (Chair), Noel Harvey and Andrew Skewes. The Committee met twice during 2010/11.

Sustainability Committee

The Sustainability Committee's responsibilities include:

- › monitor sustainability issues that may have strategic, business and reputational implications for Coliban Water and advise on appropriate responses
- › review the *Sustainability Strategy* and provide a related recommendation to the Board.
- › monitor the implementation of the Strategy in accordance with established timeliness
- › review adequacy of management reporting of performance against established targets outlined in the Strategy

Members of the Sustainability Committee are David Beard (Chair), Jane Holt, Russell Walker and Noel Harvey. John Brooke is an exofficio member. The Committee met three during 2010/11.

Audit Committee

The Audit Committee meets quarterly and at other times as required. It is responsible for:

- › appointing and monitoring the performance of the internal auditor
- › reviewing and approving internal audit programs
- › evaluating the adequacy and effectiveness of our administrative, operating and accounting policies and controls.

Members of the Committee are Andrew Cairns (Chair), John Brooke, Andrew Skewes, Jennifer Dawson and David Beard who are all independent.

Jennifer Dawson is a former independent director of Coliban Water and former Chairperson of the Audit Committee. Her term as a director expired on 1 July 2010 but her services were retained by the Board as a member of the Audit Committee.

The Committee met five times during 2010/11.

Meetings

The number of meetings of the Board of Directors and Committees of the Board held during the year ended 30 June 2011 and the numbers of meetings attended by each Director were:

Director	Board of Directors		Audit Committee		Sustainability Committee		Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
J.Brooke	15	14	5	5			2	2
N.Harvey	15	13			3	3	2	2
D.Beard	15	12	5	5	3	3		
A.Cairns	15	14	5	5			2	2
J.Holt	15	15			3	3		
A.Skewes	15	15	5	5				
R.Walker	15	14			3	3		
G.Hanlon	15	15						

Note: The number of meetings includes ordinary meetings, special meetings and resolutions outside of meetings.

Corporate Structure

as at 30 June 2011



Risk Management Statement

I, John Brooke certify that Coliban Water has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard 4360 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures.

The Board verifies this assurance and that the risk profile of Coliban Water has been critically reviewed within the last 12 months.

John Brooke
Chairman

Date 26 August 2011

Our Emergency Management System

In 2010/11 we adopted the Australasian Inter-service Incident Management System (AIIMS) as part of our Emergency Management System. We delivered nationally accredited training to 50 key staff, strategic partners and contractors.

AIIMS is used for all Victorian emergency agencies, providing a common framework for agencies in managing all types of hazards. The extensive use across the state enables a cohesive chain of command and clear understanding of our role within multi-agency incidents. This was experienced and put into practice during the January flood event.

During the year we updated our internal emergency documentation to align with AIIMS and successfully conducted a regulatory functional exercise of its compliance under the *Counter Terrorism (community protection) Act 2003*.

Occupational Health & Safety

We strive to ensure Occupational Health and Safety (OH&S) is always on the forefront of our mind.

During 2010/11 we continued to manage our OH&S responsibilities in accordance with legislation and our commitment to continuous improvement.

OH&S and the welfare of our employees, contractors and the public is a core value of our organisation. Our objective remains no reportable OH&S incidents.

We have undertaken a number of actions to enhance our safety performance over the past 12 months.

OH&S outcomes and achievements

OH&S COMMITTEE

The OH&S Committee met four times during the year in accordance with its Terms of Reference. 29 toolbox meetings were held by six Designated Work Groups (DGWs) during the year. One new health and safety representative and one new management representative joined the Committee.

EXTERNAL AUDIT –

OH&S MANAGEMENT SYSTEM

An external audit of our OH&S management system was completed in May 2011. The audit's purpose was to challenge current processes and practices and highlight areas for improving performance. The auditors recommended our continuing certification to the relevant benchmark standard AS/NZS 4801:2001

HEALTH ASSESSMENTS

This year health interventions consisted of:

- › Seasonal flu vaccinations
- › Swine flu vaccinations

STRATEGIC REVIEW

In October 2010 we undertook a strategic review of our OH&S culture. This review resulted in a number of recommendations to improve our OH&S culture which are being implemented across the business.

HAZARD REPORTING PROGRAM

Hazard reporting and management is a vital element in ensuring the safety of our employees and contractors. Activities completed over the past year included:

- › OH&S auditing of construction contractors
- › Participation in the Victorian Water Industry OH&S Network
- › OH&S induction of all new employees and re-induction of existing employees
- › Upgrading assets to best practice OH&S Standards through our \$3.9 million OH&S Hazard Rectification Program.

	2010/11	2009/10	2008/09	2007/08	2006/07
Incidents reported to Coliban Water ¹	43	49	30	27	26
Worksafe reportable incidents ¹	5	1	2	2	2
Workers' compensation claims ²	1	0	0	0	1
Injuries resulting in days lost ²	2	2	1	0	1
Lost time due to injuries (days) ²	75	5	3	0	12
Lost time injury frequency rate ³	12.93	13.29	7.71	0	8.91
Average lost time rate ⁴	37.5	2.5	3	0	12

Notes:

1. Includes project contractors
2. Coliban Water employees only
3. Number of lost time injuries per million hours worked
4. Average number of days lost per lost time injury

Freedom of Information

The *Freedom of Information Act 1982* allows public access to documents held by government entities. All requests must be in writing to the Authorised Officer at Coliban Water, PO Box 2770 Bendigo DC 3554, or via email at foi@coliban.com.au and accompanied by a fee of \$24.40.

The following officers have been appointed under the *Freedom of Information Act 1982*:

- › Principal Officer – Managing Director
- › Authorised Officer – Corporate Secretary

During 2010/11 we received four FOI applications which were processed in accordance with the Act. None went to review.

Competition Policy

We have implemented our National Competition Policy. We have had 'pay for use' water pricing, consisting of a fixed and a variable (volumetric) charge for many years, and cross subsidies between business units are transparent and are disclosed through the Annual Report.

Vertical structural and financial separation of business functions has been in place for several years and the performance of business functions is reported separately in our annual financial statements. We have introduced competition in service delivery by the involvement of the private sector through competitively-bid Public-Private Partnership contracts for infrastructure projects and by outsourcing other functions.

We continue to monitor developments in National Competition Policy.

Taxation

In common with the rest of the water industry, we are subject to a National Tax Equivalent Regime. This means we are subject to the *Income Tax Assessment Act 1997*, managed through the Australian Taxation Office, to ensure we do not gain a competitive advantage over private industry in taxation matters.

External Financing

Under the *Borrowing and Investment Powers Act 1987*, we may only source debt funding from Treasury Corporation Victoria and we are subject to a Financial Accommodation Levy (FAL). As a Victorian Government Agency, our borrowings carry an implicit State Government guarantee that commands lower borrowing prices in financial markets. To offset this advantage, an FAL is levied on all borrowings, using a formula based on business credit ratings, to ensure we gain no unfair competitive advantage over the private sector.

Performance Benchmarking

We participate in annual performance benchmarking studies through:

- › National Water Commission – National Performance Framework
- › Essential Services Commission – Service Standards auditing and reporting
- › Department of Human Services – Water Quality
- › Water Services Association of Australia – Asset Management, Customer Service, Civil Maintenance and Mechanical and Electrical Maintenance.

These processes measure the successful implementation improvements and practices using risk management frameworks, standards of service and encourage continuous improvement. All these activities help identify areas where we can improve our performance.

Membership of Industry Associations

Our industry and business association memberships help enhance our organisational benchmarking and network capabilities, as well as allowing us to participate in the development of industry codes of practice:

- › Water Services Association of Australia (WSAA)
- › Victorian Water Industry Association (VWIA)
- › Institute of Water Administration (IWA)
- › International Water Association (IWA)
- › Australian Water Association (AWA)
- › Australian Institute of Management (AIM)
- › Australian Institute of Company Directors (AICD).

Information Privacy Act 2000

The *Information Privacy Act 2000* regulates the responsible collection and handling of personal information in the Victorian Public Sector. All our employees have been trained in the requirements for compliance with our Privacy Policy, which complies with the Act.

Building Act 1993

We met all relevant compliance provisions of the *Building Act 1993* in our building and maintenance activities during the year.

Whistleblowers Protection Act 2001

This legislation is designed to protect people who disclose information about serious wrongdoing within the Victorian Public Sector, and provides a framework for the investigation of these matters. Our procedures under this Act are included as an insert to this Annual Report.

During the year no disclosures were made or investigated under the Act.

Major Consultancies

During 2010/11 we engaged two major consultancies with a value over \$100,000. The total costs incurred this period for major consultancies was \$527,988 excluding GST.

Consultant	Project	Total contract value (\$)	Cost incurred this period (\$)	Future Commitment (\$)
Sinclair Knight Merz	Rural System Reconfiguration – Harcourt Develop complex <i>Cultural heritage management plan</i>	421,458	406,056	15,402
Technology One Ltd	New Financial System FITOne Develop and install new finance system	482,680	121,932	360,668
Total		904,138	527,988	376,070

Minor Consultancies

During the year there were 150 minor contracts at a cost of less than \$100,000 each. The total cost of these minor consultancies was \$1,573,189 excluding GST.

Disclosure of major contracts

There were no major contracts greater than \$10 million during the year ending 30 June 2011.

Victorian Industry Participation Policy (VIPPP)

In accordance with Section 9 of the *Victorian Industry Participation Policy Act 2003*, provisions are included in our contract templates where the contract value exceeds \$1 million.

Completed projects

There were no projects completed during the year that meet these requirements.

New Projects

Contract Details	Project Commencement	Full time equivalent jobs committed	Local content committed (%)
Design and construction of Bendigo to Raywood Pipeline	23/09/2010	2	37
Design and construction of Huntly and Maiden Gully Water Mains	17/11/2010	-	-
Bendigo Creek Sewer Duplication	20/12/2010	-	-
Gunbower Water Treatment Plant (WTP) upgrade	30/03/2011	-	-
Back Creek Siphon Upgrade	16/05/2011	10	100
Design and construction of the Leitchville WTP upgrade	16/06/2011	6	85

Performance Report

Financial Performance Indicators

FINANCIAL PERFORMANCE

	Financial Performance Indicator	2009/10 Result	2010/11 Result	2010/11 Target	Variance %
F1	Internal Financing Ratio (Net operating cash flow – dividends)/Capital expenditure	(11.3%)	6.6%	14.2%	(54%)
F2	Gearing Ratio Total debt (including finance leases)/total assets	30.5%	27.2%	33.8%	20%
F3	Interest Cover (EBIT) Earnings before net interest and tax expense/net interest cover	(0.4)	0.1	0.2	(50%)
F4	Interest Cover (Cash) Cash flow from operations before net interest and tax payments/ net interest payments	0.7	1.1	1.4	(21%)

Notes

Reasons for variations greater than 10% or significant variations to prior year

F1 The Internal Financing Ratio indicates the degree to which capital expenditure was financed from operating cash flows.

Variance Actual Result 2010/11 to Actual Result 2009/10 and Corporate Plan 2010/11:

Operating cashflows returned to positive this financial year for the first time in five years, but the result was less than budgeted in the Corporate Plan. Capital expenditure was greater than last year but less than budgeted. The Essential Services Commission (ESC) approved repricing was implemented 1 July 2010 was the main reason for the increase in operating cashflows.

F2 The Gearing Ratio compares the owner's equity (or capital) to borrowed funds and is a measure of financial leverage.

Variance Actual Result 2010/11 to Actual Result 2009/10 and Corporate Plan 2010/11:

Total debt is in line with the Corporate Plan but total assets increased \$247 million compared to the Corporate Plan due to revaluations, which is the main reason for the improved ratio. This is the reason for the improvement to last year also.

F3 The Interest Coverage (EBIT) Ratio measures the number of times interest payments can be met from earnings before interest and taxes.

Variance Actual Result 2010/11 to Actual Result 2009/10 and Corporate Plan 2010/11:

The ESC approved a revised tariff proposal on 1 July 2010 that brought forward already approved prices by two years, which dramatically improved our operating position.

Compared to last year our earnings before net interest and taxes has become positive for the first time in five years which meant the interest cover is also positive. Total earnings before net interest and taxes were slightly down on Corporate Plan but overall the indicator is heading in the right direction.

F4 The Interest Coverage (Cash) Ratio measures the number of times interest payments can be met from operating cashflows.

Variance Actual Result 2010/11 to Actual Result 2009/10 and Corporate Plan 2010/11:

The ESC approved a revised tariff proposal on 1 July 2010 that brought forward already approved prices by two years, which dramatically improved our operating cash flows.

Compared to last year our operating cashflows has become positive for the first time in five years which meant the interest cover is also positive. Total operating cashflows are slightly down on Corporate Plan but overall the indicator is heading in the right direction.

Service and Environmental Performance Indicators

Performance measures are provided as per ESC definitions

	Service and Environmental Performance Indicator	2009/10 Result	2010/11 Result	2010/11 Target	Variance %
1	Water supply interruptions				
S1.1	Number of Customers receiving 5 unplanned interruptions in a year	1	99	5	(1880.0%)
S2	Interruption Time Indicators				
S2.1	Average duration of unplanned water supply interruptions	101	128	95	(35%)
S2.1	Restoration of Water Supply				
S3.1	Unplanned Water Supply Interruptions restored within 5 hours	98.7%	97.6%	98.0%	(0.5%)
S4	Reliability of Sewer Collection Services				
S4.1	Sewer spill from reticulation and branch sewers (priority 1 and 2)	501	369	n/a	n/a
S5	Containment of Sewer Spillages				
S5.1	Sewer Spills contained within 5 hours (%)	100.0%	100.0%	99.0%	1.0%
S6	Customer Complaints Indicators				
S6.1	Water quality complaints per 1000 customers	4.81	5.25	n/a	n/a
S6.2	Sewer Service quality and reliability complaints per 1000 customers	0.05	0.06	n/a	n/a
S6.3	Billing complaints per 1000 customers	0.58	0.31	n/a	n/a
S6.4	Sewerage odours per 1000 customers	1.62	1.38	n/a	n/a
E1	Reuse Indicators				
E1.1	Effluent Reuse (volume)	70.0%	20.2%	72.0%	(72%)
E1.2	Biosolids reuse (dry mass)	100.0%	100.0%	100.0%	0.0%
E2	Sewerage Treatment Standards				
E2.1	Number of analyses complying with licence agreement as % of samples	100.0%	100.0%	100.0%	n/a

Notes

Where an n/a appears it means no targets have been set to performance indicators. Business targets use different parameters for example sewer blockages spills per 100kms.

Reasons for variations greater than 10% or significant variations to prior year

- S1.1** Number of customers receiving 5 unplanned interruptions has significantly increased due to repeated bursts on asbestos cement mains in Castlemaine, Dunnolly and Goornong. The increased rate of failure of these mains is attributed to ground movement following the wet weather. These mains have failed prematurely and Coliban Water are currently replacing them.
- S2.1** The average duration of unplanned water supply interruptions was due to premature failure of asbestos cement mains which have proved difficult to repair in a timely manner. The increased rate of failure of these mains is attributed to ground movement following the wet weather.
- S4.1** The number of sewer spills from reticulation and branch sewers decreased substantially from last year as the 'Stop the Block' capital works program was implemented.
- E1.1** The % of effluent reuse decreased due to higher than expected rainfall and flood events.

Directors' Declaration

In our opinion, the accompanying Performance Report of Coliban Region Water Corporation for the year ended 30 June 2011, is presented fairly in accordance with the *Financial Management Act 1994*.

The Report comprises the performance indicators determined by the responsible Minister. We have reported our actual results achieved against pre-determined performance targets and an explanation of any significant variance between the actual results and targets.

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

Signed at Bendigo on the 26th day of August, 2011 on behalf of the Board.



John Brooke

Chairman

Coliban Region Water Corporation



Peter Leersen

Acting Managing Director

Coliban Region Water Corporation

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Coliban Region Water Corporation

The Performance Report

The accompanying performance report for the year ended 30 June 2011 of the Coliban Region Water Corporation comprises the performance indicators, the related notes and the directors certification.

The Board Members' Responsibility for the Performance Report

The Board Members of the Coliban Region Water Corporation are responsible for the preparation and the fair presentation of the performance report in accordance with the *Financial Management Act 1994* and for such internal control as the Board Members determine is necessary to enable the preparation of the performance report that is free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

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

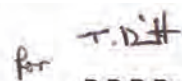
Opinion

In my opinion, the performance report of the Coliban Region Water Corporation in respect of the 30 June 2011 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Performance Report

This auditor's report relates to the performance report of the Coliban Region Water Corporation for the year ended 30 June 2011 included both in the Coliban Region Water Corporation's annual report and on the website. The Board Members of the Coliban Region Water Corporation are responsible for the integrity of the Coliban Region Water Corporation's website. I have not been engaged to report on the integrity of the Coliban Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the performance report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited performance report to confirm the information contained in the website version of the performance report.

MELBOURNE
26 August 2011


D D R Pearson
Auditor-General

Report of Operations		
Legislation	Requirement	Page Number
Charter and purpose		
FRD 22B	Manner of establishment and the relevant Ministers	1
FRD 22B	Objectives, functions, powers and duties	1
FRD 22B	Nature and range of services provided	1
Management and structure		
FRD 22B	Organisational structure	39
FRD 22B	Names of Board Members	36 & 37
Financial and other information		
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Further information about Operations and Performance

Information about our operations and performance is available in the following sources; *Coliban Water Strategic Plan 2008–2013*, previous Annual Reports, the Customer Charter, and our website at www.coliban.com.au

Printed copies of all publications are available from our offices at 37–45 Bridge Street, Bendigo. Information listed in Appendix 1 of Reporting Direction 22B is held at the Corporation's office and is available to the relevant Minister, Member of Parliament or the public on request, subject to the provisions of the *Freedom of Information Act 1982*.

Financial Performance Summary

Financial Summary

Financial Result	Plan 2010/11 (\$'000)	Actual 2010/11 (\$'000)	Actual 2009/10 (\$'000)	Actual 2008/09 (\$'000)	Actual 2007/08 (\$'000)	Actual 2006/07 (\$'000)
Revenue						
Service charges	38,255	42,746	37,741	34,138	30,712	28,922
Usage charges	39,252	25,875	21,377	16,862	10,798	10,535
Developer contributions & capital works	5,218	6,603	3,705	5,648	5,875	5,322
Other	1,149	856	959	989	2,396	1,939
Interest	212	26	30	135	287	677
Total Revenue	84,086	76,106	63,812	57,772	50,068	47,395
Expenses						
Operations	40,539	33,583	33,280	35,037	35,453	25,716
Administration	10,335	11,540	10,771	8,353	8,625	8,984
Direct Depreciation	26,486	26,241	25,168	22,718	20,473	19,452
Finance Charges	22,830	24,469	21,042	18,930	13,147	8,156
Environmental Contribution	2,031	2,031	2,031	2,031	1,740	1,740
Total Expenditure	102,221	97,894	92,292	87,069	79,438	64,048
Net Result before Tax	(18,135)	(21,788)	(28,480)	(29,297)	(29,370)	(16,653)
Assets						
Total Current Assets	15,439	21,537	15,840	14,583	13,932	16,074
Total Non-Current Assets	1,044,586	1,285,653	1,026,660	1,011,457	958,402	892,700
Total Assets	1,060,025	1,307,190	1,042,500	1,026,040	972,334	908,774
Liabilities						
Total Current Liabilities	54,517	26,460	40,407	74,710	51,024	60,174
Total Non-Current Liabilities	323,210	408,375	293,716	222,270	177,300	110,527
Total Liabilities	377,727	434,835	334,123	296,980	228,324	170,701
Total Net Assets	682,298	872,355	708,377	729,060	744,010	738,073
Net Cash Flows from operations	6,391	2,466	(3,728)	(7,307)	(5,092)	(2,529)
Payments for Property, Plant and Equipment	(45,008)	(37,555)	(32,999)	(73,789)	(92,759)	(74,889)

Performance Indicator	Plan 2010/11 (\$'000)	Actual 2010/11 (\$'000)	Actual 2009/10 (\$'000)	Actual 2008/09 (\$'000)	Actual 2007/08 (\$'000)	Actual 2006/07 (\$'000)
Internal Financing Ratio	14.2%	6.6%	(11.3%)	(9.9%)	(5.5%)	(3.4%)
Gearing Ratio	33.8%	27.2%	30.5%	27.1%	20.2%	14.2%
Interest Cover (EBIT)	0.2	0.1	(0.4)	(0.6)	(1.2)	(1.0)
Interest Cover (Cash)	1.4	1.1	0.7	0.3	(0.3)	4.3
Return on Assets	0.4%	0.2%	(0.7%)	(1.0%)	(1.6%)	(0.9%)
Return on Equity	(2.6%)	(2.8%)	(4.0%)	(4.0%)	(3.8%)	(2.1%)

Major changes or factors affecting performance

There has been a significant change in the year with the drought breaking, major floods occurring throughout the region and our water supply systems spilling for the first time in decades. Even though our performance to *Corporate Plan* has been impacted by a decrease revenue, there has been opportunities to decrease expenditure. The major change has been the improvement in our water supply position where we now have the most water ever in the history of Coliban Water.

Our financial performance continued to improve this year as Management implemented the final actions in the Board's financial viability strategy. Our outlook is very positive and the financial performance is planned to continue for the remainder of the *Water Plan 2012/13*. Our major business risk has moved from water supply to water usage demand.

The floods and very wet summer has meant revenue is significantly below budget as water usage demand was planned to be 220 kilolitres (kl) per connection, with the actual usage demand being around 140kl per connection. This low water usage demand is less than the region being on the harshest water restriction Stage 4. This highlights our risk moving to water usage demand as households have not needed to use water due to the recent rains.

The ESC approved revised price proposal under the 'Unforeseen and Uncertain Events' mechanism was implemented 01 July 2010 which brought forward already agreed water prices by two years in 2010/11 and Consumer Price Index (CPI) thereafter until the end of the *Water Plan* in 2013.

Increases in service and usage charges were still the primary reason for revenue growth from previous years and were in line with the ESC price determination. Due to the floods and improvement in our water supply position, water restrictions in the region were removed altogether except in Raywood and Sebastian which remained on Stage 3 until the pipeline to Bendigo is completed later this year.

Developer contributions increased from previous years due to the amount a development occurring in the regions of Bendigo and Echuca.

Total expenditure has decreased this year compared to *Corporate Plan* due to the drought breaking but would have been greater had it not been for the additional expenditure incurred due to the floods.

The improvement in our water supply position has meant we have not needed to incur additional temporary water purchases, pumping costs from Eildon and water cartage costs. The increase in the turbidity of the raw water has meant an increase in water treatment costs. The major upgrade works at the Bendigo Water Treatment Plant was completed during the year to improve the capacity of the plant to treat the variability of raw water from the region.

The continued rain throughout the year and three separate flood incidents over a five month period significantly increased the number of sewer incidents. Our support costs also increased as staff worked around the clock to manage these flood incidents.

The additional operating expenditure incurred as a result of the flood incidents was approximately \$1.2 million. Many capital work projects were also needed to be fast tracked to restore services to towns affected by the floods totaling approximately \$1.0 million.

The movement in interest rates has also increased finance charges.

This year's result has again been impacted by an impairment loss for our temporary water currently stored in Lake Eildon. Due to the floods, the market price for temporary water purchases has decreased from \$100 per megalitre to \$5 per megalitre. This is an accounting valuation adjustment not a physical water adjustment.

	Plan 2010/11 (\$'000)	% Change Act – Plan	Actual 2010/11 (\$'000)	% Change 2010/11 – 2009/10	Actual 2009/10 (\$'000)	Actual 2008/09 (\$'000)	Actual 2007/08 (\$'000)	Actual 2006/07 (\$'000)
Total Revenue	78,868	13.5%	69,503	15.6%	60,107	52,124	44,193	42,073
Total Expenditure	102,221	4.4%	97,894	6.2%	92,292	87,069	79,438	64,048
Net Profit before developer income	(23,353)	17.7%	(28,391)	11.8%	(32,185)	(34,945)	(35,245)	(21,975)
Developer contributions & capital works	5,218	21.0%	6,603	78.2%	3,705	5,648	5,875	5,322
Net Profit before Tax	(18,135)	16.8%	(21,788)	23.5%	(28,480)	(29,297)	(29,370)	(16,653)
Income tax expense	–	0.0%	–	0.0%	–	–	–	–
Net Profit after Tax	(18,135)	16.8%	(21,788)	23.5%	(28,480)	(29,297)	(29,370)	(16,653)

Significant changes in financial position

The ESC approved price determination has seen total cash assets improve as operating cash flows returned to positive for the first time in five years. The ESC approved revised price proposal under the 'Unforeseen and Uncertain Events' mechanism was implemented 01 July 2010 with the main objective of ensuring our operating cash flows returned to positive.

We are continuing with our major capital works program with \$214 million committed in capital projects over our five year plan. New borrowings from Treasury Corporation Victoria totaling \$48 million was required to finance assets during 2010/11, with further borrowings proposed over the remainder of the water plan period.

There has been a significant increase in total assets due to the capital works program which has seen total assets increase and also an increase in the long term financial viability indicator.

All land, buildings and infrastructure assets were revalued during the year based on Financial Reporting Direction (FRD) 103D – Non Current Physical Assets. This has seen non current assets increase \$258 million and also the revaluation reserve in equity.

Our gearing ratio has been traditionally very low and as further borrowings are proposed, the gearing ratio will increase and align with general business practices.

Shareholder dividend

We are required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the *Public Authorities (Dividend) Act 1983*, based on a prescribed percentage of the previous years' adjusted net profit. An obligation to pay a dividend only arises after consultation with the portfolio Minister and Treasurer and a formal determination is made by the Treasurer.

No shareholder dividend was paid for 2010/11.

The Water Plan

The ESC manages its objectives and ensures compliance under the WIRO through the assessment of a *Water Plan* from each regulated business. This sets out the prices that will be changed and the performance targets to be achieved during the period to which the *Water Plan* relates.

The current five year *Water Plan* was accepted by the ESC in June 2008. This year is the third year of this Plan.

During 2009/10 we applied to the ESC to change the approved *Water Plan* prices under the 'Unforeseen and Uncertain Events' mechanism. The ESC approved our proposal and amended prices, with the revision commencing 1 July 2010.

Post balance date events

There are no post balance date events that materially affect Coliban Water's 2010/11 financial statements.

Outlook 2011/12

This financial report has been prepared on a going concern basis. The Board of Coliban Water believes this basis is appropriate. We will be able to pay our debts as and when they become payable on the basis of the following:

- The approved revised tariff increases commenced 01 July 2010 and has seen our short term financial position improve with operating cash flows becoming positive in 2010/11 and a strengthening of our operating result. The improvement in the financial position will continue in 2011/12 and 2012/13.
- The Department of Treasury and Finance (DTF) has provided support that we have the ability to draw upon the new financial accommodation during 2011/12 to pay costs arising from their operating activities and capital works program.
- The DTF has also provided support that any maturing loans will be refinanced and that we will rely on borrowings to fund the \$214 million capital works program over the next two years.
- The Treasurer has provided approval for \$56 million of new financial accommodation to fund the approved 2011/12 *Corporate Plan*.

Total revenue for 2011/12 is projected to be \$91.8 million, total expenses \$105.5 million – including \$27.7 million to service debt, with a total deficit after tax of \$13.8 million. The projected increase in total revenue in 2011/12 is due to the ESC approving a revised tariff proposal based on 'Unforeseen and Uncertain Events' mechanism and the increase in water usage demand due to the removal of water restrictions.

The average household's water bill in Bendigo (based on 160 kilolitres per annum) will increase on average 5.0% or \$52 during 2011/12 and water usage demand is budgeted to increase 60kl per household from 140kl to 200kl. This increase in water usage demand is the main factor contributing to the 20.4 per cent increase in total revenue next year.

Financial Performance Summary

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The increase in total expenditure in 2011/12 is due to higher depreciation charges from the intensive capital works program and higher borrowing costs to fund the program. We will rely on borrowings from Treasury Corporation Victoria to fund the capital works program over the next two years.

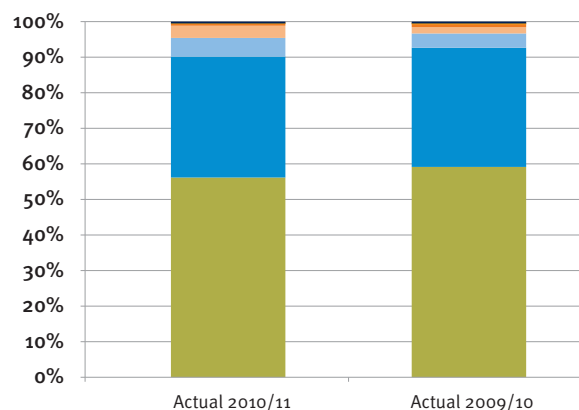
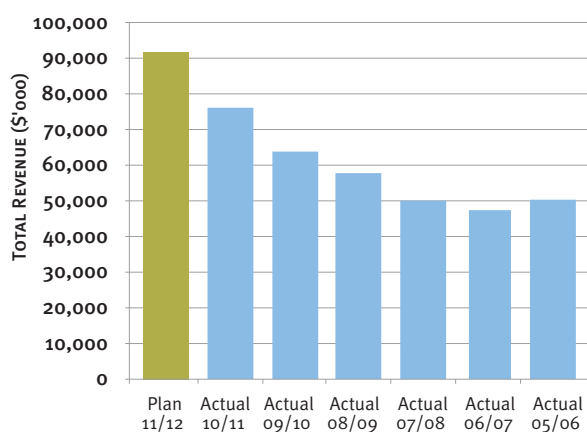
Total operation and administration expenses will remain in line with 2010/11 expenditure.

Revenue

Total revenue increased \$9.4 million or 15.6 per cent in 2010/11 and is budgeted to significantly increase in 2011/12 due to the region removing water restrictions.

Overall service charges increased \$5.0 million or 13.3 per cent in 2010/11 while usage charges increased \$4.5 million or 21.0 per cent. These increases were largely due to the introduction of the revised ESC price determination on 1 July 2010. Even though water restrictions were removed by the end of the financial year, water usage demand did not increase due to the wet summer and impact of floods.

Rural service fees increased \$1.3 million as the rural allocation was increased from 250 priority customers to 70 per cent general rural to all 1,500 customers. Trade Waste fees increased \$0.6 million due to the ESC price determination.



About 90 per cent of income is derived from service charges and usage demand charges, with the remainder being capital works and developer contributions. The increase in percentage is attributed to the approved ESC price determination.

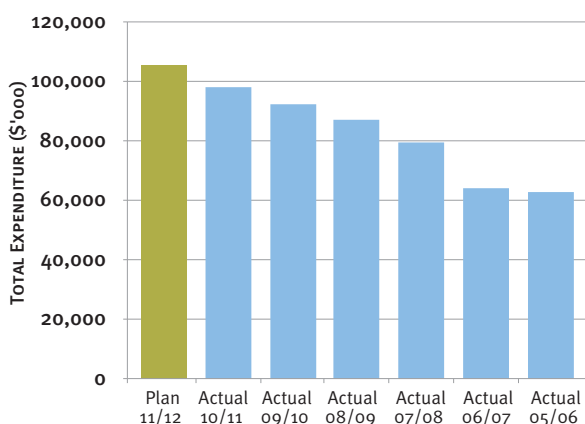
- Other non-operating revenue
- Investment interest
- Other operating revenue
- Capital works contributions
- Developer contributions & gifted assets
- Usage charges
- Service charges

Expenditure

Operations expenses are budgeted to decrease slightly as less temporary water and water cartage costs will be required due to the improving water supply outlook. Administration costs are budgeted to increase slightly due to a combination of wage rises and investments in knowledge, data and information systems.

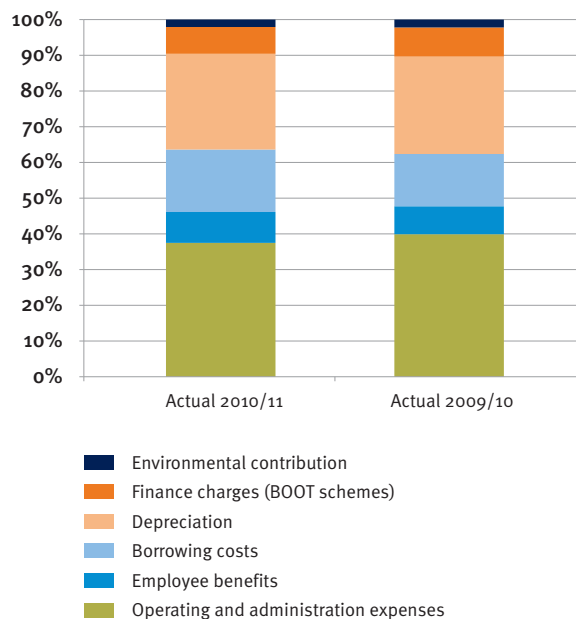
As debt levels continued to grow from \$220.3 million in 2009/10 to \$261.3 million during the year to fund the capital works program, the debt servicing cost increased by \$3.6 million or 26.8 per cent. We will rely on borrowings from Treasury Corporation Victoria to fund the capital works program over the next two years.

Depreciation has increased \$1.1 million over the year as additional capital projects are completed. There was a \$1.0 million write down of headwork assets during the year. Expenditure was also impacted by impairment to the finite life intangible asset (temporary water) of \$1.3 million due to the volatile temporary water market. This adjustment to expenditure is shown through the statement of comprehensive income.



Operation, administration and employee costs account for about half of our total expenditure. The remainder is borrowing costs, depreciation, BOOT schemes and the environment contribution levy to the Victorian Government.

Borrowing costs and depreciation have increased substantially over the last few years and will continue to increase as the capital works program continues.



Net result before tax

The net result before tax in 2010/11 was an improvement on the previous year with total revenue increasing \$12.3 million and total expenditure only increasing \$5.6 million. The Board's financial viability strategy developed in 2008/09 is starting to demonstrate the benefits over the last two financial years.

The net result before tax is budgeted to continue to improve in 2011/12 due to the removal of water restrictions and the improvement in water supply storages.

Operating Statement

The Operating Statement measures our performance over the year and shows if a profit or loss has been

made in delivering products and services. The statement includes all sources of income less all expenses incurred in earning that income.

For the year ending 30 June 2011, we made a net loss for the year of \$16.9 million.

Balance Sheet

The Balance Sheet sets out our net accumulated financial worth at the end of the financial year. It shows the assets we own as well as liabilities or claims against those assets.

Both assets and liabilities are expressed as current or non-current. Current are assets or liabilities that are expected to be converted to cash within the next twelve months. Non-current assets or liabilities are longer-term.

Equity is total capital, and reserves and accumulated profits that have been reinvested in the business over the years.

Statement of changes in equity

The Statement of changes in equity shows the changes in equity from last year to this year.

The total overall change in equity during a financial year comprises the net result for the year after tax items charged directly to the equity account from revaluation of assets.

Cash Flow Statement

The Cash Flow Statement summarises our cash receipts and payments for the financial year and the net cash position at the end of the year. It differs from the Operating Statement in that it excludes non-cash expenses such as depreciation and the accruals taken into account in the Operating Statement. It includes, payments or receipts in relation to capital items and any financing activities such as movements in borrowings by us.

For the year ending 30 June 2011, we had a net cash flow from operating activities of \$2.0 million.

Notes to the Accounts

The Notes to the Accounts provide further information about how the Financial Statements are prepared as well as additional information and detail about specific items within them.

The Notes also describe any changes to accounting standards, policy or legislation that may affect the way the statements are prepared. Information in the Notes is particularly helpful if there has been a significant change from the previous year's comparative figures.

Statutory Certificate and Auditor General's Report

These provide the reader with a written undertaking that the Financial Statements are correct. The Report from the Auditor General provides an independent view and describes any issues of concern.

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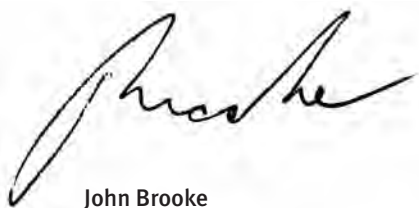
Statutory Certification

We certify the attached financial statements for Coliban Region Water Corporation have been prepared in accordance with Statutory Direction 4.2 of the *Financial Management Act 1994*, applicable Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions.

We further state that, in our opinion, the information set out in the Operating Statement, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2011 and the financial position of Coliban Region Water Corporation at 30 June 2011.

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

Signed at Bendigo on the 26th day of August, 2011 on behalf of the Board.



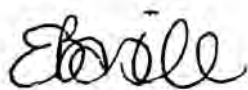
John Brooke

Chairman
Coliban Region Water Corporation



Peter Leersen

Acting Managing Director
Coliban Region Water Corporation



Eryn Basile

Acting Chief Financial Officer
Coliban Region Water Corporation

Operating Statement

For The Reporting Period Ended 30 June 2011

	Notes	2011 (\$'000)	2010 (\$'000)
Revenue from operating activities			
Service charges	2(a)	42,746	37,741
Usage charges	2(a)	25,875	21,377
Developer contributions & gifted assets		3,994	2,570
New customer contributions		2,609	1,135
Investment interest		26	30
Other income		721	797
		75,971	63,650
Revenue from non-operating activities			
Other non-operating income		135	162
		135	162
Total revenue		76,106	63,812
Expenses from operating activities			
Operating and administration expenses	2(b)	36,692	36,825
Employee benefits	2(b)	8,461	7,226
Borrowing costs		17,125	13,506
Depreciation and amortisation	2(b)	26,241	25,186
Finance charges (BOOT schemes)		7,344	7,536
Environmental contribution		2,031	2,031
Total expenses		97,894	92,292
Net result before tax		(21,788)	(28,480)
Income tax (expense)/revenue	11(b)	6,598	10,718
Net result for the year after tax		(15,190)	(17,762)
Other economic flows			
Net gain/(loss) on disposal of assets			
Proceeds on disposal of assets		58	-
Written down value of assets sold		(1,274)	(958)
		(1,216)	(958)
Impairment of intangible assets	7	(1,243)	(3,206)
Fair value increase/(decrease) in other financial assets	5	(16)	(8)
Income tax (expense)/income relating to components of other economic flows	11(c)	742	1,251
Other economic flows for the year, net of tax		(1,732)	(2,921)
Net result for the year		(16,922)	(20,683)

The above operating statement should be read in conjunction with the accompanying notes.

Statement of Other Comprehensive Income

For The Reporting Period Ended 30 June 2011

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	Notes	2011 (\$'000)	2010 (\$'000)
Net result for the year		(16,922)	(20,683)
Other comprehensive income			
Net gain/(loss) on revaluation of property, plant and equipment	6	258,585	-
Income tax (expense)/revenue relating to components of other comprehensive income	11(c)	(77,575)	-
Other comprehensive income for the year		181,010	-
Total comprehensive income for the year		164,088	(20,683)

The above statement of other comprehensive income should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2011

	Notes	2011 (\$'000)	2010 (\$'000)
ASSETS			
Current assets			
Cash and cash equivalents	3	5,112	1,798
Receivables	4	16,234	13,626
Prepayments		191	416
Total current assets		21,537	15,840
Non-current assets			
Receivables	4	1,552	2,024
Other financial assets	5	40	56
Property, plant and equipment	6	1,223,944	950,315
Intangible assets	7	60,117	61,429
Deferred tax assets	12(a)	-	12,836
Total non-current assets		1,285,653	1,026,660
TOTAL ASSETS		1,307,190	1,042,500
LIABILITIES			
Current liabilities			
Payables	8	19,581	15,181
Borrowings	9	5,139	23,870
Employee benefits	10	1,740	1,356
Total current liabilities		26,460	40,407
Non-current liabilities			
Borrowings	9	350,761	293,575
Deferred tax liabilities	12(a)	57,398	-
Employee benefits	10	216	141
Total non-current liabilities		408,375	293,716
TOTAL LIABILITIES		434,835	334,123
NET ASSETS		872,355	708,377
EQUITY			
Contributed capital	13	309,754	309,864
Reserves	14	194,608	13,598
Accumulated funds		367,993	384,915
TOTAL EQUITY		872,355	708,377

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For The Reporting Period Ended 30 June 2011

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	Notes	Contributions by owners (\$'000)	Reserves (\$'000)	Accumulated Funds (\$'000)	Total (\$'000)
Balance at 1 July 2009		309,864	13,598	405,598	729,060
Total comprehensive income for the year as reported in the 2010 financial report		-	-	(20,683)	(20,683)
Transactions with the State in its capacity as owner:					
Contributed capital	13	-	-	-	-
Balance at 30 June 2010		309,864	13,598	384,915	708,377
Total comprehensive income for the year		-	181,010	(16,922)	164,088
Transactions with the State in its capacity as owner:					
Contributed capital transfer	13	(110)	-	-	(110)
Balance at 30 June 2011		309,754	194,608	367,993	872,355

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

For The Reporting Period Ended 30 June 2011

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	Notes	2011 (\$'000)	2010 (\$'000)
Cash Flows from Operating Activities			
Receipts			
Service and usage charges		65,511	57,394
Other customer revenue		4,919	2,504
Receipts from Government		-	-
GST received from the ATO		8,295	8,738
Interest received		26	30
		78,751	68,666
Payments			
Payments to suppliers and employees		(57,490)	(56,867)
GST paid to the ATO		(241)	(776)
Interest and other costs of finance paid		(16,523)	(12,720)
Environmental contributions		(2,031)	(2,031)
		(76,285)	(72,394)
Net cash (outflow) / inflow from operating activities	15	2,466	(3,728)
Cash Flows from Investing Activities			
Payments for infrastructure, property, plant and equipment		(37,555)	(31,273)
Payments for intangible assets		-	(1,726)
Proceeds from investments		-	-
Proceeds on disposal of infrastructure, property, plant and equipment		58	-
Net cash (outflow) / inflow from investing activities		(37,497)	(32,999)
Cash Flows from Financing Activities			
Proceeds from borrowings		41,062	40,169
Repayment of borrowings		-	-
Contributions to government		(110)	-
Repayment of finance lease liabilities		(2,607)	(2,416)
Net cash (outflow) / inflow from financing activities		38,345	37,753
Net increase / (decrease) in cash and cash equivalents		3,314	1,026
Cash and cash equivalents at the beginning of the financial year		1,798	772
Cash and cash equivalents at the end of the financial year	3	5,112	1,798

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the Reporting Period ended 30 June 2011

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Note 1: Significant Accounting Policies

(i) Basis of Accounting

General

This financial report of Coliban Region Water Corporation (Coliban Water) is a general purpose financial report that consists of an Operating Statement, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions.

Coliban Water is classified for the purpose of financial reporting as not-for-profit. This financial report has been prepared on an accrual and going concern basis.

The annual financial statements were authorised for issue by the Board of Coliban Water on 26th August 2011.

Functional and presentation currency

Items included in this financial report are measured using the currency of the primary economic environment in which Coliban Water operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Coliban Water'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 Coliban Water's operational cycle – see Note 1(ixx) Employee Benefits for a variation in relation to employee benefits.

Rounding

Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollar.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and certain classes of property, plant and equipment.

Critical accounting estimates

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

Early adoption of pronouncements

In accordance with FRD 7A, an entity must not early adopt an authoritative accounting pronouncement such as an Australian Accounting Standard, except in rare circumstances, where early adoption is appropriate, subject to approval from the Minister for Finance.

(ii) Changes in Accounting Policy

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

(iii) Comparative Amounts

Where necessary, figures for the previous year have been reclassified to facilitate comparison.

(iv) Going Concern Basis

This financial report has been prepared on a going concern basis. The Board of Coliban Water believes this basis is appropriate. Coliban Water will be able to pay its debts as and when they become payable on the basis of the following:

- The approved revised tariff increases commenced 01 July 2010 which has seen the short term financial position of Coliban Water improve with operating cash flows becoming positive in 2010/11 and a strengthening of our operating result. The improvement in the financial position is expected to continue in 2011/12 and 2012/13.
- The Department of Treasury and Finance (DTF) has provided support that Coliban Water has the ability to draw upon the new financial accommodation during 2011/12 to pay costs arising from their operating activities and capital works program.
- The DTF has also provided support that any maturing loans will be refinanced and that Coliban Water will rely on borrowings to fund the projected \$214 million capital works program over the next two years.
- The Treasurer has provided approval for \$50 million of new financial accommodation to fund the approved 2011/12 *Corporate Plan*.

Coliban Water actively manages its financial risks as disclosed in Note 18.

(v) Revenue Recognition

Service and usage charges

Service charges are recognised as revenue when services have been provided or when a rate levy has been made.

Usage charges are recognised as revenue when the service has been used. Meter reading is cyclical and therefore an estimation is made at the end of each accounting period of water services used that are recorded on meters which have not been read. The estimation is made by multiplying the number of days since the last reading by an adjusted reading for an equivalent prior period.

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. Major trade waste customers meters are read monthly with accounts sent monthly. All other trade waste customers meters are read quarterly with accounts sent quarterly.

Developer contributions and fees paid by developers

New customer contributions paid by developers to connect new developments to existing water supply and sewerage systems are recognised as revenue when the contributions are received.

Assets received free from developers and others are recognised at their fair value as revenue upon their acceptance by Coliban Water for maintenance in perpetuity. Water and wastewater mains are often constructed and financed by property developers and on completion, ownership of the mains are transferred to Coliban Water as a gifted asset.

Government contributions

Government grants and contributions are recognised as operating revenue on receipt or when the entity obtains control of the contribution and meets certain other criteria as outlined by AASB 1004, whichever is the sooner, and disclosed in the operating statement as government contributions. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity – Contributed by Owners.

Interest and rents

Interest and rentals are recognised as revenue when earned or when the service has been provided.

(vi) Other Economic Flows

Impairment of financial instruments

At each reporting date, Coliban Water assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale equity investment, a significant or prolonged decline in value of the instrument below its cost is considered as an indicator that the investment is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between

the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the operating statement is removed from equity and recognised as an economic flow. Impairment losses recognised in the operating statement on equity instruments classified as available-for-sale are not reversed through the operating statement.

Impairment of assets

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

- deferred tax assets;
- financial instrument assets; and
- non-current assets held for sale.

All assets are tested for indication of impairment on an annual basis. Assets will be carried at the lower of carrying value and recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount, with the difference being written-off by a charge to the 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 to sell. For not-for-profit entities the recoverable amount is the higher of asset's fair value less costs to sell and its value in use. 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 revaluation reserve. However, to the extent that an impairment loss on the same class of asset was previously recognised in the operating statement, a reversal of that impairment loss is also recognised in the operating statement.

(vii) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and short term and long term borrowings and amortisation of ancillary costs incurred in connection with the arrangement of finance lease charges.

(viii) Web Site Costs

Costs in relation to web sites controlled by Coliban Water are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over the period of expected benefits. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits controlled by Coliban Water that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits.

(ix) Property, Plant and Equipment

Property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage and drainage infrastructure, plant, equipment and motor vehicles, used by Coliban Water in its operations. Items with a cost value in excess of \$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 Coliban Water, 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 Coliban Water are recognised at fair value at the date of acquisition.

Repairs and maintenance

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

Measurement of non-current physical assets

Land and buildings are measured at fair value which is determined as the amount for which assets could be exchanged between knowledgeable, willing parties, in an arm's length transaction. All other non-current physical assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of Financial Reporting Direction (FRD) 103D – Non Current Physical Assets.

Revaluations are conducted in accordance with FRD 103D. A scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to carrying value. If the difference to carrying value is greater than 10 per cent, a management revaluation is undertaken while a movement greater than 40 per cent will normally involve an Approved Valuer (usually the Valuer General 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.

For the plant, equipment and vehicles asset class, where Coliban Water 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.

In the prior period, FRD 121 – Infrastructure Assets (Water/Rail) provided a temporary exemption for the fair value measurement of water infrastructure assets controlled by water entities, at the entity reporting level. This exemption no longer applies for the current period. Water 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 103D. 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.

The initial fair value assessment for water infrastructure in the current period was undertaken with involvement from 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 infrastructures. Further details of the valuation exercise is provided in Note 6.

Revaluations of non-current physical assets

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

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the revaluation reserve in respect of the same class of assets, they are debited to the 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. Revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset.

Non-Current Assets Classified as Held for Sale

Non-current assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell, as their carrying amount will be recovered principally through a sale transaction, rather than through continuing use. Coliban Water considers that the sale is highly probable and the asset is available for immediate sale in its present condition. Non-current assets are not depreciated or amortised while they are classified as held for sale.

There were no non-current assets classified as held for sale during the year.

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 20 year period.

(x) Depreciation and Amortisation of Non-Current Assets

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

Land is not depreciated. Depreciation on all infrastructure assets, buildings, plant and equipment, and other non-current physical assets is calculated using the straight line method to allocate their costs 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 used are listed below and are consistent with the prior year, unless otherwise stated:

Asset	Period
Water Infrastructure Assets	10 to 300 years
Water Distribution Assets	15 to 200 years
Wastewater Infrastructure Asset	2 to 130 years
Recycling Infrastructure Assets	25 to 50 years
Rural Infrastructure Assets	15 to 80 years
Headworks Infrastructure Assets	5 to 200 years
Buildings	20 to 50 years
Leasehold Improvements	20 years
Plant & Equipment	2 to 20 years

(xi) Leases

Finance leases

Leases of property, plant and equipment where Coliban Water has substantially all the risks and rewards incidental to ownership are classified as finance leases. 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. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance cost is charged to the 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 property, plant and equipment acquired under finance lease is depreciated over the shorter of the asset's useful life and the lease term.

Operating leases

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

(xii) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities on the balance sheet.

(xiii) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impaired receivables. The likelihood of debts being collected is assessed at balance date and a provision is made for doubtful debts when Coliban Water expects they will not be able to collect all amounts due. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the operating statement. Debts which are known to be uncollectible are written off.

(xiv) Intangibles

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to Coliban Water.

Intangible Assets are represented by permanent and temporary water entitlements purchased and capitalised under the provisions of AASB 138 Intangible Assets.

Permanent water entitlements relate to the bulk water purchased to supply regional towns their water. These intangible assets have indefinite useful lives and are therefore not amortised.

Temporary water entitlements are obtained through the purchase of rights to water allocations for specified periods. These arise from unused water allocations for a particular year owned by other parties (e.g. farmers) which they consider excess to their needs, and as a result are willing to sell. These intangible assets have a finite life and are therefore amortised. As a finite life intangible asset, the temporary water purchases are amortised on a systematic basis over its useful life. This is based on the expected usage of the right i.e. when the water to which the right relates is received. This occurs when the water is transferred from Lake Eildon into Coliban Water's water storage facilities (either Lake Eppalock or Sandhurst Reservoir).

All intangible assets are tested for impairment by comparing the assets recoverable amount with its carrying amount annually and, whenever there is an indication that the intangible assets may be impaired. Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss in the operating statement.

(xv) Finance Lease Liabilities – BOOT Schemes

Coliban Water has entered into contractual arrangements with Veolia Water Australia Pty Ltd to build, own and operate water treatment facilities in Bendigo, Castlemaine and Kyneton and with Water Infrastructure Group Pty Ltd to build, own and operate a wastewater treatment facility in Echuca, over a 25 year period in exchange for a stream of payments. At the end of the contract period, the assets are transferred to Coliban Water at no cost. As ownership of the asset is transferred to Coliban Water at the end of the contractual term and this term is for the major part of the economic life of the asset, Coliban Water accounts for the asset under the BOOT 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. 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 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(s) acquired in a BOOT scheme that meets the classification of finance lease is depreciated over the shorter of the asset's useful life and the lease term.

(xvi) Trade and Other Payables

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

(xvii) Borrowings

Borrowings in respect to loans held with Treasury Corporation of Victoria are initially recognised at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption amount being recognised in the operating statement over the period of the borrowings using the effective interest rate method.

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

(xviii) Financial Instruments**Financial assets at fair value through profit or loss**

The financial assets are stated at fair value, with any resultant gain/(loss) recognised in the net result as other economic flows. Any dividend or interest on a financial asset is recognised in the net result as a transaction. Assets in this category are classified as current assets.

Other Financial assets at fair value through profit or loss

Other Financial Assets are valued at their market value at 30 June 2011 and are classified as non-current assets based on maturity dates of individual investments. All gains and losses of other financial assets are recorded in other economic flows in the operating statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

Loans and receivables are recorded at amortised cost less impairment.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of financial assets

Coliban Water assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense.

In assessing impairment of statutory (non-contractual) financial assets which are not financial instruments, Coliban Water applies professional judgement in

assessing materiality and using estimates in accordance with AASB 136 Impairment of Assets.

(ixx) Employee Benefits**Wages and salaries and annual leave**

Liabilities for wages, salaries and annual leave to be settled within 12 months of the reporting date are recognised in employee benefits liabilities in respect of employee 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. Employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity, in respect of services rendered by employees up to the reporting date. Regardless of the expected timing of settlements, provisions made 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 12 months after the reporting date, in which case it would be classified as a non-current liability.

Long service leave

Current Liability – unconditional LSL (representing 7 or more years of continuous service) is disclosed as a current liability even where Coliban Water 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 Coliban Water does not expect to settle within 12 months; and
- Nominal value – component that Coliban Water expects to settle within 12 months.

Non-Current Liability – conditional LSL (representing less than 7 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.

Superannuation

The amount charged to the operating statement in respect of superannuation represents the contributions made by Coliban Water to the superannuation plan in respect to the current services of Coliban Water staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

A liability or asset in respect of defined benefit superannuation is recognised in the provision for employee benefits, and is measured as the difference between the present value of employees' accrued benefits at the reporting date and the net market value of the superannuation plan's assets at that date. The present value of accrued benefits is based on expected future payments which arise from membership of the plans to the reporting date. Consideration is given to expected future wage and salary levels, experience of

employee departures and periods of service. Expected future payments are discounted using rates of national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The amount charged to the operating statement in respect of superannuation represents the contributions made to the superannuation plan, adjusted by the movement in the defined benefit plan liability or surplus. The statutory contributions made by Coliban Water to all superannuation plans make up the superannuation expense for the reporting period and are detailed in Note 17.

Employee Benefit On-Costs

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

Performance payments

Performance payments for Coliban Water's Senior Executive Officers are based on a percentage of the annual salary package provided under their contract(s) of employment. A liability is recognised and is measured as the aggregate of the amounts accrued under the terms of the contracts to balance date.

(xx) Contributed Capital

The individual circumstances of a particular entity may require that certain State Government capital contributions, normally those associated with major asset acquisition programs, be accounted for as equity contributions. In such instances, the Minister may, after consultation with the Minister for Finance, direct that such contributions be recognised as Equity – Contributed by Owners.

(xxi) Environmental Contribution

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 Coliban Water 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. The contribution period has been extended to cover the period 1 July 2008 until 30 June 2012.

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

The environmental contributions for 2010/11 were \$2.031 million (2009/10 – \$2.031 million) and are disclosed separately within expenses. Future contributions required by Coliban Water are \$2.031 million per year for the next year (see Note 20(c)).

(xxii) Taxation

Coliban Water is subject to the National Tax Equivalent Regime (NTER) which is administered by the Australian Taxation Office.

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

Coliban Water's deferred tax liabilities exceed the level of deferred tax assets and therefore it is required to bring to account tax expense, tax assets and tax liabilities in the Operating Statement, Balance Sheet and Statement of Changes in Equity as Coliban Water's projections show it is likely to generate tax profits in the foreseeable future against which unused tax losses can be utilised.

(xxiii) Dividend Policy

Coliban Water is required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the *Public Authorities (Dividend) Act 1983*, based on a prescribed percentage of the previous years' adjusted net profit. An obligation to pay a dividend only arises after consultation between the Board and the relevant portfolio Minister and the Treasurer. Following this consultation a formal determination is made by the Treasurer.

The process to determine the dividend applicable to the 2010/11 financial year has not yet been completed at the reporting date however it is anticipated that no dividend will be payable.

(xxiv) Goods and Services Tax

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

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

(xxv) Jointly Controlled Assets

On 6 May 2008, Coliban Water established with Central Highlands Water an unincorporated joint venture for the development, operation and maintenance of the pipelines and infrastructure associated with the Goldfields Superpipe. The joint venture involves the use of assets and other resources of the venturers. Each venturer uses its own assets and incurs its own expenses and liabilities.

Under the agreement, the assets will be jointly owned as tenants in common in their respective percentage interests. Coliban Water's capital share has been determined by the total expenditure on the Goldfields Superpipe less the incremental proportion of capital expenditure that relates to the additional capacity required to service Central Highlands Water. The incremental proportion has been funded by Central Highlands Water (CHW).

Operational costs shares are to be calculated on a combination of fixed component based on capacity share, a variable component based on volumes of water pumped and an energy charges share based on volumes stored or pumped from Lake Eppalock.

As at 30 June 2011 there were no outstanding liabilities incurred to Coliban Water and the unincorporated joint venture.

Principal Activity	Coliban Water's Share		
	Interest 2011 (\$'000)	Water Infrastructure (\$'000)	Operational Costs (\$'000)
Operation and maintenance of pipelines and associated infrastructure:			
› Waranga Channel to Lake Eppalock	2/3	66,184	1,092
› Lake Eppalock to Sandhurst Reservoir	2/3	-	714
› Sandhurst Reservoir to White Swan Reservoir	100% CHW	-	-

(xxvi) New Accounting Standards and Interpretations

As at 30 June 2011, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2011. Coliban Water has not and does not intend to adopt these standards early.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The derecognition rules have been transferred from AASB 139 Financial Instruments Recognition and Measurement and have not been changed. The group has not yet decided when to adopt AASB 9.	1 January 2013	Coliban Water is yet to assess its full impact. However, initial indications are that it may affect Coliban Water's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards	In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party.	1 January 2011	Coliban Water will apply the amended standard from 1 July 2011. When the amendments are applied, Coliban Water will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.	1 January 2011	Coliban Water does not make any such prepayments. The amendment is therefore not expected to have any impact on the entity's financial statements.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.	1 July 2013	The impact of this standard will depend on instructions provided by DTF on its applicability to Coliban Water. Coliban Water will assess its impact once DTF has provided guidance on this standard.
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvement project.	1 January 2011	These amendments are not expected to have any significant impact on Coliban Water's disclosures.
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	In November 2010, the AASB made amendments to AASB 7 Financial Instruments: Disclosures which introduces additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.	1 July 2011	These amendments are not expected to have any significant impact on Coliban Water's disclosures.
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale.	1 January 2012	Coliban Water will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.
AASB 2010-9 Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] and AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	AASB 1 First-time Adoption of Australian Accounting Standards was amended in December 2010 by eliminating references to fixed dates for one exemption and one exception dealing with financial assets and liabilities. The AASB also introduced a new exemption for entities that resume presenting their financial statements in accordance with Australian Accounting Standards after having been subject to severe hyperinflation.	1 January 2011 / 1 January 2013	Neither of these amendments will affect the financial statements of Coliban Water.

Note 2: Operating Statement Disclosures

For the Reporting Period ended 30 June 2011

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	2011 (\$'000)	2010 (\$'000)
(a) Income from operating activities		
Service Charges:		
Water service charges	7,204	7,205
Rural water service charges	2,520	1,211
Sewerage service charges	29,802	26,305
Trade waste charges	3,200	3,007
Recycled water service charges	20	13
	42,746	37,741
Usage Charges:		
Water usage charges	23,896	19,402
Rural water usage charges	554	611
Sewerage usage charges	893	849
Trade waste usage charges	368	-
Recycled water usage charges	164	515
	25,875	21,377
(b) Expenses from operating activities		
Operating and Administration expenses:		
Partnership contract expenses	21,763	18,708
Water purchases	2,509	2,025
Other services	2,332	6,288
Electricity	1,136	3,273
BOOT toll service payments	4,332	4,627
Other operating and administration expenses	4,620	1,904
	36,692	36,825
Employee expenses:		
Salaries and wages	6,902	5,874
Annual leave	479	411
Long service leave	50	114
Termination benefits	12	171
Post employment benefits		
– defined contribution superannuation	687	519
– defined benefit superannuation	331	137
	8,461	7,226
Depreciation:		
Water infrastructure	7,135	6,090
Water distribution	1,685	1,693
Wastewater infrastructure	7,296	7,308
Recycling infrastructure	1,743	1,583
Rural infrastructure	166	241
Headworks infrastructure	2,287	1,183
BOOT schemes	4,441	4,441
Buildings	261	241
Plant & equipment	1,158	293
	26,172	23,073
Amortisation:		
Temporary water intangibles	69	2,095
	69	2,095

Note 3: Cash and Cash Equivalents

For the Reporting Period ended 30 June 2011

	2011 (\$'000)	2010 (\$'000)
Cash on hand	2	1
Cash at bank	5,110	1,797
Total cash and cash equivalents	5,112	1,798

Note 4: Receivables

Current Receivables

Rates and charges receivables	6,324	4,990
Sundry debtors receivables	855	1,885
GST receivables	1,198	719
Accrued revenue	7,918	6,119
Provision for doubtful debts	(61)	(87)
Total current receivables	16,234	13,626

Non-Current Receivables

Debtors receivables	1,552	2,024
Provision for doubtful debts	-	-
Total non-current receivables	1,552	2,024
Total receivables	17,786	15,650

(a) Ageing analysis of receivables

The ageing analysis of rates and charges receivables, sundry debtors receivables, income receivables and debtors receivables at 30 June 2011 is as follows:

Current	4,951	5,004
1 to 3 months	1,180	1,183
3 to 12 months	1,048	688
More than 12 months	1,552	2,024
	8,731	8,899

As at 30 June 2011, receivables of \$3,718,870 (2009/10: \$3,808,091) were past due (older than one month) but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing of these receivables is as follows:

Current	-	-
1 to 3 months	1,180	1,171
3 to 12 months	987	613
More than 12 months	1,552	2,024
Total receivables past due but not impaired	3,719	3,808

(b) Provision for doubtful receivables

As at 30 June 2011, receivables of Coliban Water with a nominal value of \$61,449 (2009/10: \$86,772) were impaired. The amount of the provision was \$61,449 (2009/10: \$86,772). The individually impaired receivables mainly relate to wholesalers, which are in difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of these receivables is as follows:

	2011 (\$'000)	2010 (\$'000)
Current	-	-
1 to 3 months	-	12
3 to 12 months	61	75
More than 12 months	-	-
Total receivables	61	87
Movement in the doubtful debts provision is as follows:		
Opening provision balance at 1 July	87	167
Provision recognised during the year	61	-
Unused provision amount reversed	(16)	(18)
Receivables written off during the year as uncollectable	(71)	(62)
Closing provision balance at 30 June	61	87

The creation and release of the provision for doubtful receivables has been included in Other Expenses in the operating statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

(c) Nature and extent of risk arising from receivables

Refer to Note 18 for the nature and extent of risks arising from receivables.

Note 5: Other Financial Assets

	2011 (\$'000)	2010 (\$'000)
Shares in Bendigo Community Telco Limited	40	56
Total Other Financial Assets	40	56

Coliban Water purchased 20,000 shares @ \$1.00 each in Bendigo Community Telco Limited in April 2000. Approval for purchase of the shares was granted by the Minister for Finance.

A one for one bonus share issue was made by Bendigo Community Telco Limited in February 2005. As a result Coliban Water now holds 40,000 shares in Bendigo Community Telco Limited.

Bendigo Community Telco Limited Shares were listed on the Bendigo Stock Exchange during 2005/06 and therefore their 2010/11 value is reported as the share value at 30 June 2011.

a) Ageing analysis of other financial assets

Refer to Note 19 for the ageing analysis of other financial assets.

b) Nature and extent of risk arising from other financial assets

Refer to Note 18 for the nature and extent of risks arising from other financial assets.

Note 6: Property, Plant and Equipment

	2011 (\$'000)	2010 (\$'000)
(a) Classes of property, plant and equipment		
Land		
At fair value	41,281	17,593
	41,281	17,593
Buildings		
At fair value	2,797	1,053
Less: accumulated depreciation	-	(79)
	2,797	974
Buildings – Leasehold Improvements		
At cost	3,368	3,406
Less: accumulated depreciation	(1,578)	(1,361)
	1,790	2,045
Plant and Equipment		
At cost	9,807	5,139
Less: accumulated depreciation	(4,195)	(3,172)
	5,612	1,967
Water Infrastructure		
At fair value	372,285	-
At cost	-	450,631
Less: accumulated depreciation	-	(176,683)
	372,285	273,948
Water Distribution Assets		
At fair value	43,885	-
At cost	-	231,543
Less: accumulated depreciation	-	(138,135)
	43,885	93,408
Wastewater Infrastructure		
At fair value	354,661	-
At cost	-	401,775
Less: accumulated depreciation	-	(156,098)
	354,661	245,677
Recycling Infrastructure		
At fair value	51,529	-
At cost	-	41,838
Less: accumulated depreciation	-	(3,236)
	51,529	38,602
Rural Infrastructure		
At fair value	29,794	-
At cost	-	106,823
Less: accumulated depreciation	-	(94,360)
	29,794	12,463
Headworks Infrastructure		
At fair value	170,941	-
At cost	-	181,539
Less: accumulated depreciation	-	(70,389)
	170,941	111,150
Total Infrastructure Assets	1,023,095	775,248
BOOT Schemes Infrastructure		
At cost	111,035	111,035
Less: accumulated depreciation	(35,883)	(31,442)
	75,152	79,593
Works in Progress		
At cost	74,217	72,895
	74,217	72,895
Total Property, Plant and Equipment	1,223,944	950,315

Land and Buildings were independently valued at 30 June 2011 by Valuer General of Victoria (using Egan National Valuers). For Land, the valuation methodology used has been market value adjusted for community service obligations where applicable. Due to their specialised nature Buildings have been valued using Depreciated replacement costs.

Infrastructure assets were independently valued at 30 June 2011 by the Valuer General of Victoria (using AECOM valuers). The valuation methodology used was depreciated replacement costs using a Greenfields approach for assessing costs and only included assets that were constructed before 1 July 2010. Cost models were built based on actual construction information complimented by a variety of information sources including capacity, height, material type, length and depth that could be applied broadly across the range of assets in each category.

(b) Movements during the reporting period

2010/2011	Opening WDV (\$'000)	Transfers (\$'000)	Revaluations (\$'000)	Additions (\$'000)	WIP Capitalised (\$'000)	Disposals/ Write-offs (\$'000)	Depreciation (\$'000)	Closing WDV (\$'000)
Land								
At fair value	17,593	-	22,684	-	1,004	-	-	41,281
	17,593	-	22,684	-	1,004	-	-	41,281
Buildings								
At fair value	974	915	674	-	275	-	(41)	2,797
At cost	2,045	(35)	-	-	-	-	(220)	1,790
	3,019	880	674	-	275	-	(261)	4,587
Plant & Equipment								
At cost	1,967	-	-	-	4,870	(67)	(1,158)	5,612
	1,967	-	-	-	4,870	(67)	(1,158)	5,612
Infrastructure								
At fair value	775,248	(880)	235,227	-	35,018	(1,207)	(20,311)	1,023,095
	775,248	(880)	235,227	-	35,018	(1,207)	(20,311)	1,023,095
BOOT Schemes								
At cost	79,593	-	-	-	-	-	(4,441)	75,152
	79,593	-	-	-	-	-	(4,441)	75,152
Works in Progress								
At cost	72,895	-	-	42,489	(41,167)	-	-	74,217
	72,895	-	-	42,489	(41,167)	-	-	74,217
Totals	950,315	-	258,585	42,489	-	(1,274)	(26,171)	1,223,944

2009/2010	Opening WDV (\$'000)	Transfers (\$'000)	Revaluations (\$'000)	Additions (\$'000)	WIP Capitalised (\$'000)	Disposals/ Write-offs (\$'000)	Depreciation (\$'000)	Closing WDV (\$'000)
Land								
At fair value	17,540	-	-	-	53	-	-	17,593
	17,540	-	-	-	53	-	-	17,593
Buildings								
At fair value	1,000	-	-	-	-	-	(26)	974
At cost	2,151	-	-	-	111	-	(217)	2,045
	3,151	-	-	-	111	-	(243)	3,019
Plant & Equipment								
At cost	1,600	-	-	-	660	(1)	(292)	1,967
	1,600	-	-	-	660	(1)	(292)	1,967
Infrastructure								
At cost	780,707	-	-	-	13,597	(957)	(18,099)	775,248
	780,707	-	-	-	13,597	(957)	(18,099)	775,248
BOOT Schemes								
At cost	84,035	-	-	-	-	-	(4,442)	79,593
	84,035	-	-	-	-	-	(4,442)	79,593
Works in Progress								
At cost	57,015	-	-	30,301	(14,421)	-	-	72,895
	57,015	-	-	30,301	(14,421)	-	-	72,895
Totals	944,048	-	-	30,301	-	(958)	(23,076)	950,315

Note 7: Intangible Assets

Notes	2011 (\$'000)	2010 (\$'000)
Permanent water entitlements	60,052	60,052
Temporary water entitlements	65	1,377
Total intangible assets	60,117	61,429
Movements during the year		
Opening balance at 1 July	61,429	65,004
Add: Additions > Temporary water entitlements	-	1,726
Less: Amortisation > Temporary water entitlements	(69)	(2,095)
Less: Impairment > Temporary water entitlements	(1,243)	(3,206)
Closing balance at 30 June	60,117	61,429

In accordance with AASB 136 Impairment of Assets, Coliban Water has reviewed the carrying value of water entitlements at 30 June 2011. Based on the market value of water entitlements at 30 June 2011, temporary water entitlements have been written-down to their relevant market value. The whole amount of the impairment loss has been recognised in the operating statement as there was no amount included in asset revaluation reserve relating to these assets.

Note 8: Payables

Current Payables

Trade payables	9,594	4,530
Accrued expenses	8,095	9,137
Other payables	1,892	1,514
Total Payable	19,581	15,181

(a) Maturity analysis of payables

The ageing analysis of payables at 30 June 2011 is as follows:

Current	17,606	7,897
1 to 3 months	405	5,083
3 to 12 months	538	1,328
More than 12 months	1,032	873
Total payables	19,581	15,181

Note 9: Borrowings

Current

Loans from Treasury Corporation of Victoria	2,325	21,264
Finance lease liabilities – BOOT schemes	2,814	2,606
	5,139	23,870

Non Current

Loans from Treasury Corporation of Victoria	259,000	199,000
Finance lease liabilities – BOOT schemes	91,761	94,575
	350,761	293,575
Total Borrowings	355,900	317,445

(a) Maturity analysis of borrowings

Refer to Note 19 for the maturity analysis of borrowings.

(b) Nature and extent of risk arising from borrowings

Refer to Note 18 for the nature and extent of risks arising from borrowings.

(c) Defaults and breaches

During the current and prior period, there were no defaults or breaches of any of the loans.

(d) Financing facilities

Refer to Note 24 for financing facilities arrangements.

Note 10: Employee Benefits

Note	2011 (\$'000)	2010 (\$'000)
Current provisions		
Employee benefits – annual leave:		
Unconditional and expected to settle within 12 months	697	620
Unconditional and expected to settle after 12 months	106	-
Employee benefits – long service leave:		
Unconditional and expected to settle within 12 months	19	15
Unconditional and expected to settle after 12 months	918	721
Total Current	1,740	1,356
Non-Current		
Conditional long service leave	216	141
Total Non-Current	216	141
Total Employee Benefits	1,956	1,497
Employee numbers at end of financial year	130	96
Additional staff were employed for managing capital projects that were previously delivered by consultants.		
The following assumptions were adopted in measuring the present value of long service leave entitlements:		
› Weighted average increase in employee costs	4.60%	3.50%
› Weighted average discount rates	5.28%	4.27%
› Weighted average settlement period	7 years	7 years
Coliban Water made no ex-gratia payments during the financial year.		

Note 11: Income Tax

	Note	2011 (\$'000)	2010 (\$'000)
(a) Components of income tax (expense)/net gain:			
Current tax		6,736	9,330
Deferred tax relating to timing differences		541	466
Adjustments for current tax of prior periods		63	2,173
		7,340	11,969
Income tax (expense)/income is attributable to:			
Loss from continuing operations		6,598	10,718
Other economic flows included in net result		742	1,251
Aggregate income tax (expense)/income		7,340	11,969
Deferred tax (expense)/income included in income tax expense comprises:			
Decrease/(increase) in deferred tax assets	12 (a)	(625)	(1,641)
(Decrease)/increase in deferred tax liabilities	12 (a)	1,166	2,107
		541	466
(b) Prima facie tax payable			
Net result before tax		(21,788)	(28,480)
Prima facie tax calculated at 30%		6,536	8,545
Tax effect of non-deductible/(non-taxable) amounts in calculating taxable income			
› Non deductible expenses		-	-
› Assessable income		(1)	-
Previously not recognised tax losses now recognised to decrease current tax expense			
Tax losses brought to account		63	-
Previously recognised tax losses now not recognised to increase current tax expense			
Tax losses not brought to account		-	2,173
Income tax (expense)/income attributable to profit		6,598	10,718
(c) Income tax (expense)/income relating to items of other economic flows and other comprehensive income			
Net gain/(loss) on revaluation of property, plant and equipment		(77,575)	-
Net gain/(loss) on disposal of assets		364	287
Impairment of intangible assets		373	962
Fair value increase/(decrease) in other financial assets		5	2
Total income tax (expense)/income relating to items of other economic flows and other comprehensive income		(76,833)	1,251

Coliban Water will not pay income tax for 2010/11. Projections show that Coliban Water is likely to generate tax profits in the foreseeable future against which unused tax losses can be utilised. Accordingly tax losses have been brought to account.

Note 12: Deferred Tax

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	2011 (\$'000)	2010 (\$'000)
(a) Deferred tax asset/(liability)		
Deferred Tax Assets		
The balance comprises temporary differences attributable to:		
Doubtful debts	18	26
Book differences in depreciable asset values	-	-
Low value asset pool	-	-
Accruals	2,258	2,230
Employee benefits	587	449
BOOT scheme assets	28,372	29,155
Tax losses	53,883	47,085
Intangible assets	-	-
	85,118	78,945
Deferred tax assets – recovery		
Deferred tax assets expected to be recovered within 12 months	2,863	2,705
Deferred tax assets expected to be recovered after more than 12 months	82,255	76,240
	85,118	78,945
Deferred tax assets – movements		
Opening balance	78,945	69,083
Credited/(debited) to the operating statement	6,173	9,862
Credited/(debited) to other comprehensive income	-	-
Closing balance	85,118	78,945
Deferred Tax Liabilities		
The balance comprises temporary differences attributable to:		
Accrued rates and charges	2,375	1,836
Interest and other income receivables	207	217
Book differences in depreciable asset values	117,382	40,167
BOOT scheme finance leases	22,546	23,878
Other financial assets at fair value through profit and loss	6	11
	142,516	66,109
Deferred tax liabilities – recovery		
Deferred tax liabilities expected to be recovered within 12 months	2,588	2,064
Deferred tax liabilities expected to be recovered after more than 12 months	139,928	64,045
	142,516	66,109
Deferred tax liabilities – movements		
Opening balance	66,109	68,216
(Credited)/debited to the operating statement	(1,163)	(2,105)
(Credited)/debited to other comprehensive income	(5)	(2)
(Credited)/debited to equity	77,575	-
Closing balance	142,516	66,109
Total net deferred tax asset/(liability)	(57,398)	12,836

AASB 112 Income Tax requires deferred tax assets arising from temporary differences to be offset against deferred tax liabilities on the basis that the deferred tax assets will be fully utilised against the deferred tax liabilities. Coliban Water's deferred tax liabilities exceed the level of deferred tax assets at 30 June 2011 and therefore a net tax liability has been disclosed in the balance sheet.

Note 13: Contributed Capital

	2011 (\$'000)	2010 (\$'000)
Opening balance at 1 July	309,864	309,864
East Loddon Pipeline Project*	(110)	-
Closing balance at 30 June	309,754	309,864

*Transfer to Goulburn-Murray Rural Water Corporation

Note 14: Reserves

Asset revaluation reserve: Land

Opening balance at 1 July	13,243	13,243
Revaluation increment/(decrement) on non-current assets net of tax effect	15,879	-
Closing balance at 30 June	29,122	13,243

Asset revaluation reserve: Buildings

Opening balance at 1 July	355	355
Revaluation increment/(decrement) on non-current assets net of tax effect	472	-
Closing balance at 30 June	827	355

Asset revaluation reserve: Infrastructure

Opening balance at 1 July	-	-
Revaluation increment/(decrement) on non-current assets net of tax effect	164,659	-
Closing balance at 30 June	164,659	-

Total Reserves	194,608	13,598
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Note 15: Reconciliation of Net Result for the year after tax to Cash Flows from Operating Activities

Net result for the year after tax	(16,922)	(20,683)
Add /(less) non-cash movements in net result		
Add: Depreciation and amortisation	26,241	25,168
(Net gain)/loss or disposal of non-current assets	1,216	958
Impairment of intangible assets	1,243	3,206
Fair value (increase)/decrease in other financial assets	16	8
Payments for fixed assets in payables movement	(941)	5,638
Less: Non cash developer contributions & gifted assets	(3,994)	(2,570)
Income tax (expense)/revenue	(6,598)	(10,718)
	(482)	(244)
Movements in assets and liabilities		
Decrease / (increase) in receivables	(2,136)	(765)
Decrease / (increase) in prepayments	225	(15)
Decrease / (increase) in other financial assets	-	-
(Decrease) / increase in payables	4,400	(2,573)
(Decrease) / increase in provisions	459	(131)
Net cash flows from operating activities	2,466	(3,728)

Note 16: Responsible Persons and Executive Officer Disclosures

a) Responsible persons related party disclosures

The names of ministers and persons who were responsible persons at any time during the financial year were:

Person's Name	Position	Period	
The Hon. Tim Holding MP	Minister for Water	01 Jul 2010	02 Dec 2010
The Hon. Peter Walsh MP	Minister for Water	02 Dec 2010	30 Jun 2011
John Brooke	Director (Chairperson)	01 Jul 2010	30 Jun 2011
Noel Harvey	Director	01 Jul 2010	30 Jun 2011
David Beard	Director	01 Jul 2010	30 Jun 2011
Andrew Cairns	Director	01 Jul 2010	30 Jun 2011
Jane Holt	Director	01 Jul 2010	30 Jun 2011
Russell Walker	Director	01 Jul 2010	30 Jun 2011
Andrew Skewes	Director	01 Jul 2010	30 Jun 2011
Gavin Hanlon	Managing Director	01 Jul 2010	30 Jun 2011

Remuneration of responsible persons

Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet. Other relevant interests are declared in the Register of Members' Interests which each Member of Parliament completes. Total remuneration received, or due and receivable, during 2010/11 by Responsible Persons including the Managing Director from Coliban Water in connection with the management of Coliban Region Water Corporation was \$520,540 (2009/10 – \$508,920).

b) Responsible persons remuneration

The number of Responsible Persons whose remuneration for the year ended 30 June 2011 falls within the following bands are:

Income band (\$)	Total Remuneration	
	2011 No.	2010 No.
30000 – 39999	6	6
70000 – 79999	1	1
230000 – 239999	-	1
240000 – 249999	1	-
Total Numbers	8	8

Related party transactions

During the financial year ended 30 June 2011, the following related party transactions that were based on normal terms and conditions and conducted on an arms length basis occurred:

- Coliban Water Director Mr Andrew Cairns is a Director of Bendigo Community Telco Limited which provides Coliban Water with various telecommunication voice and data services. Coliban Water paid Bendigo Community Telco Limited a total of \$212,940 during 2010/11 (2009/10 – \$108,973).
- Other than normal water and wastewater services that are levied on normal commercial terms no other related party transactions occurred between the Directors and their related parties and Coliban Water during the reporting period.

c) Senior executive officers' remuneration

The number of Senior Executive Officers whose remuneration for the year ended 30 June 2011 falls within the following bands are:

Income band (\$)	Total Remuneration		Base Remuneration	
	2011 No.	2010 No.	2011 No.	2010 No.
Less than 100,000	2	-	3	1
100000 – 109999	1	1	1	-
110000 – 119999	1	-	-	3
120000 – 129999	-	1	2	1
130000 – 139999	1	2	1	-
140000 – 149999	1	1	-	2
150000 – 159999	-	-	2	-
160000 – 169999	1	1	-	-
170000 – 179999	1	1	-	-
190000 – 199999	1	-	-	-
Total Numbers	9	7	9	7
Total Amount	\$1,136,775	\$992,867	\$994,535	\$864,139

The number of Senior Executive Officers reporting to the Managing Director increased from seven to nine due to the changeover of one Senior Executive Officer and the appointment of one additional Senior Executive Officer.

Note 17: Superannuation

Coliban Water contributes in respect of its employees to various accumulation superannuation and defined benefits plans. These funds have two categories of membership, each of which is funded differently.

Accumulation Superannuation Plan

Accumulation superannuation funds receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with the Superannuation Guarantee Legislation, currently 9%. No other liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the plans.

Defined Benefit Plan

The fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32(b) of AASB 119, Coliban Water does not use defined benefit accounting for these contributions.

Coliban Water makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2008, Coliban Water makes the following contributions:

- › 9.25% of members' salaries (same as previous year)

Following an actuarial review conducted by the Trustee in late 2010, as at 31 December 2008, a funding shortfall of \$71 million for the Fund was determined. A call to Coliban Water for \$220,588 in additional contributions was made for the financial year 30 June 2011 which was paid prior to 30 June 2011. A further actuarial review will be undertaken as at 31 December 2011 by mid 2012. Based on the result of this review, a detailed funding plan will be developed and implemented to achieve the target of full funding by 31 December 2013. Coliban Water will be notified of any additional required contributions by late 2012.

The Fund's liability for accrued benefits was determined by the Actuary at 31 December 2008 pursuant to the requirements of Australian Accounting Standard AAS25 follows:

	31-Dec-08 (\$'000)
Net Market Value of Assets	3,630,432
Accrued Benefits	3,616,422
Difference between Assets and Accrued Benefits	14,010
Vested Benefits (Minimum sum which must be paid to members when they leave the fund)	3,561,588

The financial assumptions used to calculate the Accrued Benefits for the defined benefit category of the Funds were:

Net Investment Return	8.50% p.a.
Salary Inflation	4.25% p.a.
Price Inflation	2.75% p.a.

Coliban Water contributes in respect of its employees to the following superannuation schemes:

Superannuation Scheme	Type of Scheme	Rate	2011 (\$'000)	2010 (\$'000)
Local Authorities Superannuation Scheme	Defined Benefits	12.25%-9.25%	275	59
Vision Super	Accumulated Contribution	9.0%	388	439
	Defined Benefits	17.6%-9.5%	56	78
Vic Super Scheme	Accumulated Contribution	9.0%	35	34
Other Superannuation Funds	Accumulated Contribution	9.0%	215	19
Employee Personal Superannuation Funds	Accumulated Contribution	9.0%	49	27
Total contributions to all funds			1,018	656

As at the reporting date, there were no outstanding contributions payable to the above funds.

As at the reporting date, there were no loans to or from Coliban Water to any of the above funds.

Note 18: Financial Risk Management Objectives and Policies

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

The Board of Coliban Water has the overall responsibility for the establishment and oversight of the risk management framework. All borrowings are sourced through Treasury Corporation of Victoria (TCV) and Coliban Water's total borrowing limit is regulated by Department of Treasury and Finance (DTF). Coliban Water operates within the risk management requirements that are imposed by TCV and DTF over these borrowings. The overall risk management program seeks to minimise potential adverse effects on the financial performance of Coliban Water. Coliban Water uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, other price risks and ageing analysis for credit.

Risk management is carried out by Management under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close co-operation with Coliban Water's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risks, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Risk Exposures

The main risks that Coliban Water are exposed to through its financial instruments are as follows:

(a) Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of Coliban Water's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. Coliban Water'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 processes used to manage these risks are disclosed in the paragraphs below:

(i) Interest Rate Risk

Coliban Water's exposure to market interest rates relates primarily to Coliban Water's long term borrowings and funds invested on the money market.

Coliban Water minimises its exposure to interest rate changes on its borrowings by holding a mix of fixed and floating rate debt. Long term borrowings are fixed rate interest only loans. While short term borrowings are variable rate interest only loans. Debt is sourced from Treasury Corporation Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly.

Coliban Water has minimal exposure to interest rate risk through its holding of cash assets and other financial assets.

(ii) Other Price Risk

Coliban Water has no significant exposure to Other Price Risk. Coliban Water holds 40,000 shares in Bendigo Community Telco Limited. Bendigo Community Telco Limited are listed on the Bendigo Stock Exchange and therefore the reported value of the shares at 30 June 2011 (i.e. \$40,000) are based on their share value as at that date.

Market Risk Sensitivity Analysis

The sensitivity analysis below has taken into consideration past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets. Coliban Water believes that:

- › a movement of 1% in interest rates is reasonable over the next 12 months.

	Carrying Amount	Interest Rate Risk			
		-1%		+1%	
2010/2011	(\$'000)	Result (\$'000)	Equity (\$'000)	Result (\$'000)	Equity (\$'000)
Financial Assets					
Cash and cash equivalents	5,112	(51)	(51)	51	51
Other financial assets	40	-	-	-	-
Total Financial Assets	5,112	(51)	(51)	51	51
Financial Liabilities					
Borrowings – floating interest rate loans	2,325	23	23	(23)	(23)
Total Financial Liabilities	2,325	23	23	(23)	(23)
Total Increase/(Decrease)		28	28	28	28

	Carrying Amount	Interest Rate Risk			
		-1%		+1%	
2009/2010	(\$'000)	Result (\$'000)	Equity (\$'000)	Result (\$'000)	Equity (\$'000)
Financial Assets					
Cash and cash equivalents	1,798	(18)	(18)	18	18
Other financial assets	56	-	-	-	-
Total Financial Assets	1,854	(18)	(18)	18	18
Financial Liabilities					
Borrowings – floating interest rate loans	21,264	213	213	(213)	(213)
Total Financial Liabilities	21,264	213	213	(213)	(213)
Total Increase/(Decrease)		195	195	(195)	(195)

(b) Credit risk

Credit risk is the risk of financial loss to Coliban Water as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from receivables and financial assets available for sale.

Coliban Water minimises concentrations of credit risk by undertaking transactions with a large number of customers. The receivables balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Coliban Water is therefore not materially exposed to any individual customer. Receivable balances recognised on the balance sheet are the carrying amount net of any provision for doubtful debts.

An analysis of the ageing of Coliban Water's receivables as at the reporting date has been provided in Note 4.

(c) Liquidity risk

Liquidity Risk is the risk that Coliban Water will not be able to meet its financial obligations as they fall due. Coliban Water'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.

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

Coliban Water's financial liability maturities have been disclosed in Note 19.

Note 19: Financial Instruments

Interest Rate Exposures

The following table sets out Coliban Water'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 Coliban Water intends holding fixed rate liabilities to maturity:

		Fixed Interest Rate Maturing								
2010/2011	Floating Interest Rate (\$'000)	1 year or less (\$'000)	1 to 2 years (\$'000)	2 to 3 years (\$'000)	3 to 4 years (\$'000)	4 to 5 years (\$'000)	Over 5 years (\$'000)	Non-interest Bearing (\$'000)	Total (\$'000)	Weighted Average Interest Rate %
Financial Assets										
Cash and cash equivalents	5,110	-	-	-	-	-	-	2	5,112	0.75%
Receivables	-	-	-	-	-	-	-	17,786	17,786	n/a
Other financial assets	-	-	-	-	-	-	-	40	40	n/a
Total Financial Assets	5,110	-	-	-	-	-	-	17,828	22,938	
Financial Liabilities										
Payables	-	-	-	-	-	-	-	19,581	19,581	n/a
Finance lease liabilities	-	2,814	3,037	3,277	3,537	3,817	78,093	-	94,575	7.65%
Loans from TCV	2,325	-	29,000	23,000	25,000	24,000	158,000	-	261,325	6.06%
Total Financial Liabilities	2,325	2,814	32,037	26,277	28,537	27,817	236,093	19,581	375,481	
Net Financial Liabilities	2,785	(2,814)	(32,037)	(26,277)	(28,537)	(27,817)	(236,093)	(1,753)	(352,543)	

		Fixed Interest Rate Maturing								
2009/2010	Floating Interest Rate (\$'000)	1 year or less (\$'000)	1 to 2 years (\$'000)	2 to 3 years (\$'000)	3 to 4 years (\$'000)	4 to 5 years (\$'000)	Over 5 years (\$'000)	Non-interest Bearing (\$'000)	Total (\$'000)	Weighted Average Interest Rate %
Financial Assets										
Cash and cash equivalents	1,797	-	-	-	-	-	-	1	1,798	2.33%
Receivables	-	-	-	-	-	-	-	15,650	15,650	n/a
Other financial assets	-	-	-	-	-	-	-	56	56	n/a
Total Financial Assets	1,797	-	-	-	-	-	-	15,707	17,504	
Financial Liabilities										
Payables	-	-	-	-	-	-	-	15,181	15,181	n/a
Finance lease liabilities	-	2,607	2,814	3,037	3,277	3,537	81,910	-	97,182	7.65%
Loans from TCV	21,264	21,000	23,000	19,000	23,000	24,000	89,000	-	220,264	6.06%
Total Financial Liabilities	21,264	23,607	25,814	22,037	26,277	27,537	170,910	15,181	332,627	
Net Financial Liabilities	(19,467)	(23,607)	(25,814)	(22,037)	(26,277)	(27,537)	(170,910)	526	(315,123)	

Note 20: Commitments

a) Capital Expenditure Commitments

The value of capital expenditure commitments including GST outstanding as at 30 June 2011 totalled \$22.8 million (2009/10: \$8.9 million).

Capital Expenditure Commitments

Not later than one year

22,133

8,258

Later than one year and not later than five years

671

667

Later than five years

-

-

Total capital expenditure commitments

22,804

8,925

b) Operating Service Commitments

The value of operating service commitments including GST as at 30 June 2011 totalled \$168.50 million (2009/10 – \$189.3 million). This amount is represented by three major operations contracts. Two of these contracts are for the service component of the BOOT schemes delivered as part of Victoria's Public Private Partnership process for the provision of wastewater and water treatment services. Refer to Note 21 for more details of these schemes. The third contract is a ten year contract for operations, maintenance, revenue and information management services to be provided to Coliban Water to support the delivery of its outputs. Operating expenditure commitments are due and payable as follows:

Operating Expenditure Commitments

Not later than one year

24,035

22,333

Later than one year and not later than five years

44,985

60,519

Later than five years

99,502

106,414

Total operating expenditure commitments

168,522

189,266

c) Environmental Contribution Commitments

The value of environmental contribution commitments as at 30 June 2011 totalled \$2.0 million (2009/10 – \$4.1 million). See Note 1 (xxi) for an explanation of these commitments.

Environmental Contribution Commitments

Not later than one year

2,031

2,031

Later than one year and not later than five years

-

2,031

Later than five years

-

-

Total environmental contribution commitments

2,031

4,062

Note 21: Finance Lease Liabilities – BOOT Schemes

Coliban Water has signed two Build Own Operate Transfer (BOOT) contracts.

A contract deed was signed on 5 May 1999 with Veolia Water Australia Pty Ltd for provision of water treatment services for Bendigo, Castlemaine and Kyneton.

Commercial acceptance of this facility was granted on 1 June 2002.

Coliban Water signed a contract deed on 26 November 2002 with Water Infrastructure Group Pty Ltd for the provision of water reclamation and reuse services for Echuca and Rochester. Water Infrastructure Group Pty Ltd is a fully owned subsidiary of Earth Tech Engineering Pty Ltd,

which is an Australian subsidiary of the global company, Tyco International Ltd. Commercial acceptance of this facility was granted on 28 September 2004.

The above contracts, which comprise both fixed and variable components, commit Coliban Water to the payment of significant tolls over the 25 year contract periods.

As ownership of the asset(s) will be transferred to Coliban Water at the end of the contractual term and this term is for the major part of the economic life of the asset(s), Coliban Water accounts for the asset(s) under the BOOT schemes as a finance lease.

Value of expected future obligations

	2011 (\$'000)	2010 (\$'000)
(a) Finance Lease Commitments		
Commitments for minimum lease payments excluding GST of \$9.5 million (2009/10 – \$9.7 million) in relation to finance leases are payable as follows:		
› within one year	9,951	9,951
› one to five years	39,805	39,805
› six to ten years	49,831	49,794
› more than ten years	70,102	80,091
	169,689	179,641
Less future interest charges	75,114	82,460
Total Finance Lease Commitments	94,575	97,181
(b) Represented by Lease Liabilities		
Current lease liability	2,814	2,606
Non current lease liability	91,761	94,575
Total Finance Lease Liabilities – BOOT Schemes	94,575	97,181
(c) BOOT operating commitments (not including future interest but including GST) contracted for but not recognised as liabilities		
› within one year	6,081	5,819
› one to five years	26,313	25,482
› six to ten years	38,192	36,966
› more than ten years	61,310	69,449
	131,896	137,715

The above service commitments are included in operation service commitments – Note 20(b).

Note 22: Leasing Commitments

a) Operating Lease on Head Office Building

Coliban Water signed an Operating Lease agreement on 20 September 2000 for lease of the Coliban Water Head Office building at Bridge Street Bendigo. The operating lease is for a period of twenty (20) years commencing 1 September 2000 with lease payments commencing 1 November 2002.

Coliban Water signed another Operating Lease agreement on 24 December 2010 for lease of a second Head Office building at 30 Bridge Street Bendigo. The operating lease is for a period of five (5) years commencing 1 March 2011.

Total lease payments over the remaining periods of the leases including GST are expected to be \$2.5 million.

	2011 (\$'000)	2010 (\$'000)
Operating Lease Expenditure Commitments		
Not later than one year	422	182
Later than one year and not later than five years	1,517	735
Later than five years	541	702
Total operating expenditure commitments	2,480	1,619

b) Operating Leases on Motor Vehicles

Coliban Water also has a number of Cancellable Operating Leases for the lease of motor vehicles. Operating lease rentals including GST of \$302,841 (2009/10 – \$305,950) have been included in the determination of the operating result for the accounting period.

Note 23: Contingent Liabilities and Contingent Assets

There were no material contingent liabilities or contingent assets at 30 June 2011 (2009/10 – \$nil).

Note 24: Financing Facilities

The bank overdraft limit of Coliban Water is \$400,000. This facility is subject to annual review and at 30 June 2011 the amount of unused credit was \$400,000 (2009/10 – \$400,000).

The bank overdraft is secured by way of mortgage over the revenue of Coliban Water.

Unsecured loan facilities from Treasury Corporate of Victoria have various maturity dates through to 2011 and may be extended by mutual agreement.

Note 25: Auditors Remuneration

The fee for auditing the financial statements of Coliban Water for 2010/11 has been set at \$74,250 (2009/10 – \$70,850) by the Victorian Auditor-General Office. No other benefits were received or are receivable by the Victorian Auditor-General Office.

Note 26: Events occurring after the Balance Sheet date

No matters or circumstances have arisen since the end of the reporting period which significantly affects the operations of Coliban Water, the results of those operations, or the state of affairs of Coliban Water in future financial years.

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Coliban Region Water Corporation

The Financial Report

The accompanying financial report for the year ended 30 June 2011 of the Coliban Region Water Corporation which comprises the operating statement, statement of other comprehensive income, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification has been audited.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

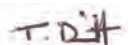
Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Coliban Region Water Corporation as at 30 June 2011 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Coliban Region Water Corporation for the year ended 30 June 2011 included both in the Coliban Region Water Corporation's annual report and on the website. The Board Members of the Coliban Region Water Corporation are responsible for the integrity of the Coliban Region Water Corporation's website. I have not been engaged to report on the integrity of the Coliban Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
26 August 2011


For D D R Pearson
Auditor-General

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