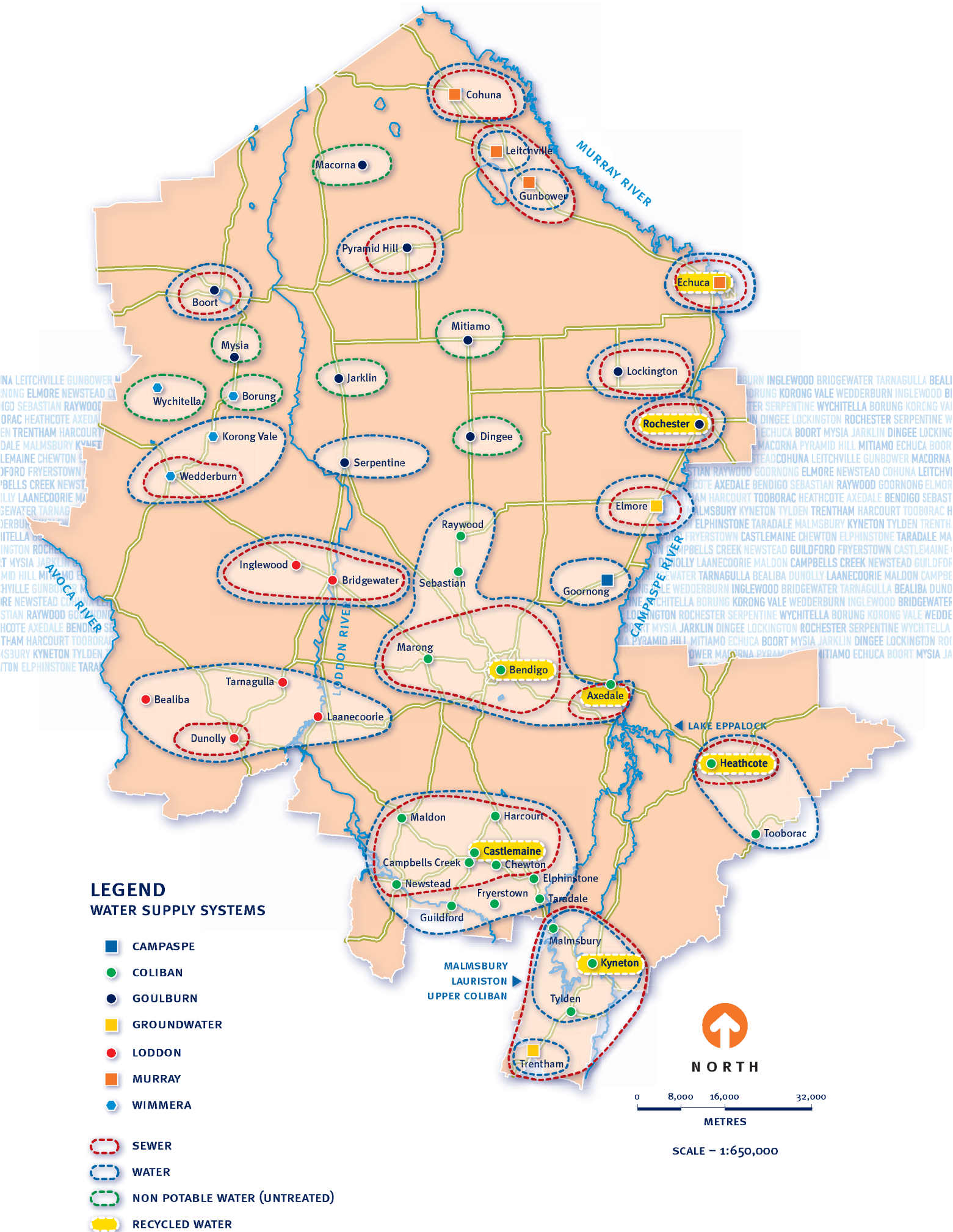


Wodonga town serving you



Disclaimer: This illustration is provided as a guide only.
Coliban Water reserves the right to alter information at any time. © v5 210914 Coliban Water.

ABOUT THIS REPORT

→ THIS ANNUAL REPORT DESCRIBES THE PROGRAMS, INITIATIVES AND ACTIONS WE UNDERTOOK BETWEEN 1 JULY 2014 AND 30 JUNE 2015. IT REPORTS ON OUR PROGRESS IN IMPLEMENTING OUR *2014-15 CORPORATE PLAN*

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VISION

Water to live, grow and enjoy.

PURPOSE

We deliver water services for community needs now and into the future.

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 Minister for the period of 1 July 2014 until 3 December 2014 was The Hon. Peter Walsh MLA, Minister for Water. For the period 4 December 2014 until 30 July 2015 it was The Hon. Lisa Neville MP, Minister for Environment, Climate Change and Water.

We provide water and wastewater services to a region with a population of approximately 146,000 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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INTRODUCTION

CONNECTIONS

Connection	30 June 2015	30 June 2014
Residential	65,372	64,195
Non-residential	6,754	6,691
Rural licences	1,355	1,360

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

ASSET SNAPSHOT

The assets we manage to deliver our services include:

- › 2,174 kilometres of water mains (potable and non-potable)
- › 46 kilometres of recycled water infrastructure
- › 1,885 kilometres of sewer mains
- › 423 kilometres of rural channels
- › 67 kilometres of main channels
- › 16 water treatment plants + 3 operated by Veolia Water (Bendigo, Castlemaine and Kyneton) as a BOOT⁽¹⁾ partner
- › 14 water reclamation plants + 2 operated by ETE Coliban Pty Ltd (Echuca and Rochester) as a BOOT⁽¹⁾ partner
- › 36 water reservoirs and service basins + 4 operated by Veolia Water as a BOOT⁽¹⁾ partner
- › 1 recycled water factory
- › 177 wastewater pump stations
- › 63 water pump stations

Some variances to the 2014 Annual Report figures are a result of asset data verification and reclassification completed during the year.

Asset values	Net book value (000's)
Land	44,660
Buildings	3,352
Corporate assets	9,520
Water infrastructure	319,111
Water distribution infrastructure	128,863
Sewer infrastructure	382,249
Recycling infrastructure	51,889
Rural infrastructure	23,495
Headworks infrastructure	170,583
BOOT schemes infrastructure ⁽¹⁾	93,969
Works in progress	43,027
TOTAL	1,270,718

(1) BOOT – Build Own Operate Transfer.

These assets are owned by our BOOT partners

CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE

On behalf of Coliban Water, we are pleased to present our 2014/15 Annual Report detailing our business performance for the reporting year, and this report contains our audited financial statements, statutory disclosures and other information.

Coliban Water is committed to providing essential water and sewerage services to meet the current and future needs of our customers. Strategically, we see our role as providing support for social, environmental and economic development of the communities we serve and in which we operate. As such, it is important that Coliban Water has the capacity and the capability to collaboratively and meaningfully participate in the future growth and sustainability of our region.

This year, Coliban Water further strengthened its financial capacity, performance and position, building on the stepped improvement achieved and reported for the previous 2013/14 year. Last year, we foreshadowed an anticipated improvement in our financial sustainability risk rating as independently determined by the Victorian Auditor-General's Office (VAGO). In February 2015, VAGO reported to the Victorian Parliament that our rating had changed from a long-standing high risk or 'red light' status to a low risk, 'green light' status. Further to this, we delivered at the end of this reporting year a net operating result before tax of \$5.786 million, which is the first time since 2002 that Coliban Water has achieved an operating surplus.

The significantly improved risk rating and positive operating result were financial and capability goals we set ourselves to achieve within the 2013–18 regulatory period for water prices, and so delivering these outcomes inside the first two years of this five year regulatory period is noteworthy. Our third and final financial goal is to peak our debt levels within the regulatory period. We anticipate achieving this in 2016, at which point we can commence our long term plan of repaying the debt we have accumulated through loans raised over the last decade that were needed over that period to fund critical infrastructure and water entitlement purchases and to finance the delivery of our essential services.

Coliban Water recognises that we have a role to play in improving the capacity, capability and social fabric of our region. Achieving financial sustainability and resilience is an important step in enabling us to contribute to the growth of our region and take advantage of future regional opportunities.

Our water resources were secure throughout the year, although seasonal allocation from the Wimmera Mallee system was limited to 48 per cent of our bulk entitlement volume. We ensured supply to the four towns supplied from this system by supplementing the volume allocated in the year with unused bulk water that we had carried over from previous years. The storage operator for the Wimmera Mallee system has foreshadowed very low opening allocations for 2015/16 and, given the emergence of El Nino conditions during the reporting year, our water supply planning is taking into account the prospect of again receiving limited allocations from that system next year.

Permanent Water Savings Rules were in place for all urban supplies, and our rural customers received full allocations for the 2014/15 season. We continued to trade temporary water entitlements that were not required for current or future supply needs, and this provided much-needed water for buyers seeking water through the water market over the summer and autumn period when seasonal conditions remained dry and demand for rural water was high. The revenue we received from these trades also contributed to our positive financial result.

Capital investment for the reporting year was \$27.76 million, with a key focus being the continued advancement of our most

significant capital project, the modernisation of the Harcourt rural water system that commenced in late 2013, towards completion within this reporting year. However, the lead contractor for the project brought the works to a standstill in November 2014 with around two-thirds of the works constructed, and what followed was a protracted period where no substantial progress was made. This led to us taking the difficult but necessary step in June 2015 of taking the works out the hands of the contractor and concluding their involvement in the project. We have put in place a plan that will enable the timely completion of the works that remain to be constructed. However, with the time lost to date, and the additional time needed to implement the plan, the completion of the project will be delayed until well into 2016.

We apologise for the unfortunate situation that arose at Harcourt, and we are working with Harcourt rural customers to deliver their supply next season via the existing rural channel system. Further, we wish to reaffirm the importance of the Harcourt project in not only servicing the local area's rural customers, but in also providing a critical long-term component of pipeline infrastructure that, with future extensions, will enable us to address the impact of climate change and provide for the needs of growing populations in our southern communities.

During the year, two of our high profile capital projects were nominated for awards in recognition of the technical innovation utilised in new infrastructure delivered under these projects. The \$8 million upgrade of the Rochester Water Treatment Plant was a finalist in the *Infrastructure Project Innovation Award* category at the Australian Water Association's Victorian Water Awards held in December 2014. In September 2014, the newly constructed \$9.5 million water reclamation plant at Rochester was a finalist in the *Infrastructure Projects Up To \$20 Million* category in the Victorian Engineering Excellence Awards. Business innovation remains a strong focus and passion in and across all aspects of our business.


We were also judged as a finalist in the *Commitment to a Healthy Workplace/Business* category at the 2014 Bendigo Business Excellence Awards, which is an acknowledgement of our commitment to the wellbeing of our team and to providing a safe place of work for our staff and those employed by partner businesses servicing our organisation.

We consider 2014/15 to be a year of significant achievement at Coliban Water, as we continually strive to enhance our capability and capacity to support current and future needs of our customers, improve our performance and deliver even better results in order to benefit our customers, our local communities, the region we serve and the Victorian Government representing the State of Victoria as our shareholder.

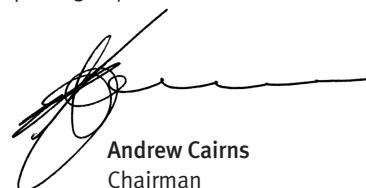
We wish to sincerely thank our fellow directors, our staff, our business partners and the agencies that we work with for their commitment, support and contribution throughout the year, which has been crucial to what we have achieved.

When we at Coliban Water think about and talk about water, to us it is about always having water – to live, grow and enjoy!

In accordance with the *Financial Management Act 1994*, we are pleased to attest that Coliban Water's 2014/15 Annual Report is compliant with all statutory reporting requirements.



Jeff Rigby
Managing Director



Andrew Cairns
Chairman

OUR STRATEGIC DIRECTION

OUR VISION IS 'WATER TO LIVE, GROW AND ENJOY'

We continue to engage and collaborate with our stakeholders, encourage innovation and continuous improvement and optimise our resources and capabilities.

In pursuit of our strategic direction, we identified a number of outcomes and initiatives which we then set out to deliver over a range of timeframes (short, medium and long term). These strategic outcomes and initiatives also align with our identified Key Result Areas (KRAs).

The table below provides a summary of all our short term strategic outcomes, the medium term and long term strategic outcomes commenced and the progress achieved for the year.

Strategic outcome	Short term key deliverables	Progress
KRA 1 Engage with the community and stakeholders to understand and meet their water cycle needs		
Strengthening our stakeholder relationships through engagement and understanding		
Highly valued products and services	› Connecting with customers through existing channels including Your Town visits across the region	Ongoing
Building brand equity	› Establish our Corporate Identity – who we are and what we stand for as an essential service provider	In progress
A trusted monopoly enterprise and economic partner		
Strong and effective relations with regulators	› Identify all regulatory bodies, confirm scope of responsibilities and dependencies	Completed
	› Survey regulators to establish and measure how they rate us	Completed
	› Explore how each party can work together to make regulation of the business easier and more effective to reduce red tape	Nearing completion
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		
Enabling our stakeholders to manage their risks and achieve their goals		
Stakeholder engagement and corporate leadership	› Confirm key stakeholder requirements and expectations and incorporate into our Value Proposition	Nearing completion
	› Clarify responsibilities and accountabilities for stewardship of deliverables to all stakeholders	Nearing completion
Maximising benefits through optimal decisions and solutions		
Greater rigour in justifying and prioritising projects	› Further develop capital investment prioritisation tool that is aligned with critical business drivers and incorporates assessment of risk mitigation benefits	In progress
Enhanced value from our asset base and capital structure		
Efficient and effective management of asset base and debt portfolio	› Align our debt repayment profile with the profile of our asset residual lives	Nearing completion
	› Implement strategy of debt repayment	Nearing completion
	› Identify and prepare plans to dispose of surplus land assets	Nearing completion

OUR STRATEGIC DIRECTION

Strategic outcome	Short term key deliverables	Progress
KRA 3 Ensure improved services, increased standards of living and commercial viability are incorporated into all our financial plans		
Our business success through collaboration and innovation		
Collaborate and innovate	› Create effective ways to disseminate information and share corporate knowledge	Nearing completion
	› Introduce methods to recognise and reward genuine innovation	Commenced
	› Enhance efficiency and effectiveness of 'business as usual' by ensuring alignment and linkage of <i>Corporate Plan</i> objectives with departmental plans and individual performance plans	In progress
Focussing on our 'Customer of the Future' and Intergenerational Equity		
Breaking even on the bottom line within five years	› Introduce Earnings Improvement Program (EIP)	Ongoing
Long term pricing for intergenerational equity	› Develop ten year price modelling based on scenarios	Commenced
	› Factor into forward cost and price projections the outcomes from aligning future borrowings policy with future asset base profile	In progress
Rural rationalisation and establish areas for primary production	› Complete the Harcourt Rural Modernisation Project (including the backbone pipeline forming part of a future interconnector pipeline to supply southern towns from Bendigo)	In progress
	› Engage and consult with customers supplied from those rural systems where the proposed outcome is system closure	Nearing completion
	› Finalise strategy for engaging with rural customers supplied from those rural systems identified as having the potential for reconfiguration, together with other stakeholders	Nearing completion
Engaging regulators to achieve better business outcomes		
Regulation that value adds	› Identify the values and objectives that motivate the style and approach of individual regulators to confirm commonalities and differences	Nearing completion
KRA 4 Ensure our sustainability and actively contribute to regional sustainability		
Partnering in economic and regional development to grow our business and our region		
Integrated water cycle management and water substitution opportunities	› Examine integrated servicing and infrastructure planning for new land development	In progress
Flexible use of fit for purpose recycled water		
Recycled water for the environment and to augment supplies	› Pursue with responsible regulatory entities and key stakeholders a strategy for sustainably discharging suitably treated recycled water to Bendigo Creek and the Campaspe River (for Kyneton)	In progress
	› Develop a contingency plan for supplementing Bendigo's drinking water supply as a future response to a severe drought event	In progress
Effectively managing our critical risks		
Business continuity and recovery	› Develop planning scenarios to maintain liquidity in both short and long term in the event of the loss of key corporate assets	Completed
	› Test and continually improve Business Continuity Plans, including options for alternative emergency response centres	Completed
	› Implementation of Fatal Risk Control Protocols across the business	Completed
	› Hand back and hand over plans developed for all major outsourcing contracts	Completed
	› Future pipeline connection between Bendigo and southern townships	Commenced

CUSTOMERS AND COMMUNITY ENGAGEMENT

→ UNDERSTANDING OUR CUSTOMERS AND COMMUNITIES AND STRENGTHENING OUR STAKEHOLDER RELATIONSHIPS

CUSTOMER SUPPORT

GRADE OF SERVICE

Our Customer Contact Centre achieved a 91.28 per cent Grade of Service. This Essential Services Commission (ESC) target is to answer of 90 per cent of calls within 30 seconds during business hours.

The target increased from 85 per cent to 90 per cent in 2011.

Year	2015	2014	2013	2012	2011
Result	91.28%	90.32%	85.9%	83.34%	88.85%

A total of 88,026 calls were recorded for the year. This is a 3.8 per cent increase in call volume since last year.

The Customer Contact Centre (and broader Customer Support Team) has made significant operational changes over the past 3 years to find efficiencies without compromising customer experience. Our focus continues to be on resolving customer enquiries in a single call.

In total the team handled 156,129 contacts for the year compared to 126,724 in the previous year. This includes telephone, email and over-the-counter contact.

CUSTOMER SERVICE AND SATISFACTION

CONTACT CENTRE BENCHMARKING

We participated in Customer Service Benchmarking Australia which benchmarks our Customer Contact Centre against other water corporations, utilities and various organisations such as banks, insurance companies, internet service providers, and universities. The benchmarking includes a series of telephone calls over three months into our Customer Contact Centre to assess our performance.

For the second year running we have ranked fifth out of 24 water corporations compared to sixth in 2013 and eighth in 2012, with our performance continuing to outperform not only Water Sector averages but averages from all industries surveyed.

Our overall customer satisfaction score increased to 171. This is 25 points higher than the sector average. This benchmarking report is used to identify ongoing opportunities for improvement in customer experience.

CUSTOMER SATISFACTION SURVEY

In June we engaged an independent market researcher to conduct a satisfaction survey of residential customers. 400 telephone interviews were conducted to understand customer experiences, perceptions and overall satisfaction with Coliban Water and our services. Overall customer satisfaction was 89 per cent.

ENERGY AND WATER OMBUDSMAN

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

During the year 85 complaints were made to EWOV compared to 80 last year, representing a nominal six per cent increase in complaint levels. Fourteen of these complaints were referred on for investigation and review by an EWOV conciliator.

Issues taken to EWOV continue to focus on water use volumes (17 cases) and billing charges (42 cases). Other matters raised included rural operational issues, and Land Development processes and projects.

EWOV referred the equivalent of 1.2 complaints for every 1,000 customers to us for action during 2014/15, compared to the ESC's target of two per 1,000 customers.

We believe cost of living pressures are a key factor for the increased number of cases.

2014/15	Unassisted referrals	Assisted referrals	Real time resolution	Investigations	Total
	16	49	6	14	85

COMPLEX ENQUIRIES

Our Customer Contact Centre aims to resolve the customer enquiry at their first point of contact with us. Where the enquiry needs more investigation it is referred to our Complex Enquiries Team. We had 569 enquiries referred for further review and investigation, a 9 per cent reduction compared to last year.

Consumption related enquiries accounted for about one third of all complex enquiries. Operational issues accounted for a further 40 per cent and were made up of sewer odours, sewer overflows, sewer blockages, water leaks and issues with Coliban Water assets. Tariffs, billing and meter enquiries accounted for 17 per cent of all investigations.

We investigate all reports of breaches of the *Water Act 1989*, Water Restriction By-Law and Permanent Water Saving Rules (PWSR). We received 11 PWSR breach reports during the year. All were investigated and no action taken.

Investigation summary 2014/15	Number
Consumption	173
Revenue (Billing, Meters, Tariffs)	102
Operational issues, site restoration, compensation claims, water leaks and sewer intrusions	236
EWOV cases	47
PWSR offender investigation	11
Penalty infringement notices issued	0
Restrictors applied for breach of water restrictions	0
TOTAL ACTIONS	569

CUSTOMERS AND COMMUNITY ENGAGEMENT

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 assist non-English speaking and speech and hearing impaired customers.

STANDPIPES AND WATER CARTERS

In 2014/15 we had 1,578 private and commercial water carters registered for potable water carting. This is an increase of over 29 per cent over the last year. There was however a decrease in the number of recycled water carters which is down from 38 to just 21. Water carting permits allow customers to take water from various standpipes within our region, of which Coliban Water directly controls 15.

A total of 160.4 megalitres was taken from the Coliban Water managed standpipes for the year. This was an increase on the previous year's total of 146.6 megalitres, which will most likely have been driven by a drier autumn with lower than expected rainfall since mid-January 2015.

COMMUNITY RELATIONS AND COMMUNICATION

CUSTOMER AND COMMUNITY COMMITTEES

In addition to working with our customer committees we look for opportunities to engage with local interest groups including town progress associations. Our committees and involvement with community groups helps us understand and learn more about the towns and communities where we provide services.

OUR COMMITTEES:

- › Rural Customer Advisory Group which met four times this year. The focus was on rural engagement, rural operations, water trading rules and the process for evaluating the viability and future needs of each rural system
- › Harcourt Water Services Committee which met once this year and has been updated on a fortnightly basis about the Harcourt Rural Modernisation Project
- › Cockatoo Hill Rural Reference Group was retired this year due to the successful delivery of the Raywood/Sebastian pipeline and interests that were closely aligned to that of the Rural Customer Advisory Group. One member of this group is now a member of our Rural Customer Advisory Group to represent the interests of this area

YOUR TOWN COMMUNITY VISITS PROGRAM

Our commitment to visiting communities within our region through the Your Town program continued this year, providing our customers an opportunity to meet with our Customer Support Team as well as staff from across our business. This program is promoted through bill inserts and offers a face-to-face informal opportunity for us to chat to learn more about our customers, understand issues at a local level and to proactively respond to customer enquiries.

We visited ten towns this year and met with over 200 customers. This program will continue for 2015/16.

SCHOOL AND COMMUNITY EDUCATION

We have a targeted school and community education program. During the year we visited 26 schools and reached approximately 1,100 students.

We deliver educational programs based around our core business functions of water and wastewater treatment and delivery, with specifically developed activities that cater from early childhood to tertiary groups. Newly developed activities this year included an interactive quiz based on wastewater treatment, a kinetic sandpit catchment activity and a water filtration role play demonstration.

The state-wide National Water Week poster competition had approximately 300 entries from students representing 11 schools in our region. We presented certificates and prizes at each of the participating schools.

We collaborate with the North Central Catchment Management Authority and the City of Greater Bendigo on activities during National Water Week and we are a sponsor of the North Central Waterwatch Program.

INFORMATION AND EDUCATION

We have continued our approach to communicate directly with our customers about things that are relevant to them or the street, suburb or community in which they live or work.

Most information is provided by via post, letterbox drop, email or in person. We also have information on our website for customers who have internet access.

ANNUAL PUBLIC MEETING

Our Annual Public Meeting was held on Thursday 17 July, 2014. Our guest speaker was Denis Flett from the Victorian Environmental Water Holder. We presented our operational and financial performance for the 2013/14 financial year and presented targets for our 2014/15 *Corporate Plan*. As this event has limited customer attendance we are looking at alternative ways for customers to meet our Board and to access the information provided.

COMMUNITY ENGAGEMENT FOR CAPITAL PROJECTS

We develop community relations programs for our capital projects. This includes identifying and engaging stakeholders as part of our projects. Our largest community relations projects for the year included the Harcourt Rural Modernisation Project and the Pine Safety Removal Project at Lauriston and Malmsbury Reservoirs near Kyneton.

HARCOURT RURAL MODERNISATION PROJECT

The Harcourt Rural Modernisation Project will connect approximately 160 landowners to a new rural piped system in the agricultural area of Harcourt. The new pipe network will replace an historic open channel system that currently supplies the area and will provide our Harcourt rural customers a greater level of reliability.

Landowner, customer and community engagement has focussed on in-person contact with landowners and customers, and postal updates to landowners and customers. Our Harcourt Water Services Committee continues to be an important part of our community engagement for this project.

PINE SAFETY REMOVAL PROJECT

27 hectares of pine plantations exist around our catchment storages near Kyneton – a total of nine stands. Due to the age of the trees and the impact of severe drought and storms, these stands have become a safety risk to staff and visitors to the area and have therefore been fenced off.

In the previous year we removed the pine trees surrounding the recreation areas at Lauriston and Malmsbury Reservoirs. Prior to the works we contacted customers and landowners in the area and kept them informed throughout the works.

A community planting day following harvesting was a part of revegetation program for the recreation areas. A survey was conducted late last year to understand community views on recreation area facilities. The greatest interest was in areas having shade and picnic facilities.

Over the next two years, there will be an installation of more picnic areas including tables, chairs, barbeques, shading and shelters for community use. A previously closed toilet block will be reopened in a refurbished condition. There are further pines to be removed and the areas will be revegetated with native plant species.

INDIGENOUS CONSULTATION

HARCOURT RURAL MODERNISATION PROJECT

Under the requirements of the *Aboriginal Heritage Act (2006)* we engaged cultural heritage consultants during the project planning and delivery stages to identify and assess sites of Aboriginal cultural heritage significance along the pipeline route and to prepare a Cultural Heritage Management Plan (CHMP). The CHMP, approved by the local Registered Aboriginal Party (Dja Dja Wurrung Clans), set out recommendations for each site of significance to manage and protect the Aboriginal cultural heritage prior to, during and following construction.

A total of nine sites of Aboriginal cultural heritage significance required salvage excavations to be undertaken by the Cultural Heritage Advisor and Dja Dja Wurrung members, to recover and protect heritage material prior to construction. These works were completed, with more than 1,646 artefacts analysed and catalogued. The artefacts will be returned to the ground at the end of construction.

Ongoing monitoring of the work will help to ensure that artefacts still remaining can be preserved during construction works.

LAND USE ACTIVITY AGREEMENT (LUAA)

Under the requirements outlined in the LUAA, we have worked with the Dja Dja Wurrung Corporation on the following activities:

- › Negotiation B Activity for a new access track at Green Gully Reservoir
 - The track is required to enable improved access for staff to the Green Gully Reservoir and the Lockwood Channel nearby
 - This will be finalised in early in the 2015/16 reporting year
- › Negotiation B Activity for a new access track and mechanical trash grate at our Coliban Main Channel at Sutton Grange
 - The track is for Occupational Health and Safety purposes due to a blind corner at the previously used access point
 - The mechanical trash grate is for Occupational Health and Safety purposes to improve manual handling conditions for staff
 - Notification occurred in early 2015, the process will be finalised in the next reporting year
- › Negotiation B Activity for the Diamond Gully Road sewer project in Castlemaine
 - Notification occurred in 2014/2015, the process will be finalised in early 2015/16
- › Advisory Activity regarding new grazing licences for issue at Green Gully Reservoir

WATER SECURITY

WATER SUPPLY SYSTEMS

Our overall water supply system consists of 26 separate urban (potable) supplies within nine water systems. This includes two separate groundwater sources for Elmore and Trentham. The Coliban System Northern can be supplemented with supply from the Waranga Western Channel (via the Goldfields Superpipe) and Lake Eppalock, whilst the Coliban System Southern is solely supplied by our Coliban River catchment storages. For further detail see our region map on the inside front cover.

Our three Coliban River catchment storages (Upper Coliban, Lauriston and Malmsbury), located near Kyneton, started the year at 47,885 megalitres (69 per cent of capacity), reaching a maximum of 59,926 megalitres (86 per cent of capacity) on 28 August 2014. The storages then slowly decreased to 42,311 megalitres (61 per cent of capacity) on 30 June 2015.

Our share of Lake Eppalock at the start of the financial year was 49,935 megalitres (91 per cent of full capacity) and at 30 June 2014 was 34,154 megalitres (62 per cent of full capacity).

During the year, inflows did not exceed storage capacity and there was no spilling water from both our Coliban River catchment storages and from our share of Lake Eppalock. We, however, spilled 50 megalitres from our spillable water accounts attached to our Murray supply system.

We started the year with our Coliban System Southern storages holding more than the 45 gigalitre reserve trigger level that was in place at the time. In October 2014 the trigger level was revised (based on storage volumes, inflow, climate data and predictions) to 50 gigalitres. Whenever the storage levels are below this trigger, transfer of water to Bendigo ceases. Given the generally dry season experienced and uncertainty of additional inflows late in the season, transfers to Bendigo ceased ahead of the trigger and pumping commenced from Lake Eppalock in early October 2014, using our share of water stored in Lake Eppalock as the alternate source to supply Bendigo. For the year, we pumped a total of 12,529 megalitres for Coliban Water and 534 megalitres on behalf of Central Highlands Water from Lake Eppalock. In addition 32 megalitres of water was pumped for Coliban Water and 118 megalitres on behalf of Central Highlands Water from the Waranga Channel at Colbinabbin.

During 2014 we have actively reviewed our method for forecasting water demand on a system by system basis. We have also established four separate levels for the volumetric trigger for our major storages in order to better manage the balance of the raw water supply between our northern and southern systems having regard to annual inflow and projections on climate indicators.

WATER STORAGE VOLUMES

	As at 30 June 2014 Megalitres (ML)	As at 30 June 2015 Megalitres (ML)	% full 30 June 2015
Storage volume in our region			
Coliban System Northern – Sandhurst Reservoir	1,505	2,072	80
Coliban System Northern – Caledonia Reservoir	174	162	76
Coliban System Northern – Lake Eppalock (Coliban Water share)	49,926	34,154	62
Coliban Rural Northern – Spring Gully Reservoir (recycled water)	702	842	50
Coliban System Southern – Upper Coliban Reservoir	25,810	20,441	54
Coliban System Southern – Lauriston Reservoir	15,780	17,390	88
Coliban System Southern – Malmsbury Reservoir	6,138	4,480	37
Coliban System Southern – McCay Reservoir	1,184	1,168	86
Coliban System Southern – Barkers Creek Reservoir (rural)	0	1,060	63
Groundwater – Trentham storages	69	69	76
TOTAL	101,288	81,838	62
Available water in other systems			
Campaspe System Bulk Entitlement – held in Lake Eppalock	331	313	n/a
Campaspe System Water Shares – held in Lake Eppalock	260	3,075	n/a
Coliban System Northern Water Shares – held in Lake Eildon	3,475	2,858	n/a
Goulburn System Bulk Entitlement – held in Lake Eildon	881	762	n/a
Loddon System Bulk Entitlement – held in Loddon storages	390	332	n/a
Murray System Bulk Entitlement (and share) – held in Murray River storages	250	994	n/a
Wimmera System Bulk Entitlement – held in Grampians storages	297	185	n/a
TOTAL	5,884	8,519	n/a
TOTAL	107,172	90,357	n/a

Water storage volume notes:

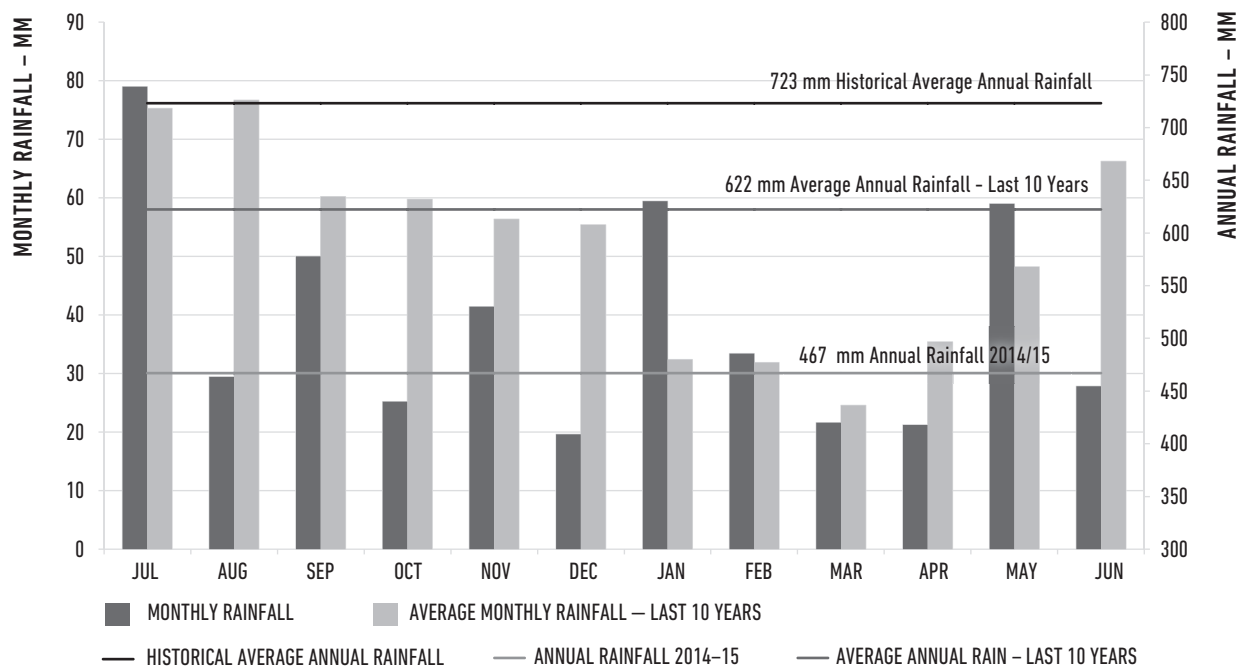
1. The volume of water held in our storages at 30 June 2015 was 81,838 megalitres which is 19,450 megalitres less than water held in storage at the end of June 2014. The amount stored in the Coliban catchment storages was 5,417 megalitres less largely due to low inflow particularly in July and August 2014.
2. 91 per cent of our total water resource of 90,357 megalitres, is held in our storages, including our share of Lake Eppalock. The remaining 8,519 megalitres is held in storages controlled by Goulburn-Murray Water (G-MW) and Grampians Wimmera Mallee Water.

WATER SECURITY

RAINFALL AND WATER INFLOWS

We received 467 millimetres of rainfall at Malsbury Reservoir for the year. This is 25 per cent less than the average for the past ten years of 622 millimetres and 36 per cent less than the historical average of 723 millimetres. We received below average rainfall in all months except January which was above average and July and May were just equal to average.

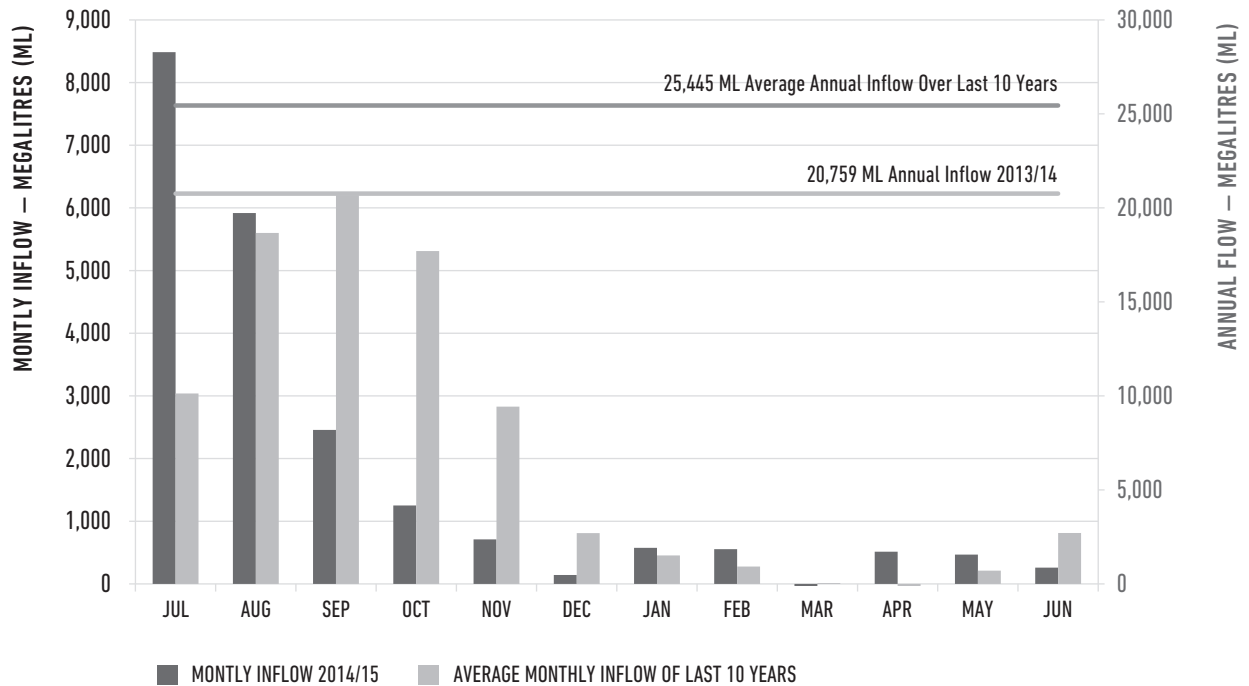
MALMSBURY RESERVOIR MONTHLY RAINFALL 2014/15



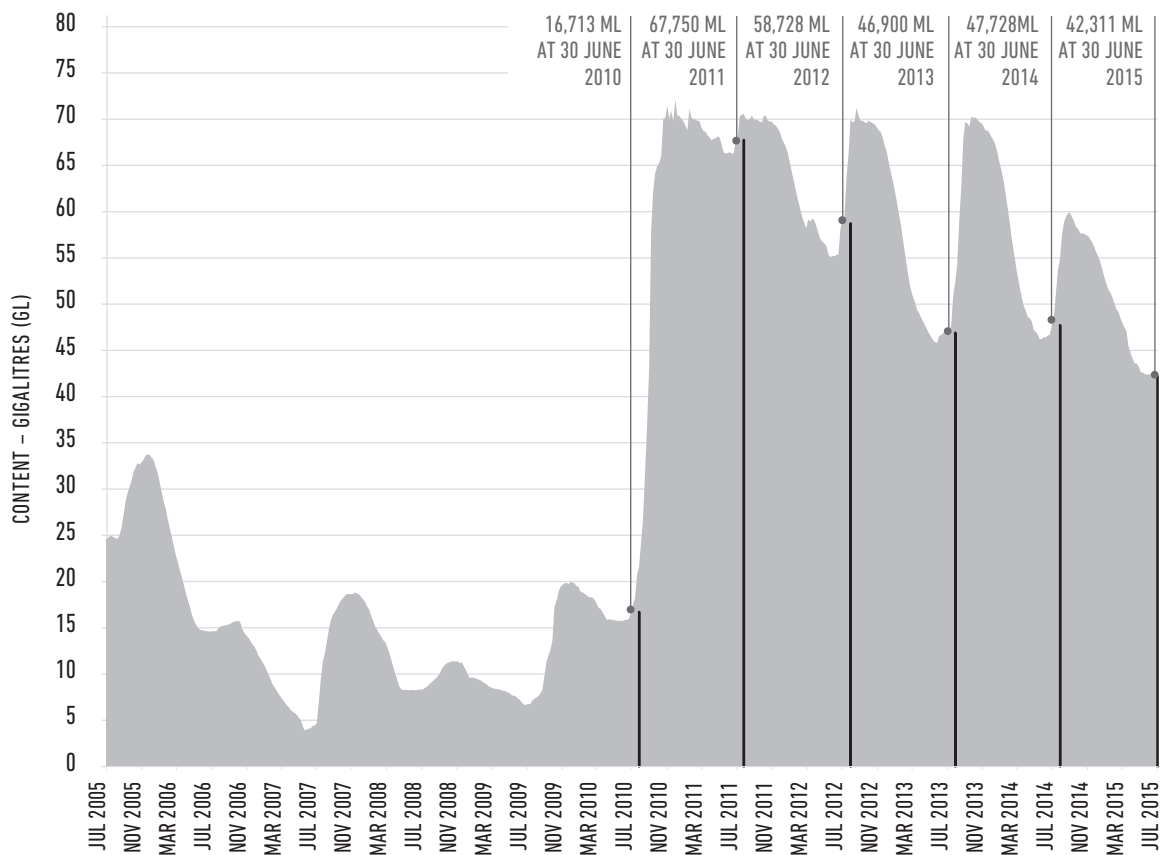
We received 100 per cent of our water allocations across our region from our bulk water suppliers, with the exception of Grampians Wimmera Mallee Water where we received 48 per cent.

Our catchment storages received below average inflows of 20,759 megalitres (82 per cent of the average for the past 10 years of 25,445 megalitres).

COLIBAN HEADWORKS STORAGES > MONTHLY INFLOW 2014/15



COLIBAN STORAGE CONTENTS > UPPER COLIBAN, LAURISTON & MALMSBURY RESERVOIRS



WATER SECURITY

BULK WATER ENTITLEMENTS

We hold Bulk Water Entitlements for surface water in the Campaspe, Coliban, Goulburn, Loddon, Murray and Wimmera systems. For Trentham we hold a Bulk Entitlement and groundwater extraction licence, and for Elmore only a groundwater extraction licence. We also hold water shares (high and low reliability) in the Campaspe, Goulburn and Murray Systems.

The volumes taken during 2014/15 were as follows:

Supply system	Source of supply	Bulk Entitlement volume Megalitres	Bulk Entitlement allocation Megalitres	Balance 1 July 2014 Megalitres	Raw water volume taken Megalitres	Balance 30 June 2015 Megalitres	Reporting requirements in accordance with Bulk Entitlement (BE) clause
Campaspe	Campaspe River						
Bulk Entitlement reference: Bulk Entitlement (Axedale, Goornong & part Rochester) Conversion Order 1999							
Axedale & Goornong		215	215	204	57	186	12.1(b) – Annual volume taken – 57 megalitres 12.1(c) – Any credits granted – Nil 12.1(d) – Metering program – Nil
Rochester		134	134	127	0	127	12.1(e) – Temporary or permanent transfer of all or part of BE – Nil 12.1(f) – Period of restriction – Nil 12.1(g) & (h) – Any amendment to BE, or new BE for Axedale, Goornong & Rochester – Nil 12.1(i) – Any failure to comply with BE – Nil 12.1(j) – Difficulties in complying – Nil
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	N/A	31,569	N/A	18.1(f) – Annual volume taken – See Notes 1, 2 & 3 18.1(g) – Annual evaporation loss – from our headworks is 7,554 megalitres and from our share of Lake Eppalock is 6,636 megalitres 18.1(h) – Internal spill in Lake Eppalock to G-MW share – Nil 18.1(i) – Passing flow compliance record – see Note 4 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 – Nil 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 – 31,569 megalitres 18.1(q) – Any amendment to bulk entitlement – Nil 18.1(r) – Any new bulk entitlement – Nil 18.1(s) – Implementation of environmental and metering programs – Nil – See Note 5 regarding metering. 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 (Goulburn Channel System – Coliban Water) Order 2012							
Boort					156		15.1(b) – Annual volume taken – 1,574 megalitres
Dingee					58		15.1(c) – Volume from other locations – Nil
Jarklin					1		15.1(d) – Any credit granted – Nil
Lockington					90		15.1(e) – Metering program – Nil – See Note 5, bulk meters managed by G-MW
Macorna					6		15.1(f) – Temporary or permanent transfer of all or part of BE – Nil
Mitiamo					20		15.1(g) – Assignment or transfer to Coliban Water – Nil
Mysia					1		15.1(h) – Amendments to BE – Nil
Pyramid Hill					124		15.1(i) – New BE – Nil
Rochester					1,088		15.1(j) – Failure to comply – Nil
Serpentine					32		15.1(k) – Difficulties in complying – Nil
TOTAL		2,420	2,420	881	1,574	762	
Groundwater	Groundwater Licence						
Elmore	Bore	284	284	N/A	122	N/A	
Bulk Entitlement reference: Bulk Entitlement (Trentham) Conversion Order 2012							
Trentham	Spring Water	120	120	N/A	100	N/A	12.1(b) – Annual volume taken – 121 megalitres 12.1(c) – Average annual amount taken over three years – 102 megalitres
	Bore	48	48	N/A	21	N/A	12.1(e) – Metering program – see Note 5 12.1(f) – Transfer or assignment of allocation – Nil 12.1(g) – Any amendments of transfers with respect to Order – Nil 12.1(h) – Any failure to comply with order – Nil 12.1(i) – Any difficulties complying with Order – Nil

WATER SECURITY

Supply system	Source of supply	Bulk Entitlement volume Megalitres	Bulk Entitlement allocation Megalitres	Balance 1 July 2014 Megalitres	Raw water volume taken Megalitres	Balance 30 June 2015 Megalitres	Reporting requirements in accordance with Bulk Entitlement (BE) clause
Loddon	Loddon River						
Bulk Entitlement (Loddon System- Coliban Water) Conversion Order 2005							
Bridgewater & Inglewood					252		13.1(b) – Annual volume taken – 381 megalitres 13.1(c) – Any credits granted – Nil 13.1(d) – Metering program – Nil – see Note 5, bulk meters managed by G-WM 13.1(e) – Temporary or permanent transfer of all or part of BE – Nil
Laanecoorie, Dunolly, Bealiba & Tarnagulla					129		13.1(f) – Period of restriction – Nil 13.1(g) – Any amendment to BE – Nil 13.1(h) – New BE granted – Nil 13.1(i) – Any failure to comply with BE – Nil
TOTAL		820	820	390	381	332	13.1(j) – Difficulties in complying – Nil
Wimmera	Wimmera Channel						
Bulk Entitlement (Wimmera and Glenelg Rivers – Coliban Water) Order 2010							
Korong Vale & Wedderburn					215.1		13.1(b) – Annual volume taken – 222.8 megalitres 13.1(c) – Amount and location of water taken from other than specified point – Nil 13.1(e) – Metering program – Nil – see Note 5, bulk meters managed by G-WM Water 13.1(f) – Temporary or permanent transfer of all or part of BE – Nil
Borong					4.1		13.1(g) – Any BE or other entitlement transferred to Coliban Water under this order – Nil 13.1(h) – Any amendment to BE – Nil
Wychitella					3.6		13.1(i) – New BE granted – Nil 13.1(j) – Any failure to comply with BE – Nil
TOTAL		300	144	297	222.8	185	13.1(k) – Difficulties in complying – Nil
Murray	Murray River						
Bulk Entitlement (River Murray – Coliban Water) Conversion Order 1999							
Cohuna					740		20.1(b) – Annual volume taken – 4,292.5 megalitres 20.1(c) – New off-take points – Nil 20.1(d) – Water returned – Nil, at any of the specified points 20.1(e) – Metering Program – Nil – see Note 5, bulk meters managed by G-MW 20.1(f) – Allocation traded: 8,585 (Sourced from other Allocation Bank Accounts)
Echuca					3,274		20.1(g) – Any BE or other entitlement transferred to supply primary entitlements under this order – Nil 20.1(h) – Amended as per September 2014 20.1(i) – New BE granted – Nil 20.1(j) – Any failure to comply with BE – Nil
Gunbower					61		20.1(k) – Difficulties in complying – Nil
Leitchville					217.5		
TOTAL		6,285	6,285	224	4,292.5	919	
Goulburn	Waranga Western Channel						
Coliban System Northern	Water Shares High Reliability	22,801	22,801	3,475	23,669	2,858	Allocation purchase – 0 megalitres
	Water Shares Low Reliability	2,861	0				Allocation traded: 16,615 megalitres
Campaspe	Lake Eppalock						
Coliban System Northern	Water Shares High Reliability	2,591	2,591	260	1,531	3,705	Allocation purchase – 0 megalitres
	Water Shares Low Reliability	646	297				
Murray	Murray River						
Cohuna, Echuca	Water Shares High Reliability	55	55	26	0	75	Allocation purchase – 0 megalitres
Gunbower, Leitchville	Water Shares Low Reliability	24	0				Allocation trade – 0 megalitres Previously unreported

Note 1: 15,761 megalitres discharged from Malmsbury Reservoir to Coliban Main Channel.

Note 2: 887 megalitres discharged from Lauriston Reservoir to Kyneton system.

Note 3: 12,930 megalitres discharged from Lake Eppalock to Bendigo pipeline and Heathcote and 534 megalitres to Central Highlands Water.

Note 4: 1,991 megalitres Malmsbury environmental flow and no natural spilling. Malmsbury Passing Flows account balance was 473 megalitres as at 30/06/2015. Flows in the Coliban River are recorded daily and

provided weekly to the North Central Catchment Management Authority (CMA). At the request of the North Central CMA the minimum passing flow has been varied to 4 megalitres per day. The rationale is to accumulate environmental reserves to provide for larger 'fresher' flows during dry periods. By request of North Central CMA, 301 megalitres discharged to Coliban River for summer fresh river flush. G-MW, as storage manager for Lake Eppalock, are responsible for meeting the passing flow requirements on the Campaspe River downstream of Lake Eppalock.

Note 5: Field validation of all of our metering locations is in progress.

WATER SECURITY

WATER ALLOCATION

A total of 12,930 megalitres of water stored in Lake Eppalock was used to supply our customers in Bendigo, Heathcote and the Coliban rural system. Water in our Coliban catchment reservoirs was used to supply our customers in Castlemaine and Kyneton areas (Coliban System Southern) and a 100 per cent allocation was made to Coliban Water rural network customers. Announcements on rural allocation are made in early July each year to help rural customers better plan for future rural seasons.

Sources of water 2014/15	Megalitres
Direct river extractions	3,712
Groundwater	243
Draw from dams/reservoirs	31,569
Channel supplies	2,933
TOTAL	38,457

WATER PURCHASES

There was no purchase or sale of permanent water entitlement during 2014/15. During the year 25,200 megalitres of temporary water from the Goulburn and Campaspe system allocations was sold on the water market.

WATER RESTRICTIONS

At the start of the 2014/15 all towns in our region were on Permanent Water Saving Rules. This was still the case at the end of the reporting period.

RURAL USAGE

Our rural customers had 100 per cent allocation for the 2014/15 season.

Channel name	Number rural licences	Base entitlement (Megalitres)	Number licences supplied	Volume delivered (Megalitres)
Abbotts	103	391.0	83	214.5
Ascot	37	819.9	25	509.5
Axe Creek	70	391.1	43	123.0
Campbells Creek	1	6.1	1	6.1
Cockatoo Hill	29	106.7	21	66.8
Coliban Main ⁽¹⁾	144	6,251.7	65	370.0
Cominis	8	51.9	6	11.2
Diamond Hill	12	64.3	8	26.8
Eagles	18	72.4	13	37.0
Ellesmere	42	150.6	34	106.5
Emu No. 1	14	81.6	14	65.9
Emu No. 2	16	136.4	11	45.5
Emu Valley No. 1	82	354.6	61	154.5
Emu Valley No. 2	64	379.3	44	97.8
Eppalock Pipeline	77	822.3	66	350.9
Gaol Hill ⁽²⁾	0	0.0	0	0.0
Goornong	15	352.2	10	108.4
Harcourt Main	87	1,467.6	41	807.6
Huntly	2	21.6	2	13.7
Ironstone	6	12.7	5	5.1
Jackass Flat	2	2.0	1	1.2
Kangaroo	1	9.4	0	0
Lauriston Reservoir	5	10.0	1	0.3
Lockwood	123	588.5	78	176.7
Maiden Gully	43	356.2	24	175.7
Malmsbury Reservoir	2	4.0	0	0.0
Mannes	14	93.8	10	23.5
Marong	30	258.8	21	141.2
Myers Flat	16	116.0	10	51.5
Neilborough	10	31.5	10	24.8
Poverty Gully	14	33.2	6	8.3
Ranters ⁽²⁾	0	0.0	0	0.0
Raywood	60	304.8	43	196.0
Sebastian	7	59.7	7	25.3
South Lockwood Pipeline	46	397.3	43	155.1
Sparrowhawk	1	5.3	1	2.2
Speciman Gully	13	167.0	6	77.9
Speciman Hill	34	307.6	22	53.8
Spring Gully	33	159.3	24	64.6
Strathfieldsaye	2	5.0	2	1.2
Trust	7	71.8	5	25.2
Warrens	27	318.0	13	149.5
White Hills	7	257.7	5	191.4
Wilsons Hill	31	250.9	25	86.7
TOTAL	1,355	15,741.8	910	4,753.1

Rural usage notes

(1) CW licence volume at end of season – 5,096.8 megalitres.

(2) Channel closed.

WATER SECURITY

WATER SOURCES

Sources	Number of customers supplied	Supplied volume (Megalitres)
Raw	753	3,510.63
Recycled	157	1,242.48

RURAL SYSTEM TRADING BY OUR CUSTOMERS

Permanent trade		Temporary trade		Trade as part of land transfers	
Number of trades	Volume megalitres	Number of trades (sales)	Volume megalitres (sales)	Number of trades	Volume megalitres
34	245.7	34	166.6	57	275.8

These figures do not include the 25 licence volumes surrendered to Coliban Water. A total of 191.8 megalitres was surrendered.

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 (WRP) produces Class B recycled water, which is supplied to the Axedale Golf Club for irrigation use.

BENDIGO

The Bendigo WRP produces Class B and Class C recycled water, which is used for on-site irrigation, and it is also supplied to off-site users, such as the Fosterville Gold Mine, the Bendigo Livestock Exchange and three neighbouring farmers for agricultural use.

The Bendigo recycled water scheme uses Class A recycled water produced at the Bendigo Recycled Water Factory and/or raw water supplied into the scheme from the Coliban channel system under a water quality framework approved by the Department of Health and Human Services and the Environment Protection Authority. The Class A recycled water is available via the recycled water pipeline, two standpipes in Bendigo and some rural channels. The pipeline water is used for sporting facilities, parks and gardens, primary schools, rural customers, car washing, road works and commercial customers for dust suppression.

BOORT

The Boort WRP produces Class C recycled water which is used for on-site irrigation.

CASTLEMAINE

The Castlemaine WRP produces Class C recycled water, which is supplied to the Castlemaine Golf Course via a pipeline, and to an earthworks company for dust suppression and construction works via tanks located at the plant.

DUNOLLY

The Dunolly WRP produces Class C recycled water which is used for on-site irrigation.

ECHUCA

The Echuca WRP produces Class C recycled water which is pumped to a storage (Singers Road Storage) located between Echuca and Rochester and is supplied to local irrigators.

ROCHESTER

A new mechanical treatment plant at Rochester has been built and was commissioned in 2014. The WRP produces Class B recycled water which is pumped to a storage (Singers Road Storage) located between Echuca and Rochester and is supplied to local irrigators.

HEATHCOTE

The Heathcote WRP produces Class C recycled water which is supplied to the Heathcote Golf Club for irrigation use.

KYNETON

The Kyneton WRP produces Class B and Class C recycled water. The Class C water is supplied to an on-site irrigator. The Class B recycled water is supplied to Kyneton Racecourse and the Macedon Ranges Shire Council for the watering of local sports grounds and the Botanical Gardens in Kyneton.

WEDDERBURN

The Wedderburn WRP produces Class C recycled water which is used for on-site irrigation.

Water Reclamation Plant	Recycled water usage volume (Megalitres)	
	2014/15	2013/14
Axedale	11.9	7.3
Bendigo		
Class A	0.0	0
Class B and C	1,089.1	1,633.6
Boort	17.9	21.5
Bridgewater	0.0	0
Castlemaine	117.6	81.8
Cohuna	0.0	0
Dunolly	0.0	11.3
Echuca*	1,463.7	811.3
Elmore	0.0	0
Gunbower	15.0	0
Heathcote	114.9	104.7
Kyneton	329.6	277.4
Lockington	0.0	0
Pyramid Hill	14.0	0
Rochester	0.0	0
Wedderburn	23.9	6.8
TOTAL	3,197.5	2,955.7

*Note that recycled water reuse volume from the Echuca WRP for the year 2014/15 also includes recycled water pumped from the Rochester WRP.

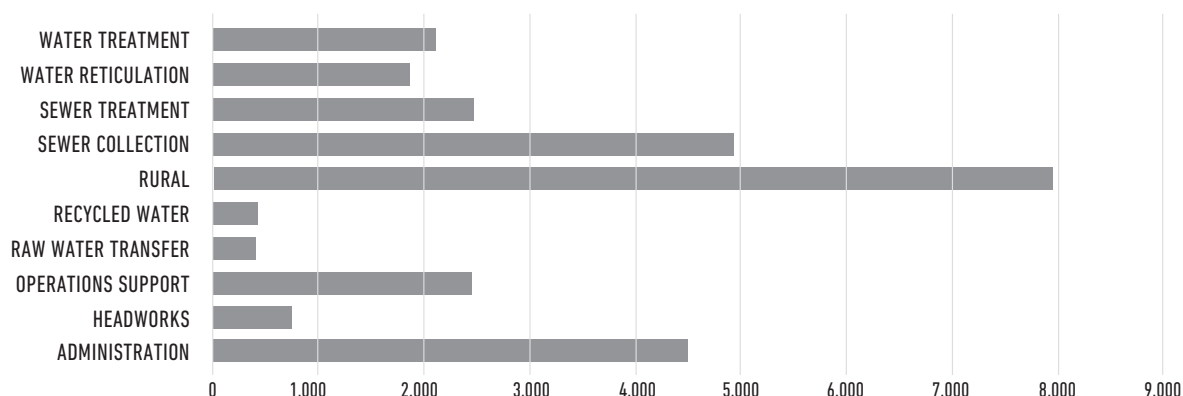
RECYCLED WATER MANAGEMENT

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

CAPITAL PROJECTS

This was the second year of our five year capital portfolio target of \$171.9 million, bringing our two year cumulative total to \$65.91 million. During 2014/15 our project teams delivered a total of \$27.76 million of works across various programs.

2014/15 CAPITAL EXPENDITURE (\$'000s)



The Water Treatment program had a total 2014/15 spend of \$2.0 million and delivered the following key achievements:

- Water treatment plant and network maintenance (non-metro various*): completed an annual program (\$0.57 million) including; replacement and upgrade of assets, purchase of a valve maintenance trailer
- Water systems booster disinfection (non-metro various*): completed installation of booster disinfection units (\$0.49 million) to four water reticulation systems with a high risk of E.coli detection

The Water Reticulation program had a total 2014/15 spend of \$1.87 million and delivered the following key achievements:

- Water main renewals (non-metro various*): completed annual program (\$1.08 million) of water mains renewals to ensure security of supply to customers and reduce water losses from burst and leaking mains

The Sewer Treatment program had a total 2014/15 spend of \$2.47 million and delivered the following key achievements:

- Rebuild Cohuna Water Reclamation Plant (Cohuna): commenced refurbishment works and detailed investigation (\$1.15 million) to improve performance and meet Environment Protection Authority requirements

The Sewer Collection program had a total 2014/15 spend of \$4.95 million and delivered the following key achievements:

- Spring Gully sewerage network augmentation (Bendigo): completed the Spring Gully sewerage network augmentation (\$1.15 million) to improve system capacity and reduce environmental issues in flood events
- Sewer Main Renewals (non-metro various*): completed annual program (\$0.89 million) of sewer main renewals to improve operational efficiencies and reduce blockages and overflows to the environment
- Rochester to Echuca Water Reclamation Plant (Rochester): completed lagoon desludging and defects works (\$0.56 million) as part of decommissioning of the plant

The Rural program had a total 2014/15 spend of \$7.94 million and delivered the following key achievements:

- Rural system reconfiguration (Harcourt): commenced project (\$7.59 million) including; part construction of 65 kilometres of rural pipeline throughout the Harcourt area to replace the aged gravity channel system and completion of construction of balancing storage tanks

The Recycled Water program had a total 2014/15 spend of \$0.42 million and delivered the following key achievements:

- Recycled water to Jackass Flat Phase B (Bendigo): completed construction (\$0.24 million) of recycled water supply to a new residential development in Jackass Flat area

The Raw Water Transfer program had a total 2014/15 spend of \$0.41 million and delivered the following key achievements:

- Coliban Main Channel renewals (Coliban Region): commenced construction of works (\$0.24 million) including flume replacement, erosion control and leakage control

The Operations Support program had a total 2014/15 spend of \$2.46 million and delivered the following key achievements:

- Telemetry replacement (non-metro various*): completed annual program (\$0.59 million) for the replacement and upgrade of digital network of telemetry assets
- Occupational Health and Safety upgrades of main channel offtakes (non-metro various): completed annual program of works (\$0.38 million) to address hazards to staff and public on the Coliban Main Channel

The Headworks program had a total 2014/15 spend of \$0.75 million and delivered the following key achievements:

- Pine removal and revegetation (non-metro various*): continued progress of removing aged pine trees from recreation areas (\$0.36 million) at catchment storages for safety reasons. Revegetation at Lauriston and Malmsbury Reservoirs completed

The Administration program had a total 2014/15 spend of \$4.49 million and delivered the following key achievements:

- Echuca West Land Development (Echuca): completed the construction of water and sewerage services (\$1.86 million) and sale of land for the Echuca West Land Development to the Victorian Department of Education
- Planned corrective and reactive maintenance (non-metro various): completed annual program of renewals and refurbishment of water, recycled water and sewer assets (\$1.03 million) to ensure levels of service are maintained
- Information technology improvements (non-metro various): completed implementation of the first year (\$0.97 million*) of a three year strategy which aims to establish robust systems and practices, and improve data integrity for use in the preparation of innovative and transformational projects in future years to come

* Non-metro various indicates the project will deliver outcomes to more than one town and/or system in the Coliban Water Region.

CUSTOMER SERVICE OBJECTIVES – WATER RETICULATION

There are 14 service standards that are reported to the Essential Services Commission (ESC). These service standards relate to the number and duration of supply interruptions, the response time to attend to pipeline bursts and leaks and the amount of unaccounted for water.

Compliance was achieved with all 14 service standards, this is an improvement on only achieving compliance with 11 services standards last financial year.

The improvement in the service we provide our customers can be attributed to continued efforts of both Coliban Water and our service providers to improve the management of our assets (especially our water main renewal works) and the reactive response to incidents. Part of the improvement in the interruption time indicator was due to previous misinterpretation of the ESC indicator by field operators which was clarified during the year through internal training.

WATER MAIN RENEWAL

We replaced approximately three kilometres of water mains across ten sites in our region as part of our on-going water mains renewal program, at a cost of \$1.08 million.

Sites are identified for replacement through a range of criteria including the criticality, risk to customers, number of failures, number of supply interruptions, number of customers impacted and the assessed remaining useful life of the asset.

CHLORINATED FLUSHING PROGRAM

During the year, we undertook a chlorination flushing program throughout Bendigo, Castlemaine and Kyneton. This program ensures chlorine residuals are maintained across our network, assists in protecting the integrity of the system and that the drinking water we supply to customers continues to meet the required standards.

BENDIGO WATER NETWORK CONTINGENCY PLANS

We develop and maintain water network contingency plans to ensure reliability of supply and pressure for our customers. Throughout the year, we were required to implement contingency plans on two occasions:

- › Edwards Road Tank supplies drinking water to over 5,000 properties in Bendigo. The tank was taken offline for routine maintenance over a period of two months
- › Specimen Hill Storage supplies drinking water to cover 22,000 properties in Bendigo. The storage was taken offline during planned works for four days

The successful implementation of network contingency plans ensured both customer supply and pressures were maintained, and the planned work can be completed within set timeframes.

INSTALLATION OF WATER FLOW METERS

It is important to note that not all drinking water leaving the Water Treatment Plants are provided to customers. This water is referred to as non-revenue water and is often the result of leakage within ageing infrastructure. When leaks are identified, we initiate planned works to rectify the leaks and reduce any further water loss. During the year, 12 new flow meters were installed in the network to obtain accurate location points where water loss is occurring. This has allowed us to easily locate potential problem areas, carry out preventative works to reduce water loss and maximise water supplies for future use by customers.

WATER MAIN CONDITION ASSESSMENT

During the year, a new approach was implemented to the condition assessment of water pipes. Water mains throughout our region were previously replaced following a predetermined service period and assessment of the criticality and impact to customers. The new method, developed this year with input from national and international industry associates, applies a performance criteria to water main renewals. The new method identifies water mains requiring renewal, based on the level of service they provide to customers rather than the age. The method ensures renewals only occur on an as needed basis, reducing supply interruptions to our customers and improving the overall standard of service.

SAFE DRINKING WATER ACT 2003

Our water quality performance results for 2014/15 reflect the improvements that have been implemented over the past few years, and indicate that these improvements are achieving the desired outcome, with Coliban Water achieving 100 per cent compliance with the *Escherichia coli* (E.coli) water quality standard, as well as issuing no 'Boil Water Notices' during the year.

In addition to achieving 100 per cent compliance with the E.coli water quality standard, Coliban Water also achieved 100 per cent compliance with the turbidity and disinfection by-product (i.e. total trihalomethanes, haloacetic acids, bromate and formaldehyde) water quality standards, while four water sampling localities returned non-compliant results against the aluminium standard.

After receiving each non-compliant aluminium result, the water treatment plants supplying the affected water sampling localities had their treatment processes investigated. The associated testing that was undertaken across the treatment processes showed that the drinking water leaving these plants complied with the aluminium standard. In three cases, resampling at the sample point where the initial non-compliant results were recorded returned compliant aluminium results. The fourth test required some flushing to lower the concentration of aluminium, as the point where the detection occurred was at the end of a long section of pipe with minimal flow. Follow-up resampling returned aluminium results that were compliant.

We commenced 2014/15 with two open undertakings with the Department of Health and Human Services (DHHS), under section 30 of the *Safe Drinking Water Act 2003*. The first undertaking, which dealt with the improved management of our drinking water supply systems in order to minimise E. coli detections, was due for completion by 31 December 2014. An extension of the due date, to 31 May 2015, was requested because of delays with the completion of capital works associated with the installation of new booster chlorination units, and DHHS approved the extension in December 2014. The final report for the undertaking was submitted to DHHS by the amended due date requesting closure. We are currently awaiting the Department's response.

The second undertaking, which dealt with improved risk management processes and procedures, had a completion date of 31 December 2015. We were able to fulfill all the requirements of the undertaking early, and our request for closure was approved in December 2014.

WATER QUALITY AND RELIABILITY

WATER QUALITY

The following table shows the compliance of our potable water sampling localities with the water quality standards specified in the Schedule 2 of *Safe Drinking Water Regulations 2005*.

The townships of Borung, Dingee, Jarklin, Macorna, Mitiamo, Mysia and Wychitella were supplied with regulated water (i.e. non-potable water) during 2014/15.

Water sampling locality	E. coli (orgs/100mL) (98% samples free of E. coli)	Aluminium (mg/L) (acid soluble aluminium ≤0.2mg/L)	Turbidity (NTU) (95% upper confidence limit of mean <5NTU)	Disinfection by-products (mg/L) (all results less than standard)
Bealiba	✓	✓	✓	✓
Bendigo (Axeedale)	✓	✓	✓	✓
Bendigo (Northern)	✓	✓	✓	✓
Bendigo (Raywood)	✓	✓	✓	✓
Bendigo (Sebastian)	✓	✓	✓	✓
Bendigo (Southern)	✓	✗ ¹	✓	✓
Bendigo (Spring Gully)	✓	✗ ¹	✓	✓
Big Hill	✓	✓	✓	✓
Boort	✓	✓	✓	✓
Bridgewater	✓	✓	✓	✓
Castlemaine	✓	✓	✓	✓
Cohuna (Rural)	✓	✓	✓	✓
Cohuna (Urban)	✓	✓	✓	✓
Dunolly	✓	✓	✓	✓
Echuca	✓	✓	✓	✓
Elmore	✓	N/A ²	✓	N/A ²
Epsom-Huntly	✓	✓	✓	✓
Fryerstown	✓	✓	✓	✓
Goornong	✓	✓	✓	✓
Guildford	✓	✓	✓	✓
Gunbower	✓	✗ ³	✓	✓
Harcourt	✓	✓	✓	✓
Heathcote	✓	✓	✓	✓
Inglewood	✓	✓	✓	✓
Junortoun	✓	✓	✓	✓
Korong Vale	✓	✓	✓	✓
Kyneton	✓	✓	✓	✓
Laanecoorie	✓	✗ ⁴	✓	✓
Leitchville (Rural)	✓	✓	✓	✓
Leitchville (Urban)	✓	✓	✓	✓
Lockington	✓	✓	✓	✓
Maiden Gully – Marong	✓	✓	✓	✓
Maldon	✓	✓	✓	✓
Malmsbury	✓	✓	✓	✓
Newstead	✓	✓	✓	✓
Pyramid Hill	✓	✓	✓	✓
Rochester	✓	✓	✓	✓
Serpentine	✓	✓	✓	✓
Strathfieldsaye	✓	✓	✓	✓
Taradale/Elphinstone	✓	✓	✓	✓
Tarnagulla	✓	✓	✓	✓
Tooborac	✓	✓	✓	✓
Trentham	✓	✓	✓	✓
Tylden	✓	✓	✓	✓
Wedderburn	✓	✓	✓	✓

Notes to water quality table:

1. Bendigo (Southern) and Bendigo (Spring Gully) localities are both supplied with drinking water from the Bendigo Water Treatment Plant (WTP). Other samples taken within the Bendigo system on the same day were all compliant with the aluminium water quality standard. A review was undertaken of the aluminium results within the treatment process at the Bendigo WTP and all were compliant. Resampling occurred at the two sample points, and other points within the same area, and all returned compliant results.
2. Aluminum is not used for coagulation, and chlorine is not used for disinfection, at Elmore. Therefore, the risk of non-compliant levels of aluminum and disinfection by-products being present in the drinking water supplied by Coliban Water to Elmore is extremely low, and hence these parameters are not part of Coliban Water's routine monitoring program.
3. The Gunbower water sampling locality recorded one weekly sample that exceeded the aluminum water quality standard listed in Schedule 2 of the Safe Drinking Water Regulations 2005. Two other samples taken in the same system on the same day were well below the standard. The sample point which returned the elevated result is located on a long, outlying pipeline, which has low flow. The pipeline was flushed until a resample was taken that returned a result below the standard.
4. The Laanecoorie WTP supplies water to the towns of Laanecoorie, Bealiba, Tarnagulla and Dunolly. All towns were sampled on the same day, with only Laanecoorie returning a non-compliant result for aluminium. The sample results taken during the water treatment process by the operator were all reviewed and found to be compliant. Resampling was undertaken and these returned compliant results.

WATER QUALITY AND RELIABILITY

WATER TREATMENT PROCESSES

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

System (Water Treatment Plant)	Water sampling locality	Treatment process						Added substances								
		Coagulation	Clarification	Filtration	Taste / odour / algae toxin removal	pH correction	Disinfection	Alum / ACH/ Polymer Blend	Polyelectrolyte	Activated carbon	Ozone	Ultraviolet	Lime / soda ash / caustic soda / carbon dioxide / sulphuric acid	Chlorine	Ammonia	Fluoride
Bendigo	Axedale Bendigo Northern Bendigo Spring Gully Bendigo Southern Big Hill Epsom – Huntly Junortoun Maiden Gully – Marong Raywood Sebastian Strathfieldsaye	✓		M	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓
Boort	Boort	✓	✓	✓		✓	✓	✓	✓				✓	✓		
Bridgewater	Bridgewater Inglewood	✓	✓	✓	✓	✓	✓	✓		✓			✓	✓	✓	
Castlemaine	Castlemaine Fryerstown Guildford Harcourt Maldon Newstead Taradale – Elphinstone	✓		M	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓
Cohuna	Cohuna (Rural) Cohuna (Urban)	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓		
Echuca	Echuca	✓	✓	✓	✓	✓	✓	✓	P	✓			✓	✓		✓
Elmore	Elmore					✓	✓					✓	✓			
Goornong	Goornong	✓	✓	✓		✓	✓	✓					✓	✓		
Gunbower	Gunbower	✓	✓	M	✓	✓	✓	✓		✓		✓	✓	✓		
Heathcote	Heathcote Tooborac	✓	✓	✓		✓	✓	✓	✓				✓	✓	✓	
Korong Vale	Korong Vale Wedderburn	✓	✓	✓		✓	✓	✓	✓				✓	✓	✓	
Kyneton	Kyneton Malmsbury Tylden	✓		M	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓
Laanecoorie	Bealiba Dunolly Laanecoorie Tarnagulla	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓	✓	
Leitchville	Leitchville (Rural) Leitchville (Urban)	✓	✓	M	✓	✓	✓	✓		P		✓	✓	✓		
Lockington	Lockington	✓	✓	✓		✓	✓	✓	P				✓	✓		
Pyramid Hill	Pyramid Hill	✓	✓	✓	✓	✓	✓	✓	✓	P			✓	✓		
Rochester	Rochester	✓	✓	M	✓	✓	✓	✓	P	✓	✓		✓	✓		
Serpentine	Serpentine	✓	✓	✓	✓	✓	✓	✓	✓	P			✓	✓		
Trentham	Trentham			M	✓		✓			✓	✓			✓	✓	

Legend: P = periodic as required, M = membrane filtration

Please refer to our website www.coliban.com.au for further information on our treatment process and the substances that we add to the water to treat it to a drinking water standard.

WATER, WASTEWATER CUSTOMERS AND WATER USAGE BY SYSTEM

Water Supply System	Wastewater			Treated Water								
	CONNECTIONS			CONNECTIONS			USAGE (ML)				USAGE (KL/CONNECTION)	
	RESIDENTIAL	NON RESIDENTIAL	TOTAL	RESIDENTIAL	NON RESIDENTIAL	TOTAL	RESIDENTIAL	NON RESIDENTIAL	TOTAL	5 YEAR AVERAGE	RESIDENTIAL	NON RESIDENTIAL
Campaspe												
Goornong	N/A	N/A	N/A	149	25	174	30	9	39	34	201	360
Total	0	0	0	149	25	174	30	9	39	34	201	360
Coliban Northern												
Bendigo *	39,551	3,156	42,707	41,749	3,357	45,106	7,725	2,783	10,508	9,526	185	829
Heathcote	736	103	839	1,060	128	1,188	142	90	232	201	134	703
Axedale	108	11	119	113	17	130	23	5	28	23	204	294
Raywood	N/A	N/A	N/A	78	15	93	16	6	22	17	205	400
Sebastian	N/A	N/A	N/A	68	5	73	15	10	25	17	221	2,000
Tooborac	N/A	N/A	N/A	47	6	53	9	2	11	10	191	333
Total	40,395	3,270	43,665	43,115	3,528	46,643	7,930	2,896	10,826	9,794	184	821
Coliban Southern												
Castlemaine	3,917	349	4,266	4,631	403	5,034	732	708	1,440	1,296	158	1,757
Kyneton	2,269	373	2,642	2,477	420	2,897	386	340	726	656	156	810
Maldon	630	85	715	924	121	1,045	147	56	203	172	159	463
Newstead	286	36	322	326	43	369	51	12	63	54	156	279
Chewton	258	15	273	327	18	345	50	6	56	48	153	333
Malmsbury	255	21	276	282	23	305	41	17	58	54	145	739
Harcourt	190	17	207	248	25	273	49	11	60	55	198	440
Taradale	N/A	N/A	N/A	129	11	140	22	1	23	21	171	91
Guildford	N/A	N/A	N/A	125	9	134	19	2	21	19	152	222
Tylden	135	9	144	114	11	125	17	12	29	23	149	1,091
Fryerstown	N/A	N/A	N/A	90	4	94	13	0	13	12	144	0
Elphinstone	N/A	N/A	N/A	78	7	85	12	5	17	17	154	714
Total	7,940	905	8,845	9,751	1,095	10,846	1,539	1,170	2,709	2,427	158	1,068
Goulburn												
Rochester	1,203	143	1,346	1,335	176	1,511	369	628	997	999	276	3,568
Boort	377	71	448	393	92	485	101	33	134	115	257	359
Pyramid Hill	246	36	282	255	49	304	52	28	80	75	204	571
Lockington	185	25	210	190	32	222	39	12	51	42	205	375
Serpentine	N/A	N/A	N/A	63	21	84	13	3	16	15	206	143
Mitiamo **	N/A	N/A	N/A	41	9	50	9	2	11	9	220	222
Dingee **	N/A	N/A	N/A	29	11	40	5	3	8	7	172	273
Macorna **	N/A	N/A	N/A	8	2	10	1	0	1	1	125	0
Mysia **	N/A	N/A	N/A	8	1	9	0	0	0	1	0	0
Total	2,011	275	2,286	2,322	393	2,715	589	709	1,298	1,264	254	1,804
Groundwater												
Trentham	466	62	528	515	65	580	62	20	82	74	120	308
Elmore	335	46	381	371	65	436	67	42	109	101	181	646
Total	801	108	909	886	130	1,016	129	62	191	175	146	477
Loddon												
Dunolly	331	52	383	395	59	454	53	15	68	59	134	254
Inglewood	320	35	355	394	42	436	59	30	89	75	150	714
Bridgewater	170	27	197	190	33	223	26	15	41	40	137	455
Tarnagulla	N/A	N/A	N/A	106	14	120	11	4	15	12	104	286
Bealiba	N/A	N/A	N/A	76	12	88	10	6	16	12	132	500
Laanecoorie	N/A	N/A	N/A	36	4	40	5	0	5	5	139	0
Jarklin **	N/A	N/A	N/A	6	1	7	1	0	1	2	167	0
Total	821	114	935	1,203	165	1,368	165	70	235	205	137	424
Murray												
Echuca	5,736	789	6,525	5,979	839	6,818	1,656	1,348	3,004	2,659	277	1,607
Cohuna	965	132	1,097	1,083	357	1,440	319	276	595	533	295	773
Leitchville	142	30	172	155	119	274	46	111	157	162	297	933
Gunbower	145	21	166	145	30	175	36	12	48	43	248	400
Total	6,988	972	7,960	7,362	1,345	8,707	2,057	1,747	3,804	3,397	279	1,299
Wimmera												
Wedderburn	388	54	442	440	60	500	64	34	98	79	145	567
Korong Vale	N/A	N/A	N/A	113	8	121	16	3	19	16	142	375
Borung **	N/A	N/A	N/A	20	2	22	3	0	3	3	150	0
Wychitella **	N/A	N/A	N/A	11	3	14	2	1	3	2	182	333
Total	388	54	442	584	73	657	85	38	123	100	146	521
Grand Total	59,344	5,698	65,042	65,372	6,754	72,126	12,524	6,701	19,225	17,396	192	992

* Includes the areas of Eaglehawk, Huntly, Kangaroo Flat, Maiden Gully, Marong and Strathfieldsaye

** Indicates non-treated water supply

WATER QUALITY AND RELIABILITY

WEEKLY HOUSEHOLD DRINKING WATER CONSUMPTION

Month	Week 1	Week 2	Week 3	Week 4
	KILOLITRES PER CONNECTION			
July	2.8	2.9	3.0	3.0
August	3.0	3.1	3.2	3.2
September	3.3	3.3	3.4	3.5
October	3.6	3.8	4.1	4.2
November	4.6	4.8	4.8	4.9
December	5.2	5.3	5.6	6.0
January	5.6	5.5	5.2	5.2
February	5.0	5.4	5.3	5.2
March	4.8	4.5	4.3	4.2
April	4.1	3.8	3.6	3.4
May	3.2	3.0	3.0	2.9
June	2.9	2.9	2.8	2.8

The table above illustrates the indicative water consumption pattern for a representative customer in our region.

RECYCLED WATER CUSTOMERS AND USAGE

Water Supply System	Recycled Water					
	CONNECTIONS			USAGE (ML)		
	RESIDENTIAL	NON RESIDENTIAL	TOTAL	RESIDENTIAL	NON RESIDENTIAL	TOTAL
Bendigo	473	26	499	21	300	321

Coliban Water supplies recycled water to third pipe customers in the Bendigo region. In 2014/15 we supplied 21 megalitres to residential customers and 300 megalitres to non-residential customers.

NON-REVENUE WATER

Water Supply System	Treated Water		Non-Revenue Water (ML)
	Supplied (ML)	Usage (ML)	
Campaspe	41	39	2
Coliban Northern	12,106	10,826	1,280
Coliban Southern	3,041	2,709	332
Goulburn	1,498	1,298	200
Groundwater	207	191	16
Loddon	318	235	83
Murray	4,290	3,804	486
Wimmera	204	123	81
TOTAL	21,705	19,225	2,480

The term non-revenue water is the difference between the volume of bulk water that leaves our treatment plants (treated water supplied) and the volume of water for which we bill customers (treated water usage). It has also been known as unaccounted for water.

Non-revenue water for 2014/15 was calculated to be 2,480 megalitres (11.4 per cent). The Essential Services Commission target of less than or equal to 15 per cent non-revenue water was achieved.

MAJOR NON-RESIDENTIAL WATER USERS

We had five non-residential water users within the range of annual reporting.

MAJOR NON-RESIDENTIAL CUSTOMERS BY VOLUME RANGE

Usage range – megalitres per year (ML)	Number of customers
Equal to or greater than 200 ML and less than 300 ML	1
Equal to or greater than 300 ML and less than 400 ML	1
Equal to or greater than 400 ML and less than 500 ML	2
Equal to or greater than 500 ML and less than 750 ML	1
Equal to or greater than 750 ML and less than 1,000 ML	0
Greater than 1,000 ML	0
TOTAL	5

MAJOR NON-RESIDENTIAL CUSTOMERS

- Hazeldenes Chicken Farm Pty Ltd
- Kagome Foods Australia Pty Ltd
- Murray Goulburn Co-operative Co Ltd
- N&C Enterprises Pty Ltd
- Parmalat Australia Ltd

We work with all our major water users to develop and implement water conservation plans and principles.

WASTEWATER SYSTEM

WE PROVIDE WASTEWATER SERVICES TO 65,042 PROPERTIES IN OUR REGION AND WITH OUR PARTNERS WE OPERATE 16 WATER RECLAMATION PLANTS

WATER RECLAMATION – SEWERAGE INFLUENT AND TREATED EFFLUENT VOLUMES

Water reclamation plants treat the sewage 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 2014/15.

Town	Sewerage influent Megalitres (mL)	Total effluent discharged Megalitres (mL)	Effluent discharged to waterways Megalitres (mL)	Effluent discharged for reuse Megalitres (mL)
Axedale	12.7	11.9	0	11.9
Bendigo	7,080.1	5,169.9	4,080.8	1,089.1
Boort	81.4	17.9	0	17.9
Bridgewater	56.6	0	0	0
Castlemaine	1,151.1	1,174.9	1,057.2	117.6
Cohuna	236.6	0	0	0
Dunolly	28.3	0	0	0
Echuca	1,929.7	1,463.7	0	1,463.7
Elmore	23.8	0	0	0
Gunbower	52.2	15	0	15
Heathcote	164.4	114.9	0*	114.9
Kyneton	704.3	620.8	291.1	329.6
Lockington	20.5	0	0	0
Pyramid Hill	38.2	14	0	14
Rochester	222.9	0	0	0
Wedderburn	32.7	23.9	0	23.9
TOTAL	11,835.5	8,626.7	5,429.2	3,197.5

This year improvements have been made at the following plants;

- › Renewal works on the sludge treatment train at the Bendigo Water Reclamation Plant
- › Installed a discharge pumping station at the Kyneton Water Reclamation Plant
- › Implemented flow meter and control modifications to the Wedderburn Water Reclamation Plant

Ongoing desludging of lagoon based water reclamation plants to improve their operational efficiency is required. Lagoon desludging works have been completed at Cohuna and Rochester Water Reclamation Plants. Biosolids from the above desludging works as well as from previous desludging works undertaken at the Kyneton Water Reclamation Plant has been reused via application to farming land under Environment Protection Authority (EPA) approvals.

**26.4 megalitres of unlicensed discharge from the Heathcote Water Reclamation Plant (WRP) winter storage lagoon to Mclvor Creek was performed in a controlled manner as a precautionary measure to avoid the uncontrolled release of excess water due to stormwater infiltration to the WRP and lack of irrigation opportunities during the wet weather period. This is not included in this data table due to Essential Services Commission (ESC) reporting requirements.*

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 100 kilometers), average time to attend sewer spills and blockages, average time to rectify blockages, percentage of sewage spills contained within five hours and number of customers receiving more than three sewer blockages in a year. Compliance was achieved with three of the five ESC service standards. Performance against each of the standards is included in the table below.

	Service standard	Actual
Sewerage blockages (per 100 kilometres)	53	63.20
Average time to attend sewer spills and blockages (minutes)	30	30.45
Average time to rectify a sewer blockage (minutes)	80	79.02
Spills contained within five hours (per cent)	99%	100%
Customers receiving more than three sewer blockages in the year (number)	2	2

Improved performance on sewer mains has been achieved compared to the previous years. This is a direct result of the investment of resources into prevention maintenance programs and initiatives, including:

- › Continuing our blockage prevention program (Stop the Block) which proactively targets potential blockages in our sewer networks – completing around 780 preventative sewer cleaning tasks, the equivalent of approximately 38 kilometers of sewer mains
- › Targeting poor performing areas using CCTV technology
- › Carrying out chemical treatment in 400 meters of sewer mains which experienced repeat tree root blockages. It is planned to expand this program in the coming year.
- › Trialing a rapid sewer condition assessment program utilising acoustic technologies
- › Undertaking relining works

With the introduction of the Water Supply and Sewerage Regulations 2014, the responsibility for our sewerage assets changed. The new regulations require all water corporations to manage the section of the sanitary drain up to the connection point within the property. Sanitary drains include all pipes and fittings for conveying sewage or trade waste from a customer to the sewer main.

This new responsibility generally commences one meter inside the property boundary and continues to the connection point to the sewerage main. With the change in responsibility, blockages in these assets are now included in our performance statistics. As these short sections of pipe are prone to blockages there has been an adverse impact on the performance of a number of indicators.

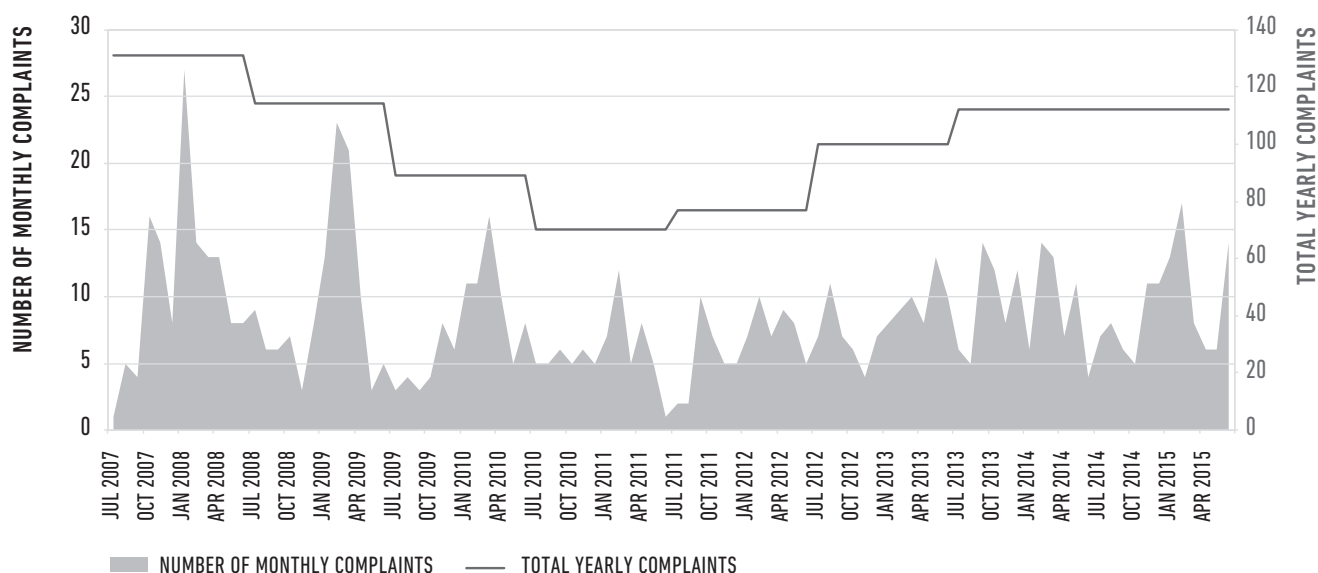
WASTEWATER SYSTEM

ODOUR MANAGEMENT

A total of 112 odour complaints in relation to our assets were received in 2014/15. Approximately 12 per cent of these were unable to be verified as part of either investigations or inspections. The majority of the complaints related to odour from the sewer network or odour from sewerage pumping stations.

We continued to operate our existing odour control facilities and monitor odours at critical sites within our sewer networks. New odour control facilities were installed on one of our Castlemaine trade waste mains and an investigation into the odour control facility upgrade at one of our Bendigo Sewer Pumping Stations was completed.

We are continually improving our understanding of the impacts of corrosive sewer gases on our network to improve long-term asset management. This has included odour logging and sampling throughout our sewer network with particular focus on the Bendigo and Echuca systems



TRADE WASTE

We maintained our active program to control potential impacts on our wastewater network and water reclamation plants from trade waste customers.

During the year we have:

- Renewed trade waste agreements with majority of our major trade waste customers, including the new Bendigo Hospital. This will ensure improved control of discharges into our sewer systems
- Continued to improve our trade waste monitoring program. This has provided us with greater understanding of inputs into our system and provides our customers with more timely information to help them to improve performance and reduce trade waste costs

INFLOW AND INFILTRATION STRATEGY IMPLEMENTATION

Inflow and Infiltration is the ingress of stormwater and groundwater into the sewer systems. The additional flows impact on the performance of our sewerage network and water reclamation plants. Implementation continued for the *Inflow and Infiltration Strategy* in the 2014/15 period. The works completed included flow monitoring, manhole inspections, CCTV investigations and smoke testing in the Kyneton and Bendigo sewerage systems.

RAPID GRAVITY SEWER AND MANHOLE ASSESSMENT TRIAL

An innovative trial to improve our preventative maintenance programs through better prioritisation of resources was undertaken. The trial utilised innovative assessment tools and techniques including purchasing acoustic technology (SewerBATT) and refining our procedures for manhole condition assessment. Trials have been carried out in the Kyneton and Bendigo sewer systems.

WORKFORCE INCLUSION

Coliban Water performs better than industry average for key demographic indicators.

We have a rich cultural diversity with 13 per cent of our workforce not born in Australia and 11 per cent who speak languages other than English at home.

The number of females employed by Coliban Water continues to grow, up from 32 per cent in 2013/14 to 36 per cent in 2014/15.

We will formalise our approach to being an inclusive employer in 2015/16 with the development of a *Workforce Diversity Policy*.

OUR TRADEMARK BEHAVIOURS

Our trademark behaviours guide our interactions with each other, our customers and our stakeholders. Our trademark behaviours are:

- › Trust – the team and the people within Coliban Water
- › Honesty – always be honest in all situations, good or bad
- › Unified – one consistent message
- › Committed – do what it takes to achieve the best outcomes

DEVELOPING OUR PEOPLE

We have continued our ongoing commitment to developing our people. Highlights during the year have included:

- › The design and successful implementation of the '*Bring Your Best Self to Work*' program. This ensures that all Coliban Water employees understand and model the behaviours and values set out in the Code of Conduct for Victorian Public Sector Employees, Coliban Water's trademark behaviours and Equal Employment Opportunity legislation.
- › The expansion of our in-sourced Education and Professional Development Programs has provided an efficient delivery model to provide opportunities for all employees to develop their leadership, management, computing, communications, business writing and incident management capability. We continue to achieve valuable time and cost savings, and this program will be tailored to meet the future development needs of our people.
- › Improving the health and overall wellbeing of our workforce through the implementation of our *Employee Wellbeing Program*.

EMPLOYEE STATISTICS

Employees	2014/15	2013/14
Executive Officers	7	7
Senior Managers	21	19
Office-based staff	144	137
Field Staff	23	25
TOTAL	195	188
Full-time	175	166
Part-time	19	19
Casual	1	3
TOTAL	195	188
Full-time equivalent	190.43	182.1
Male	124	126
Female	71	62
TOTAL	195	188

Our Corporate Structure can be found on page 33.

WORKING AT COLIBAN WATER

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

EMPLOYEE RELATIONS

In June 2015 we implemented a new Enterprise Agreement.

Our Employee Consultative Committee includes representatives from staff and management and has a charter to oversee the implementation of the Enterprise Agreement.

This committee will be instrumental to ensuring the Enterprise Agreement encourages and enables our workforce to achieve improved business performance.

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.

Professional development activities	2014/15	2013/14
Total training hours	6,935	5,891
Total training investment	\$509,553	\$429,957

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, and those who wish to participate in professional development opportunities available within the water industry sector.

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 284 people throughout the region.

OUR BUSINESS PARTNERS

On 1 July 2013 Coliban Water's new Operations and Maintenance Services Contract commenced. This contract was awarded to Lendlease Services Pty Ltd for a period of four years, with options for two further 5 year terms.

The scope of this contract includes operations and maintenance of water and wastewater assets in our region, excluding water treatment at Bendigo, Castlemaine and Kyneton, and wastewater treatment at Echuca and Rochester.

We also manage two public private partnerships:

› **Aqua 2000 – 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.

› **Campaspe Water Reclamation Scheme – ETE Coliban Pty Ltd (ETEC)**

ETEC is owned by Pentair Water Operations Australia Pty Ltd. The company owns and operates the Echuca and Rochester Water Reclamation Plants under a 25 year Build Own Operate Transfer (BOOT) contract that commenced in September 2004.

We also have a joint venture with Central Highlands Water (CHW) to operate and maintain the Goldfields Superpipe, constructed from Colbinabbin – Bendigo – Ballarat in 2007/08. Veolia Water is contracted to operate the Superpipe on the joint venture's behalf.

We engage with regional stakeholders including the Department of Environment, Land, Water and Planning (DELWP), Environment Protection Authority (EPA), North Central Catchment Management Authority (CMA), Goulburn-Murray Water, Parks Victoria, traditional land owners and the nine local government areas covering the region in which we operate.

Our certified Environmental Management System helps us deliver positive environmental outcomes and manage impacts associated with our activities.

This, along with our Sustainability Strategy, embeds sustainability as part of our contribution to regional development.

Key initiatives for the year includes:

- › Review of electricity demand management opportunities
- › Promotion and support of urban water cycle initiatives in the region
- › Implementation of our *Drinking Water Storage and Land Management Plan* for our three Coliban River storages
- › Biological monitoring of waterways impacted by water discharges from our Bendigo, Castlemaine and Kyneton Water Reclamation Plants

SUSTAINABLE WATER USE

We are continuing to manage for sustainable water use across our region.

We manage our water resources consistent with the water security outlook, as well as relevant operational plans.

The objective is to ensure that water is appropriately stored for future years and to minimise evaporation losses. Likewise, our bulk water accounts with external water storage managers are managed to ensure the long term sustainability of our water supplies.

Our water supply leak detection and water mains replacement program continues, as does the program to minimise the loss of water at water treatment plants, including the implementation of wastewater recycling at Heathcote Water Treatment Plant.

During 2014/15, the then Victorian Government made funding commitments for projects under its Living Victoria programme, to deliver Whole-of-Water-Cycle management outcomes in Bendigo.

The projects include:

- › \$966,985 for the City of Bendigo to harvest and treat stormwater at the newly-redeveloped Bendigo Airport to flush toilets and irrigate newly landscaped areas
- › \$62,000 to trial an innovative way of treating recycled water at the Axdale Golf Club to improve soil quality and water efficiency
- › \$759,112 to the Marist College new school development that will incorporate Whole-of-Water-Cycle management to capture and re-use all water on-site

SUSTAINABLE AND RESILIENT WATER SERVICES SYSTEMS

We continue to work with our stakeholders to ensure sustainable and resilient water services systems.

The Harcourt Rural Modernisation Project is proceeding, as part of our broader rural services efficiency program.

We continue to work with developers and other stakeholders to investigate options for more decentralised provisioning of water and wastewater services.

Coliban Water is strongly supporting DELWP's work to engage on options to minimise impacts and maximise benefits of Bendigo's rising groundwater.

During 2014/15, we launched the Choose Tap initiative in our region, which promotes the benefits of drinking tap water as part of a healthy lifestyle, as a positive alternative to bottled water.

ENERGY MANAGEMENT

We continue to strengthen our approach to energy management in the business. This strategic approach encompasses procurement, demand-side management, energy efficiency initiatives and industry partnerships.

The main office is currently in the process of having an LED lighting retrofit. This project is expected to reduce electricity consumption of the lighting by 50 per cent.

BIODIVERSITY

We manage approximately 4,585 hectares of land across five bioregions in North Central Victoria.

During the year, we updated our register of threatened flora and fauna, which now includes 25 plant and 28 fauna species. A survey of the Bendigo Water Reclamation Plant again recorded a thriving population of the threatened Growling Grass Frog.

Community members continue to help us by surveying and photographing bird species at the Bendigo Water Reclamation Plant, with a total of 118 bird species being sighted so far.

LAND AND CATCHMENTS

We manage land across our catchments and operational area to protect water quality in our storages, enhance river health, as well as meet biodiversity, fire hazard and pest management obligations. Further to this we give considerations to the principles set out in the *Regional Catchment Strategy*, *Victorian Waterway Management Strategy* and the *State Environmental Protection Policy*.

During 2014/15, our land and catchment group continued with pest plant management programs around Malmsbury, Lauriston and Upper Coliban storages, as well as Barkers Creek and Trentham reservoirs.

Our pest plant management activities for rural channels focus on invasive weeds, such as gorse and blackberries, that impact on our adjoining landowners, as well as on aquatic weeds such as nut-grass and umbrella sedge, which can restrict flows to customers.

We continue to reduce fuel loads through slashing programs and inspections of potentially hazardous trees, to minimise risks to adjacent landowners and public areas. We engaged specialist contractors to prune hazardous trees at Barker Creek Reservoir, to minimise the risk of limb shed and retain aerial habitat.

We have completed revegetation at Malmsbury and Lauriston Reservoir Recreation Reserves, with contributions from two successful community planting events. Macedon Ranges Shire Council has approved plans for the removal and revegetation of the remaining pine stands at all three Coliban River storages, with a view to the work going to tender in 2015/16.

In February 2015, we released our *Water Drinking Water Storages and Land Management Plan* at a community information session. The session was attended by 38 people. Many landholders with property adjoining the Upper Coliban, Lauriston and Malmsbury Reservoirs are now taking up the fencing and off storage watering incentives. 2,300 metres of fencing is currently being installed along the boundary of one of our largest neighbouring properties at Malmsbury Reservoir.

Coliban Water has partnered with the Department of Economic, Development, Jobs, Transport and Resources (DEDJTR) on a series of land management workshops. Four workshops are being offered to landholders and community members neighbouring Coliban River storages. A fifth workshop, focused on computer based farm mapping to assist with landowner planning and budgeting, may also be arranged.

CATCHMENT PLANNING AND PROTECTION

We are responsible for providing statutory and strategic land use planning engagement with municipalities where sewer is not connected.

As part of our role in declared water supply catchments, we have provided responses to planning permit applications referred to us from local government under clause 66.02-5 of the 'Special Water Supply Catchment' of relevant planning schemes.

Our responses provide support with conditions to applications for use and development of privately owned land in open water supply catchments, to ensure minimal impacts on the quality and quantity of water to the environment. On occasion, we have also objected to the issuing of a planning permit, where we consider there is potential for adverse impacts.

ENVIRONMENTAL COMPLIANCE

We have continued to increase compliance with our Environment Protection Authority (EPA) Licence in 2014/15. This includes compliance with the odour requirements from traditional sources and the management of discharge volumes from the Bendigo and Kyneton Water Reclamation Plants, which have historically affected our performance.

Constraints on plant capacities led to challenges in managing treated water storage volumes at Kyneton and Heathcote Water Reclamation Plants (WRP). Due to recent changes in the EPA's management of licensed wastewater treatment facilities and emergency discharges, a Section 30A emergency discharge is no longer deemed an appropriate approval process for unlicensed discharges of this nature.

EPA Licences for water reclamation plants have been amended to enable emergency discharges, provided the prescribed criteria are met. During 2014/15, the Heathcote WRP was unable to comply with these criteria, resulting in the occurrence of unlicensed discharges.

A preventative action plan has been implemented as part of our ongoing operations to minimise the likelihood of emergency discharges from our facilities. Investigations and project works will be completed to achieve short and long term improvements.

Our Annual Performance Statement for 2014/15 will include the following four non-compliances against our licence:

Requirement	Location	Date	Description
LI_G1	Heathcote WRP	5/8/2014	Discharge from Winter Storage to McIvor Creek
LI_G1	Epsom WRP	28/1/2015	Discharge of Class C Recycled Water to Wallenjoie Road
LI_A1	Epsom WRP	7-9/3/2015	Discharge of offensive odour from Brine Lagoon
LI_DW2.10	Kyneton WRP	9/4/2015	Discharge under approved section 30A for commissioning of pump station

On 26 November 2014, following an unlicensed discharge from the Heathcote WRP, the EPA served Coliban Water with a Pollution Abatement Notice (PAN). This required us to provide EPA with project plans for the mitigation of capacity constraints that otherwise would have prevented future unlicensed discharges. We have complied and the PAN was revoked on 17 April 2015.

On 18 December 2014, an Official Warning was also served regarding this discharge from the Heathcote WRP.

We carried out desludging and other works at Cohuna WRP, in preparation for future actions to protect the integrity of storage lagoon embankments, pursuant to a PAN issued in 2013/14.

During 2014/15, the EPA was also notified of 20 environmentally-significant spills from our sewer catchment systems. We provide immediate response and priority clean-up in such cases, particularly in areas of unrestricted public access or sensitive land uses. Our operators utilise standard operating procedures designed to protect public health and minimise the environmental impact of spills.

ENVIRONMENTAL SUSTAINABILITY

GREENHOUSE GAS EMISSIONS AND NET ENERGY CONSUMPTION

We generate two types of emissions as a result of providing water and wastewater services:

- › Direct ('Scope 1') emissions from 'on-site' sources at water reclamation plants – including emissions from biosolids stockpiles, lagoons, sewerage treatment processes and fuel consumption.
- › Indirect ('Scope 2') emissions from the generation of the electricity we consume through our networks, plants and buildings, including water treatment and supply

For the year, our emissions were as follows:

	2014/15	2013/14	2012/13	2011/12	2010/11
Sewerage Treatment and Supply (tonnes CO ₂ -eq)	23,925.5	27,351	20,148	20,985.3	21,420.7
Water Treatment and Supply (tonnes CO ₂ -eq)	18,500.6	10,407.4	6,778.6	10,480.1	9,626.6
Depots and Offices (tonnes CO ₂ -eq)	629.2	662.2	797.4	622.7	641
Transport (tonnes CO ₂ -eq)	950.5	932	1,045.8	1,036.8	985.7
TOTAL	44,005.8	39,352.6	28,769.8	33,124.9	32,674

Note: Sewerage Treatment and Supply is 2914.5 tonnes of CO₂-eq (Scope 1) and 18713.3 tonnes of CO₂-eq (Scope 2).

	2014/15	2013/14	2012/13	2011/12	2010/11
Sewerage Treatment and Supply (MJ/ML)	5,416	4,220.2	N/A	N/A	N/A
Water Treatment and Supply (MJ/ML)	2,646.8	786.1	N/A	N/A	N/A

Our business activities generated approximately 44,005.8 tonnes of CO₂ equivalent emissions. This includes electricity used for our Build Own Operate Transfer (BOOT) schemes for Bendigo, Castlemaine and Kyneton Water Treatment Plants and Wastewater treatment Scope 1 emissions.

Our *Greener Office Program* includes the purchase and lease of lower emission vehicles, promotion of reduce-reuse-recycle material within the office, collection of redundant electrical equipment and use of stationery items with recycled paper content.

CORPORATE WATER CONSUMPTION

At our Bendigo head office, we consumed 4.24 kilolitres per year per Full-Time Equivalent (FTE) staff member working, or 225L/m² in terms of floor area.

Head office water consumption	2014/15	2013/14	2012/13
Total water consumption (kilolitres)	808	802	668
Full-time equivalent (FTE) staff	190.43	182	165
Volume per FTE (kilolitres)	4.24	4.41	4.05

Total water consumption applies to 30 & 37–45 Bridge Street Bendigo

SOCIAL SUSTAINABILITY

MANAGEMENT OF SOCIAL AND ECONOMIC IMPACTS

We have developed a program to identify and assist customers in genuine financial hardship. Input was sought from welfare agencies from across the region and we will continue to engage these agencies to ensure our program is relevant. We also maintain a focus on identifying customers who are eligible for concession entitlements and grants.

This year we processed 14,326 payment arrangements compared to 12,866 last year. A high percentage of customers use payment arrangements for payment convenience. The arrangements entered into are set at a level to cover all current and estimated future debt. Customers experiencing payment difficulties are offered flexible payment arrangements to suit their circumstance.

COMMUNITY SERVICE OBLIGATIONS

The Victorian Government makes available concessions and rebates for eligible residential customers within our region. 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 of water and sewerage costs up to a maximum of \$291.00 per annum, or if a household is billed for only a water or sewerage service, the concession is capped at \$145.50 per annum.

This year the concession increased by \$7.10. We have approximately 21,444 customers in our region who are eligible for this payment.

Utility Relief Grants support eligible concession card holders who are unable to pay their account due to a temporary financial crisis. Over the past 12 months we have had a focus on actively providing information to eligible customers with regard to the Utility Relief Grant which has seen the total amount granted increase by \$137,141 over the past 12 months.

Concessions and rebates	2014/15	2013/14	2012/13
Not for profit rebates	\$364,513	\$367,185	\$336,196
Pension concession	\$5,222,019	\$5,009,105	\$4,732,892
Utility relief grant	\$201,933	\$64,792	\$40,256
Water concession: Life support machines/haemodialysis	\$116	\$360	\$596
Hardship relief grant scheme	\$49,771	\$8,295	\$29,176

LIVING VICTORIA REBATES

The Living Victoria Water Rebate Program was launched by the Victorian Government in July 2011. This program rewards customers for their water-efficient efforts by providing rebates on a range of water-efficient products and appliances. The program is available to Victorian households and small businesses.

Over the past year we have had 552 approved applications totalling \$254,165 in rebates for the financial year. This amount was made up of 484 Home & Garden rebates totalling \$75,420 and 68 Small Business rebates totalling \$178,745.

BOARD RESPONSIBILITIES

Our Board comprises eight Directors, seven Non-Executive Directors that are appointed by the Victorian Minister for Water, and a Managing Director appointed by the Board.

The Board is responsible for the overall strategy and corporate governance of the business, which includes:

- › setting the strategic direction for the business
- › monitoring the performance of the business against objectives and targets
- › monitoring the strategic risks of the business
- › setting the executive remuneration policy

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

A Statement of Obligations outlining the service, accountability and reporting obligations of our Board is available from our website.

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

In the past year there have been no new appointments to the Board.

BOARD DIRECTORS AS AT 30 JUNE 2015

ANDREW CAIRNS

Chairman

BEng (Electrical), Assoc Fellow AIM, MAICD.

Andrew Cairns was appointed as a Director of the Board in October 2007 and as Chairperson in October 2011.

He is currently the Head of Customer Led Connections at Bendigo and Adelaide Bank Ltd (2012 - current) and was previously the Head of Community Solutions and Partnering for Bendigo and Adelaide Bank Ltd (2010 - 2012). He has held senior management positions with a range of private sector organisations including as Chief Executive Officer of Community Telco Australia Pty Ltd (2001 – 2010). Mr Cairns is a Board member of Community Telco Australia and Loddon Mallee Housing Services and Bendigo Affordable Housing Company.

Mr Cairns has a Bachelor of Engineering (Electrical) and has completed the Australian Institute of Company Directors Course.

JEFF RIGBY

Managing Director

BEng (Civil), MEngSc, MBA, CPEng, FIEAust, FAICD, FGIA, FCIS.

Jeff Rigby was appointed by the Board and commenced at Coliban Water in December 2011.

Mr Rigby has 30 years of experience in the water industry, including 14 years in executive management roles. He was previously the Managing Director of Grampians Wimmera Mallee Water from 2007 until joining Coliban Water in 2011. Mr Rigby is currently a Board Director of the Grampians Central West Waste and Resource Recovery Group and Chairman of the Group's Audit Committee.

He is a past member and a former Chairman of both the Loddon-Mallee Regional Council and the Grampians Regional Council for Adult, Community and Further Education (2009 to 2014), and he served as a Board member for two regionally-based, not-for-profit disability enterprises (2000 to 2010), including a term as the Chairman of one of those organisations (2008 to 2010).

Mr Rigby is a chartered professional engineer and chartered secretary. He is a Fellow of Engineers Australia, the Australian Institute of Company Directors and the Governance Institute of Australia.

RUSSELL A WALKER

Deputy Chairman

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

Russell Walker was appointed to the Board on 1 July 2010 and elected Deputy Chairman in November 2013.

Mr Walker has extensive experience in both the not-for-profit and public sectors. He was a 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 President of Guide Dogs Victoria, Board member of Royal Guide Dogs Australia and Macedon Ranges Health, and former Chair of a Western Bulldogs Football Club fundraising group. Mr Walker has a Diploma of Business Accounting, Graduate Diploma in Government Accounting, Member of AICD and Fellow of CPA Australia.

RODNEY THOMSON

BEng (Mech), Grad Dip Bus. Admin.

Appointed to the Board on 1 October 2011, Mr Thomson is the owner and Managing Director of Bendigo Pottery and has worked in a number of manufacturing businesses in different industries.

He has been a director of Bendigo Business Council, The Bendigo Trust, Bendigo Tourism Board, Chair of Goldfields Tourism Inc. and is currently a member of Bendigo Manufacturing Group and Australian Industry Group Regional Committee.

LINDA VERONESE

BComm (Melb), CPA, GAICD, PMIIA

Linda Veronese was appointed to the Board on 1 October 2012.

Ms Veronese is the Head of Group Assurance at the Bendigo and Adelaide Bank with a strong background in public and private sector risk management, compliance and auditing.

Ms Veronese previously held positions with the Victorian Auditor General Office (including two years as a Director) and the Department of Transport.

She is a member of CPA, professional member of the Institute of Internal Audit (PMIIA), a member of the Bendigo Regional Committee of the AICD and member of the Audit and Risk Committee of the IIA.

DEBORAH HAMBLETON

BA, Bachelor of Laws (Hons), GAICD

Appointed to the Board on 1 October 2013, Ms Hambleton is a part time legal consultant at Bendigo and Adelaide Bank and previously Group General Counsel. She has held a number of senior roles including at Deutsche Bank, ASX and Arthur Robinson and Hedderwicks.

Ms Hambleton is a non-executive director of Kyneton District Health Service, a member of the Bendigo Regional Committee of AICD and a member of a number of professional committees, including with the Law Council of Australia and Governance Institute of Australia.

APRIL MERRICK

BAGSci(Hons), Grad Cert Climate Change for Primary Industries, GAICD.

April Merrick was appointed to the Board on 1 October 2013. Ms Merrick is the principal consultant and joint director of Creekline Pty Ltd and was previously the Executive Officer of Bjarne K Dahl Trust (2011 – 2014). Ms Merrick has a background as a scientist and previously held positions with the North Central CMA and was a Senior Research Scientist with the Victorian Department of Primary Industries. Ms Merrick is the Treasurer of Connecting Country Committee of Management (2012 – current) and is a Trustee of Live and Learn Environmental Education. Ms Merrick has also been a member of the Winton Wetlands Committee of Management (2012 – 2014).

Ms Merrick has a Bachelor of Agricultural Science (Honours), a Post Graduate Certificate in Climate Change for Primary Industries and is a graduate of the Australian Institute of Company Directors.

DAVID RICHARDSON

BA, MBA, GAICD

David Richardson was appointed as a Director of the Board in May 2014. Mr Richardson is Chief Executive Officer of Strategem (2007 – current), a Bendigo and Melbourne based Accounting, Advisory and Wealth Management Company. David has extensive experience in a wide number of executive management roles and has worked for the Department of Primary Industries (2002 – 2007) and the University of Melbourne (2000 – 2002).

Mr Richardson is also a Director of the Bendigo Art Gallery (2014 to present), has been Chairman of the Victorian Employers' Chamber of Commerce & Industry, Small Business Council (2010 to 2014) and is a member of the VECCI Executive Council (2013 – current). He has also been Chairman of the Bendigo Professional Services Group for the City of Greater Bendigo (2009 to 2013) and Vice Chair of La Trobe University Bendigo's Regional Advisory Board (2012 to present).

Mr Richardson holds a Bachelor of Arts, a Masters of Business Administration and is a Diploma graduate of the Australian Institute of Company Directors program.



From left to right: Deborah Hambleton, Rodney Thomson, Linda Veronese, Russell Walker, Andrew Cairns, Jeff Rigby (Managing Director), April Merrick and David Richardson.

COMMITTEES OF THE BOARD

Committees of the Board are established to review items of importance on behalf of the Board and make recommendations to the Board. Each committee has a Charter describing its role and responsibilities consistent with best practice corporate governance principles.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee meets quarterly and at other times as required. It is responsible for making recommendations to the Board on matters including:

- › risk management
- › external reporting
- › internal audit
- › budgeting, and policies and processes

Members of the committee are Russell Walker (Chair), Linda Veronese and David Richardson. All committee members are independent.

SUSTAINABILITY COMMITTEE

The Sustainability Committee meets quarterly and at other times as required. It is responsible for making recommendations to the Board on matters including:

- › sustainability strategy and principles
- › strategies and initiatives that contribute to long-term regional development

Members of the Sustainability Committee are Rodney Thomson (Chair), Deborah Hambleton and April Merrick. All committee members are independent.

REMUNERATION COMMITTEE

The Remuneration Committee meets on at least two occasions per year, and is responsible for making recommendations to the Board on:

- › Executive remuneration policies and practices
- › Evaluation of the Managing Director's performance

All Non-Executive Board Directors are members of the committee. The Board Chair, Andrew Cairns, is also the Chair of the Remuneration Committee.

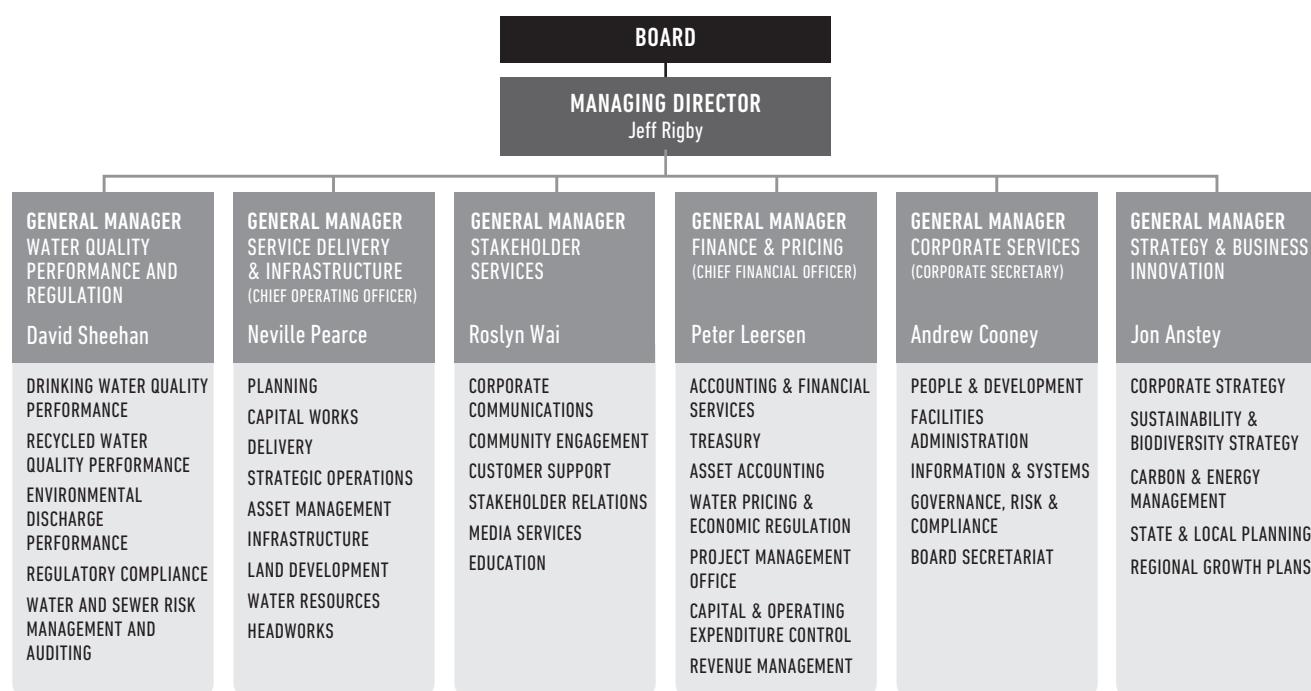
GOVERNANCE AND RISK

The number of meetings of the Board of Directors and Committees of the Board held during the year ended 30 June 2015 and the number of meetings attended by each Director were:

Director	Board of Directors		Audit & Risk Committee		Sustainability Committee		Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Andrew Cairns	10	9	–	–	–	–	2	2
Russell Walker	10	10	6	6	–	–	2	2
Deborah Hambleton	10	10	–	–	4	4	2	2
Rodney Thomson	10	10	–	–	4	4	2	2
April Merrick	10	10	–	–	4	4	2	2
David Richardson	10	10	6	6	–	–	2	2
Jeff Rigby	10	10	–	–	–	–	–	–
Linda Veronese	10	9	6	6	–	–	2	2

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

CORPORATE STRUCTURE



RISK MANAGEMENT STATEMENT

I, Andrew Cairns certify that Coliban Water has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. The Coliban Water Board verifies this.

Andrew Cairns
Chairman

Date: 14 August 2015

OUR EMERGENCY MANAGEMENT SYSTEM

We have continued to mature our emergency management capabilities and capacity by providing training to staff in the Australasian Inter-service Incident Management System (AIIMS) and upskilling our on call duty managers to a nationally recognised standard of Level 2 Incident Controller.

The AIIMS structure is commonly used by all Victorian emergency response agencies to provide a common framework for managing all types of incidents. Locally we actively participate in all nine municipal council meetings across our service region to build community resilience through discussing and addressing vulnerabilities and operational interdependencies.

At a state and national level we also participate in two water specific focus groups being the Security & Continuity Network, chaired by the Department Environment, Land, Water and Planning, and the Water Sector Services Group.

Testing our policies, procedures and training of staff is important to validate our readiness.

In September 2014, we conducted a multi-agency exercise with local emergency workers to test our response capability to a terrorist related event that contaminated our southern water storages.

This was successfully evaluated and approved by the Critical Infrastructure Protection Unit, in accordance with an annual regulatory obligation under part six of the *Counter Terrorism (community protection) Act 2003*.

OCCUPATIONAL HEALTH & SAFETY (OH&S)

We have continued our commitment to providing a safe and healthy work environment for staff, contractors and visitors during the year. This commitment is demonstrated at all levels of the organisation, including the Board, as we aim for a workplace safety environment that complies with our legislative compliance and achieves best practice injury prevention and management.

OH&S CULTURE

We continue to examine the way we do business and identify opportunities that ensure we minimise the risk of harm.

Our commitment to the safety and wellbeing of our workforce is driven through all levels of the business, including our Board, who continue to provide exceptional OH&S leadership and strategic direction.

OH&S PERFORMANCE MEASUREMENT AND REPORTING

	2014/15	2013/14	2012/13	2011/12	2010/11
Incidents reported to Coliban Water ⁽¹⁾	57	60	29	29	43
Worksafe reportable incidents ⁽¹⁾	0	2	0	0	5
Workers compensation claims ⁽²⁾	2	1	2	1	1
Injuries resulting in days lost ⁽²⁾	2	2	1	1	2
Lost time due to injuries (days) ⁽²⁾	9	81	30	137	75
Lost time injury frequency rate ⁽³⁾	4	3.7	4.9	4.8	12.93
Average lost time rate ⁽⁴⁾	4.5	40.5	9.39	103	37.5

Notes to OH&S performance measurement and reporting table:

(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

OH&S COMMITTEE

As part of our OH&S objectives and targets, we held four OH&S committee meetings and 45 Toolbox meetings within our nine designated work groups. We achieved 100 per cent staff attendance at these meetings. Four new OH&S representatives joined the OH&S Committee during the year.

EXTERNAL AUDIT – INTEGRATED MANAGEMENT SYSTEMS

In May 2015 BSI Group conducted an onsite assessment of our three certified management systems.

- AS/NZS ISO 14001:2004: Environmental: Recertification Audit
- AS/NZS 4801:2001: Occupational Health & Safety: Surveillance Audit
- AS/NZS ISO 9001:2008: Quality: Surveillance Audit

HAZARD REPORTING

To ensure the health, safety and wellbeing of our employees and contractors it is important for them to report all accidents, incidents and near misses, as well as report all known or observed hazards. Some activities implemented during the year were:

- OH&S site audits of contractors in conjunction with Project Managers
- Update online OH&S induction modules for all new employees and re-induction of existing employees
- Review of all safety manuals for projects over \$250,000
- In conjunction with our strategic partners, upgrade assets to current OH&S standards through our hazard rectification program
- Role specific training and annual re-training completed by all staff

HEALTH AND WELL-BEING ASSESSMENTS

We undertook the following measures during the year to ensure health, safety and welfare of our employees:

- Provided OH&S programs for first aid services
- Employer funded immunisations (Influenza and Hepatitis B)
- Provided training, awareness seminars and OH&S guidance material on safety related topics
- Provided health and wellbeing seminars such as men's and women's health luncheons
- Sponsored employee participation in *Bendigo's Biggest Winner* (weight loss competition run by Bendigo Community Health Service)

STATUTORY PERFORMANCE

FREEDOM OF INFORMATION (FOI)

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 \$27.20 as of 1 July 2015

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

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

During 2014/15 we have processed two FOI applications in accordance with the *Freedom of Information Act 1982*.

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, a FAL is levied on all borrowings, using a formula based on business credit ratings, to ensure we do not obtain an unfair advantage when compared against 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 Health and Human Services – Water Quality
- › Water Services Association of Australia (WSAA) – 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 performance can be improved.

This year we commenced participation in the WSAA Efficiency Benchmarking project. This project will benchmark the business across its full function and responsibility with twenty other water corporations nationally. The results of the benchmarking is anticipated next financial year.

MEMBERSHIP OF INDUSTRY ASSOCIATIONS

Our industry and business association memberships help enhance our organisational capability through collaboration, benchmarking, networking and training. Involvement in these groups also allows us to participate in the review and development of industry codes of practice.

We are active members of the following groups:

- › Water Services Association of Australia (WSAA)
- › Victorian Water Industry Association (VWIA)
- › Institute of Water Administration (IWA)
- › International Water Association (IWA)
- › Australian Water Association (AWA)
- › Water Services Sector Group (WSSG)
- › Australian National Committee on Large Dams (ANCOLD)
- › Water Industry Operators Association of Australia (WIOA)
- › Australian Institute of Management (AIM)
- › Australian Institute of Project Management (AIPM)
- › 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. Our employees understand the importance of privacy and what is required to comply with our Privacy Policy and 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.

GOVERNMENT ADVERTISING EXPENDITURE

We did not produce any advertising campaigns valued at \$150,000 or greater during the year.

STATUTORY PERFORMANCE

PROTECTED DISCLOSURE ACT 2012

Coliban Water is not able to receive disclosures under section 13 of the Act. However, the Act requires us to establish procedures under section 58 of the Act setting out how we will protect people against detrimental action that might be taken against them in reprisal for making a protected disclosure.

We have not received any complaints or disclosures considered to be Protected Disclosures in accordance with the Act.

For further information and how to make a protected disclosure contact:

Andrew Cooney

Corporate Secretary – Coliban Water
PO Box 2770 Bendigo VIC 3554
Phone: 1300 363 200
Website: www.coliban.com.au

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

Level 1, 459 Collins Street Melbourne VIC 3000
Phone: 1300 735 135
Website: www.ibac.vic.gov.au

MAJOR CONSULTANCIES

A consultant is a particular type of contractor that is engaged primarily to perform a discrete task for an entity that facilitates decision making through: provision of expert analysis and advice; and/or development of a written report or other intellectual output.

During 2014/15 we engaged 40 separate consultants with a value over \$10,000. The total cost, excluding GST, incurred during this period for major capital consultancies was \$2,551,102 (2013/14: \$2,054,900) and major operational consultancies was \$1,235,031 (2013/14: \$639,949).

OPERATIONAL

Details of individual consultants		Start date	End date	Total approved project fee (Exc GST) ('000)	Expenditure (Exc GST) ('000)	Future expenditure (Exc GST) ('000)
Consultant	Purpose of consultancy					
37 South Pty Ltd	SCADA telemetry review	1/07/2014	30/06/2015	10.74	10.74	–
AFS & Associates Pty Ltd	Financial assessments and advice	1/07/2014	30/06/2015	25.00	25.00	–
Australian Dams & Water Consultants Pty Ltd	Dam safety benchmarking	1/07/2014	30/06/2015	10.38	10.38	–
Beca Pty Ltd	Project management and engineering services	1/07/2012	30/06/2015	677.86	677.86	–
Ch2M Hill Australia Pty Ltd	Asset modelling tasks and reporting	1/07/2014	30/06/2016	130.50	100.54	29.96
Customer Service Benchmarking Aust Pty Ltd	Customer service assessments	1/07/2014	30/06/2015	10.40	10.40	–
DJ O'Brien & Associates Pty Ltd	Strategic planning	1/07/2014	30/06/2015	15.30	15.30	–
Ernst & Young	Accounting and valuation advice	1/07/2014	30/06/2015	68.50	68.50	–
ESS Earth Sciences Pty Ltd	Seismic monitoring services	1/07/2014	30/06/2015	15.50	15.50	–
Grant Thornton Australia Ltd	Income tax review	1/07/2014	30/06/2015	16.95	16.95	–
Insync Surveys Pty Ltd	Customer and stakeholder research	1/07/2014	30/06/2015	18.50	18.50	–
Integrity Governance	Board performance review	1/07/2014	30/06/2016	34.19	25.76	8.43
Leading Teams Australia Pty Ltd	Ongoing performance improvement program	1/07/2014	30/06/2015	24.00	24.00	–
Odysseus–imc Pty Ltd	Development of risk framework	1/07/2014	30/06/2016	19.09	14.60	4.49
PBJ & Associates	Technical advice	1/07/2014	30/06/2016	127.52	119.20	8.32
SMEC Australia Pty Ltd	Dam safety surveillance	1/07/2014	30/06/2015	38.94	38.94	–
The Corporate Executive Board Company	IT leadership exchange	1/07/2014	20/05/2017	22.50	16.88	5.62
Workwell Consulting Pty Ltd	Board performance review and innovation workshop	1/07/2014	30/06/2015	26.00	26.00	–
				1,291.87	1,235.05	56.82

STATUTORY PERFORMANCE

CAPITAL

Details of individual consultants		Start date	End date	Total approved project fee (Exc GST) ('000)	Expenditure (Exc GST) ('000)	Future expenditure (Exc GST) ('000)
Consultant	Purpose of consultancy					
37 South Pty Ltd	SCADA telemetry upgrade	1/07/2014	10/09/2015	554.71	460.18	94.53
Advisian Pty Ltd	Project assessments	1/07/2014	30/06/2016	218.04	201.33	16.71
AFS & Associates Pty Ltd	Financial assessments and advice	1/07/2014	30/06/2015	42.46	42.46	–
Beca Pty Ltd	Project management and engineering services	1/07/2014	30/06/2016	1,393.90	1,023.56	370.34
CEE Pty Ltd	Environmental investigations	1/07/2014	30/09/2015	56.50	22.60	33.90
Corrcor Pty Ltd	Asset condition assessments	1/07/2014	30/06/2015	13.40	13.40	–
Country Wide Valuers	Harcourt project valuations	1/07/2014	22/12/2016	25.73	10.98	14.75
Curtain Control Systems Pty Ltd	SCADA telemetry upgrades	1/07/2014	14/07/2015	19.54	10.69	8.85
Department of Transport, Planning & Local Infrastructure	Valuation services	1/07/2014	30/06/2015	50.82	50.82	–
Ernst & Young	BOOT contract accounting advice	1/07/2014	30/06/2015	11.88	11.88	–
ESRI Australia Pty Ltd	GIS functionality upgrades	1/07/2014	30/06/2015	15.95	15.95	–
GHD Pty Ltd	Environmental audit assessments	1/07/2014	20/12/2016	88.90	41.40	47.50
Hay Property Services Pty Ltd	Harcourt project valuations	1/07/2014	30/06/2015	24.83	24.83	–
IMPO Pty Ltd	Project server implementation	1/07/2014	30/06/2015	51.66	51.66	–
Infor Global Solutions (ANZ) Pty Ltd	Technical support for asset management system upgrades	1/07/2014	31/08/2015	16.61	16.61	–
Linktech Solutions Pty Ltd	Document management system implementation advice	1/07/2014	30/06/2015	27.98	27.98	–
Melissa Carroll	Portfolio management system implementation	1/07/2014	30/06/2015	64.03	64.03	–
Microflite Helicopter Services	Aerial imagery	1/07/2014	30/06/2015	19.88	19.88	–
PBJ & Associates	Project strategy support	1/07/2014	30/06/2015	12.51	12.51	–
PT Tomkinson & Associates Pty Ltd	Surveying and design services	1/07/2014	30/06/2016	16.11	12.12	3.99
RMCG Consulting Group	Agricultural assessments	1/07/2014	30/06/2016	135.51	65.77	69.74
Safegroup Pty Ltd	SCADA engineering support	1/07/2014	30/06/2015	20.38	20.38	–
SJ Street & Associates Pty Ltd	Design, review and inspection services	1/07/2014	30/06/2015	43.51	43.51	–
SMEC Australia Pty Ltd	Environmental supervision services	1/07/2014	31/08/2015	194.27	127.87	66.40
Spatial Scientific Pty Ltd	Aerial imagery	1/07/2014	30/06/2015	18.18	18.18	–
Spiire Australia Pty Ltd	Design and project management of the Echuca West Land Development	1/07/2014	30/06/2016	141.52	119.10	22.42
				3,278.81	2,529.68	749.13

MINOR CONSULTANCIES

During the year there were 46 minor consultancies at a cost of less than \$10,000 each. The total cost, excluding GST, of these minor consultancies was \$350,274 (2013/14: \$400,984).

DISCLOSURE OF MAJOR CONTRACTS

Two major contracts greater than \$10 million were continued through the 2014/15 financial year, being:

- › Construction of pipeline and pump stations for the Harcourt Rural Modernisation project. This contract is due for completion in late 2016; and
- › Operational and Maintenance Services for our treatment plants and networks. The initial term of the contract is due for review by July 2017.

STATUTORY PERFORMANCE

VICTORIAN INDUSTRY PARTICIPATION POLICY (VIPP)

In accordance with the *Victorian Industry Participation Policy Act 2003*, we are required to apply the Victorian Industry Participation Policy (VIPP) in all procurement activities valued at \$1 million or above as we are located in regional Victoria.

During 2014/15, 15 small to medium sized businesses prepared a VIPP Plan for Coliban Water.

During 2014/15 Coliban Water commenced one contract totaling \$4.23 million to which a VIPP Plan was required, occurring in regional Victoria, representing 100 per cent of estimated local content. The total VIPP Plan commitments include; five new jobs, and benefit to the Victorian economy in terms of skills and/or technology transfer outcomes includes the development of apprentices.

During 2014/15 Coliban Water completed nine contracts totaling \$36.65 million to which a VIPP Plan was required and occurred in regional Victoria. The total VIPP Plan commitments achieved as a result of contracts completed include:

- › an average of 82 per cent of local content outcome was recorded;
- › 35 new jobs and 239 retained jobs;
- › six new apprenticeships/traineeships and eight retained apprenticeships/traineeships; and
- › benefits to the Victorian economy in terms of skills and/or technology transfer outcomes of environment awareness, on the job training, development of tank design and enhancing skills of apprentices

PERFORMANCE REPORT

FOR THE REPORTING PERIOD ENDED 30 JUNE 2015

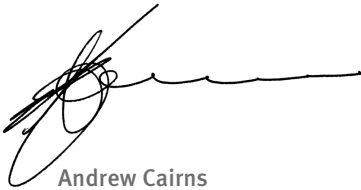
CERTIFICATION

We certify that the accompanying Performance Report of Coliban Region Water Corporation in respect of the reporting period ended 30 June 2015 is presented fairly in accordance with the *Financial Management Act 1994*.

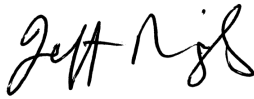
The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister for Environment, Climate Change and Water, and as set out in the 2014/15 *Corporate Plan*. We have reported our actual and comparative results achieved for the financial year against predetermined performance targets and these indicators. We have reported an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

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

Signed at Bendigo on the 14th day of August, 2015, on behalf of the Board



Andrew Cairns
Chairman



Jeff Rigby
Managing Director



Peter Leersen
Chief Financial officer

PERFORMANCE REPORT

FINANCIAL PERFORMANCE INDICATORS

KPI No.	Key Performance Indicator	2013/14 Result	2014/15 Result	2014/15 Target	Variance to prior year	Notes	Variance to target %	Notes
F1	Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments	1.7	1.8	1.5	5.9%		16.6%	1b
F2	Gearing Ratio Total debt (including finance leases) / total assets * 100	33.3%	33.9%	35.4%	1.8%		-4.3%	
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure * 100	49.7%	85.3%	39.5%	71.6%	2a	115.9%	3b
F4	Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	1.4 times	1.8 times	1.4 times	28.6%	4a	31.0%	5b
F5	Return on Assets Earnings before net interest and tax / average assets * 100	1.9%	2.7%	1.8%	42.1%	6a	51.4%	7b
F6	Return on Equity Net profit after tax / average total equity * 100	-0.6%	0.6%	-1.0%	-200.0%	8a	-158.8%	9b
F7	EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue * 100	50.6%	54.5%	50.6%	7.7%		7.8%	

Reasons for variations greater than 10 per cent compared to that budgeted or significant variations to prior year actual result

- 1b Compared to that budgeted our cash interest cover has favourably exceeded the target due to the strengthening net operating cash inflows against budget as a result of increased services charges, water consumption and temporary water sales, and improvement in debt collection processes. Less interest payments against budget were also incurred due to less reliance on borrowings to fund capital expenditure. The indicator displays a favourable trend that is budgeted to continue.
- 2a Our internal financing ratio improved compared to that achieved last year due to our net operating cash inflows increasing by \$3.9 million while our payments for capital expenditure reduced by \$11.4 million. The reduction in capital expenditure was a result of re-prioritisation and deferred delivery. This indicator is improving as we become less reliant on borrowings to fund capital expenditure.
- 3b There has been a significant improvement in our internal financing ratio due to a \$7.2 million increase in net operating cash inflows and a \$14.3 million reduction in capital expenditure for the year compared to that budgeted.
- 4a Our current ratio has improved on what was achieved last year due to our strengthening operating cash inflows contributing to an increase in cash held at the end of the financial year. This increase in cash held contributed to the increase in current assets of \$3.8 million while our current liabilities, excluding long-term employee provisions, reduced by \$1.9 million as a result of a reduction in payables and accruals at year end.
- 5b Our current ratio improved compared to that budgeted due to the \$5.0 million increase in current assets as a result of a \$6.2 million increase in cash on hand at year end and a \$0.2 million decrease in current liabilities, excluding long-term employee provisions, as a result of less payables and accruals at year end.
- 6a The improvement to our net result to that achieved last year has favourably impacted our return on assets ratio. Our earnings before net interest and tax increased by \$13.3 million due to increased revenue from service charges and water consumption while our expenditure remained in line with the previous year. During this period, our asset holdings only increased by \$6.4 million. Compared to previous years this indicator has continued to improve in line with the improvement in our operating performance.
- 7b Compared to that budgeted our return on assets ratio was favourable. Our earnings before net interest and tax compared to budget improved by \$11.8 million due to higher revenue and lower expenditure. The ratio was favourably impacted compared to budget by a lower average asset base as a result of less capital expenditure incurred during the year due to the re-phasing of capital projects.
- 8a Our return on equity ratio improved compared to that achieved last year as a result of a \$12.0 million increase in our net profit after tax due to increased revenue and expenditure remaining in line with the prior year.
- 9b Our return on equity ratio compared to that budgeted improved substantially due to a \$13.8 million increase in net profit after tax.

PERFORMANCE REPORT

WATER AND SEWERAGE SERVICE PERFORMANCE INDICATORS

KPI No.	Key Performance Indicator	2013/14 Result	2014/15 Result	2014/15 Target	Variance to prior year	Notes	Variance to target %	Notes
WS1	Unplanned water supply interruptions No. of customers receiving (5) unplanned interruptions in the year / total number of water (domestic and non-domestic) customers * 100	0.00%	0.00%	0.03%	0.0%		-100.0%	10b
WS2	Interruption time Average duration of unplanned water supply interruptions	162.4 minutes	114.9 minutes	120.0 minutes	-29.3%	11a	-4.3%	
WS3	Restoration of unplanned water supply Unplanned water supply interruptions restored within (5) hours / total unplanned water supply interruptions * 100	95.9%	98.0%	98.0%	2.2%		0.0%	
SS1	Containment of sewer spills Sewer spills from reticulation and branch sewers contained within 5 hours / total sewer spills from reticulation and branch sewers * 100	99.0%	100.0%	99.0%	1.0%		1.0%	
SS2	Sewer spill interruptions No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	98.4%	99.7%	99.0%	1.3%		0.7%	

Note: The 2014/15 Corporate Plan target for average duration time of unplanned water supply interruptions was 12 minutes but has been corrected to 120 minutes as reported in WS2 above.

Reasons for variations greater than 5 per cent compared to that budgeted or significant variations to prior year actual result

10b The improvement in asset performance and the proactive management of water networks has contributed to this positive outcome. This result is also in line with the previous year.

11a A single event triggered the non-compliance for this performance indicator last financial year. The favourable variance is due to an abnormal event not occurring this year and the proactive management of our water networks.

CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS

KPI No.	Key Performance Indicator	2013/14 Result	2014/15 Result	2014/15 Target	Variance to prior year	Notes	Variance to target %	Notes
CR1	Water quality complaints (colour, taste, odour, other) No. of complaints per 100 customers	0.30	0.34	0.48	13.3%	12a	-29.2%	13b
CR2	Sewerage service quality complaints No. of complaints per 100 customers	0.010	0.006	0.010	0.0%		-40.0%	14b
CR3	Sewerage odour complaints No. of complaints per 100 customers	0.17	0.19	0.18	11.8%	15a	5.6%	16b
CR4	Billing complaints No. of complaints per 100 customers	0.04	0.01	0.04	-75.0%	17a	-75.0%	18b

Reasons for variations greater than 5 per cent compared to that budgeted or significant variations to prior year actual result

12a There was an increase of 34 water quality complaints for the year compared with the previous year. The majority of this increase related to an increase in taste complaints in Heathcote due to a change in the water supply reservoirs. The water quality team held discussion with those residents and continues to actively monitor this system, with no prevailing issues expected.

13b The improved water quality analysis by the Water Quality and Performance team and the continued emphasis on achieving positive water quality outcomes for our customers resulted in less complaints being received compared to that budgeted.

14b There has only been four sewerage service quality complaints received in 2014/15 compared to 7 budgeted which has resulted in a favourable variance for the year.

15a Compared to that achieved last year there has been an additional 17 sewer odour complaints which were localised to known areas in Bendigo and Echuca. Coliban Water plans to undertake works aimed at minimising the impacts of these odour issues across our network.

16b Compared to that budgeted there has been an additional 10 sewer odour complaints for the year. As stated in 15a above, Coliban Water is planning to undertake works to alleviate the impacts of these odour issues.

17a The number of billing complaints fell significantly to that obtained last year due to minimal price increase for 2014/15 compared to the previous period, which was the first of the regulatory period and included an up-front price increase.

18b Compared to that budgeted the number of billing complaints received was less as a result of the minimal price increase for 2014/15.

PERFORMANCE REPORT

ENVIRONMENTAL PERFORMANCE INDICATORS

KPI No.	Key Performance Indicator	2013/14 Result	2014/15 Result	2014/15 Target	Variance to prior year	Notes	Variance to target %	Notes
E1	Effluent re-use volume (end use) Percentage recycled for each category	33.8%	37.1%	42.0%	9.8%	19a	-11.7%	20b
E2	Total net CO2 emissions Net tonnes CO2 equivalent	31,627	41,091	32,913	29.9%	21a	24.8%	22b

Reasons for variations greater than 5 per cent compared to that budgeted or significant variations to prior year actual result

19a The recycled water re-use percentage was higher than that achieved last year which is largely attributable to increases in industrial reuse.

20b The recycled water re-use percentage is below that targeted due to high winter flows into the wastewater treatment plants and lower demands from irrigators to use recycled water. Although irrigation is heavily climate dependant, Coliban Water is addressing this impact through an irrigation scheduling strategy to optimise reuse.

21a The annual increase in total net CO2 emissions is attributable to an increase in water transfers due to the extensive operation of the Superpipe (Lake Eppalock to Bendigo) to meet water supply demand. An increase in wastewater volumes to our plants further increased emissions related to wastewater treatment. Coliban Water is in the process of developing an energy management strategy to identify opportunities for energy savings.

22b The total net CO2 emissions exceeded that budgeted due to an increase in water transfers driven by the extensive operation of the Superpipe (Lake Eppalock to Bendigo) to meet water supply demand. The increase in wastewater volumes to our plants further increased emissions related to wastewater treatment compared to that budgeted. As stated in 21a above, Coliban Water is developing an energy management strategy to identify opportunities for energy savings.



Victorian Auditor-General's Office

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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 2015 of Coliban Region Water Corporation which comprises the performance report, the related notes and the certification has been audited.

The Board Members' Responsibility for the Performance Report

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, 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 Coliban Region Water Corporation in respect of the 30 June 2015 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

MELBOURNE
21 August 2015



John Doyle
Auditor-General

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FURTHER INFORMATION ABOUT OPERATIONS AND PERFORMANCE

Information about our operations and performance is available in the following sources; *Water Plan 2013–2018*, 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.

Further information listed in Reporting Direction 22F 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 2014/15	Actual 2014/15	Actual 2013/14	Actual 2012/13	Actual 2011/12	Actual 2010/11
REVENUE						
Service charges	65,270	65,899	61,185	49,362	46,897	42,746
Usage charges	38,016	44,796	40,909	36,183	34,056	25,875
Contributions and gifted assets	12,285	14,566	11,880	11,367	9,847	6,603
Other	1,388	1,625	1,449	1,440	2,519	856
Interest received	67	83	74	63	54	26
Total revenue	117,026	126,969	115,497	98,415	93,373	76,106
EXPENSES						
Operations, administration & employee	54,560	54,184	53,655	53,466	50,447	45,153
Depreciation	34,796	32,705	33,141	35,295	32,697	26,241
Finance charges	32,976	31,022	29,753	29,107	27,082	24,469
Environmental contribution	3,272	3,272	3,272	2,031	2,031	2,031
Total expenditure	125,604	121,183	119,821	119,899	112,257	97,894
Net result before tax	(8,578)	5,786	(4,324)	(21,484)	(18,884)	(21,788)
Net result for the year	(6,005)	4,931	(4,700)	(15,087)	(13,126)	(16,922)
ASSETS						
Total current assets	27,176	32,189	28,423	25,847	23,247	21,537
Total non-current assets	1,362,126	1,332,020	1,323,061	1,307,404	1,307,724	1,285,653
Total Assets	1,389,303	1,364,209	1,351,484	1,333,251	1,330,971	1,307,190
LIABILITIES						
Total current liabilities	21,575	20,150	23,090	20,541	20,380	26,460
Total non-current liabilities	545,037	501,178	490,294	469,910	446,197	408,375
Total liabilities	566,612	521,328	513,384	490,451	466,577	434,835
Total net assets	822,691	842,881	838,100	842,800	864,394	872,355
Net cash inflows from operations	17,632	24,878	20,942	2,550	2,721	2,466
Payments for infrastructure assets, property, plant and equipment	(43,421)	(29,161)	(40,595)	(34,807)	(43,441)	(37,555)
Performance Indicator						
Internal Financing Ratio	39.5%	85.3%	49.7%	7.3%	6.3%	6.6%
Gearing Ratio	35.4%	33.9%	33.3%	32.2%	29.7%	27.2%
EBIDTA Margin	50.6%	54.5%	50.6%	43.5%	30.1%	10.9%
Cash Interest Cover	1.5	1.8	1.7	1.1	1.1	1.1
Return on Assets	1.8%	2.7%	1.9%	0.6%	0.6%	0.2%
Return on Equity	(1.0%)	0.6%	(0.6%)	(1.8%)	(4.4%)	(2.8%)

Coliban Water achieved a net profit of \$4.9 million for the 2014/15 financial year, which is the first positive result in 13 financial years. This result is \$9.6 million higher than in 2013/14 and \$10.9 million ahead of *Corporate Plan* budget.

This was a significant improvement in financial performance and position this year as the actions from the Board's financial viability strategy, which was implemented at the commencement of the 2013/14 year, continued to deliver better-than-planned results. The significantly improved financial sustainability risk rating and positive operating result were based on financial and capability goals we set ourselves to achieve within the 2013–18 regulatory period. Delivering these outcomes inside the first two years of this five year regulatory period is noteworthy. Our third and final financial goal is to peak our debt levels within the regulatory period. We anticipate achieving this in 2015/16, at which point we can commence our long term plan of repaying the debt we have accumulated through borrowings raised over the last decade that was needed over that period to fund critical infrastructure, water entitlement purchases and to finance the delivery of our essential services.

Our performance indicators summarise our improvement over the years due to our strengthening financial performance resulting from our financial viability strategy, business transformation and tariff reforms implemented on 1 July 2013.

Our cash interest cover has favourably exceeded what was achieved last year and our target in the *Corporate Plan* due to the strengthening net operating cash inflows from increased services charges, water consumption, and improvement in debt collection processes. Less interest payments were also incurred due to less reliance on borrowings to fund capital expenditure.

Our internal financing ratio also improved on what was achieved last year and to that budgeted in the *Corporate Plan* due to our strengthening net operating cash inflows while our payments for capital expenditure reduced as a result of re-prioritised project delivery.

Our gearing ratio also improved compared to that budgeted with less borrowings needed to fund the capital expenditure during the year as a result of our improved financial performance, although it slightly worsened to that achieved last year because of the increase in total borrowings.

These indicators will continue to improve as we become less reliant on borrowings to fund capital expenditure. We are budgeting to peak debt during the next financial year and commence repaying borrowings in 2016/17 which will further improve our financial performance and these indicators.

Our current ratio has improved on what was achieved last year and to the budgeted target in the *Corporate Plan* due to our strengthening operating cash inflows contributing to an increase in cash held at the end of the financial year. This increase in cash held contributed to the increase in current assets while our currently liabilities reduced as a result of a reduction in payables and accruals at year end.

The improvement to our net result to that achieved last year has increased our return on assets ratio. Our earnings before net interest and tax has improved due to increased revenue from service charges and water consumption while our expenditure remained in line with the previous year.

Likewise our return on equity ratio improvement to that achieved last year is a result of the increase in net profit after tax which is due to revenue increasing and expenditure remaining in line with the prior year.

SIGNIFICANT CHANGES OR FACTORS AFFECTING FINANCIAL PERFORMANCE

The total net result for the year was a profit of \$4.9 million attributed to an increase in revenue over the five years but also through a concerted effort to minimise expenditure.

The increase of \$11.5 million in total revenue from the previous year is the major factor improving our performance to *Corporate Plan*. Increases in operating revenue from service and usage charges were the primary reason for revenue growth compared to previous years and were in line with the Essential Services Commission's (ESC) 2013 water price determination. Water usage revenue increased \$4.2 million as average water consumption per household of 191 kilolitres was 26 kilolitres higher to that budgeted. Revenue from service charges also increased \$4.7 million from last year as a result of the tariff reform approved by the ESC and implemented on 1 July 2013. The higher revenue from fixed service charges better aligns to the expenditure profile and provides a more evenly distributed cash flow throughout the year.

Contributions and gifted assets continued to increase from previous years (\$2.7 million or 22.6 per cent) due to the sustained level of development occurring in Bendigo, Castlemaine and Echuca.

Total expenditure increased only \$1.4 million or 1.1 per cent compared to the previous year and was down \$4.4 million to *Corporate Plan*.

Operations, administration and employee expenditure has remained consistent for the last three financial years due to Coliban Water's transformation of the business through reconfiguring our business model, the re-contracting of core services to a new private sector provider, repatriating functions that were previously outsourced back into the business and restructuring the organisation to align to the new model. The improved financial performance resulting from these changes have ensured we are:

- 1) More in control of strategic elements of our business;
- 2) Increasing our organisational knowledge and capability;
- 3) Highly involved with our servicing partners in the delivery of services and water products to customers;
- 4) Driving innovation and efficiency in our operations and optimising our systems and processes; and
- 5) A more integrated business with adaptive planning mechanisms.

Coliban Water completed the extensive review of asset useful lives for below-ground water and sewer infrastructure assets and a full condition assessment of all above-ground infrastructure assets. The outcome of this extensive review has contributed to the decrease in depreciation expense in the current year by \$0.4 million to last year and \$2.1 million compared to *Corporate Plan*.

Compared to the previous year, financing charges have increased \$1.3 million as a result of a full year impact of last year's borrowings and increase in financial accommodation levy to 279 basis points in that year. Borrowings also increased \$9.6 million this year to fund the \$29.2 million in capital expenditure with the financial accommodation levy reduced to 210 basis points.

SIGNIFICANT CHANGES IN FINANCIAL POSITION – BALANCE SHEET

Compared to that achieved last year, Coliban Water's net assets increased by \$4.8 million to \$842.9 million, mainly due to increases in total assets of \$12.7 million being offset by an increase in total liabilities of \$7.9 million.

Total current assets continued to improve due to the strengthening of cash assets with operating cash flows increasing by \$3.9 million to last year and \$7.2 million to *Corporate Plan* as a result of higher than budgeted service and usage revenue.

Total non-current assets increased \$9.0 million compared to last year and was significantly down to the *Corporate Plan* by \$30.1 million. We are continuing with our major capital works program and delivered an additional \$29.2 million in new capital expenditure for the year which was significantly down to last year and to that budgeted in the *Corporate Plan*. This is due to a delay in the Harcourt Rural Modernisation project. This increase in new capital expenditure was however offset by the increase in accumulated depreciation for the year.

Issues with the lead contractor for the Harcourt Rural Modernisation Project brought the works to a standstill in November 2014 with around two-thirds of the works constructed and led to us taking the difficult but necessary step in June 2015 of taking the works out the hands of the contractor and concluding their involvement in the project. We have put in place a plan that will enable the timely completion of the works that remain to be constructed. However, with the time lost to date, and the additional time needed to implement the plan, the completion of the project will be delayed until well into 2016.

Total liabilities increased \$7.9 million from last year but are significantly down (\$45.3 million) to that budgeted in the *Corporate Plan*.

Total current liabilities decreased due to a reduction in trade creditors and accruals held at 30 June 2015.

Compared to last year, total non-current liabilities increased \$10.9 million as a result of total borrowings required to partially fund new capital expenditure for the year. However due to the improved operating performance and delay in major capital expenditure, total borrowings were \$29.4 million less than that in the *Corporate Plan*.

Our improvement in total equity compared to last year and the target in the *Corporate Plan* is attributed to our significantly improved operating performance for the year.

SIGNIFICANT CHANGES IN CASH FLOW

The overall cash surplus of \$9.1 million for the 2014/15 financial year was a net increase of \$4.7 million compared to the previous year. This additional cash was the result of an improvement in our net cash inflows from operating activities.

Total receipts increased \$11.2 million to that achieved last year and \$6.7 million to the target in the *Corporate Plan* due to more receipts from service and usages charges and the improvement in our debt collection processes. Compared to last year, total receipts were partially offset by a \$7.3 million increase in payments to suppliers and employees and additional borrowing costs and finance charges but were in line with budgeted payments.

Net cash inflows from investing activities decreased by \$14.8 million due to less payments for infrastructure assets, property, plant and equipment as a result of less capital expenditure incurred during the year compared to previous years and to that budgeted in the *Corporate Plan*. We also increased our proceeds from the sale of infrastructure assets, property, plant and equipment due to the sale of land in Echuca to the Department of Education.

Net cash inflows from financing activities significantly decreased due to less borrowings required to fund capital expenditure this year and compared to that budgeted in the *Corporate Plan*. The main reasons for this decrease is our strong operating performance and the re-prioritising of capital projects to next year.

POST BALANCE DATE EVENTS

The following matters and/or circumstances have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of Coliban Water, the results of those operations, or the state of affairs of Coliban Water in future financial years:

- › On the 8 April 2015, the Minister for Environment, Climate Change and Water, the Hon Lisa Neville MP, announced a review of all 135 Victorian water corporation board director positions. Expressions of interest were invited during April and May 2015 with new boards to be in place by 1 October 2015
- › Water corporations remain governed by a properly constituted board of directors and will do so following 1 October 2015 when any new appointments are due to commence

UNDERSTANDING THE FINANCIAL STATEMENTS

OPERATING STATEMENT

The Comprehensive Operating Statement measures our performance over the year and shows if a surplus or deficit 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 2015, we made a net profit for the year of \$4.9 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 Comprehensive Operating Statement in that it excludes non-cash expenses such as depreciation and the accruals taken into account in the Comprehensive 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 2015, we had a net cash inflow from operating activities of \$24.9 million.

NOTES TO THE FINANCIAL STATEMENTS

The Notes to the Financial Statements 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 CERTIFICATION 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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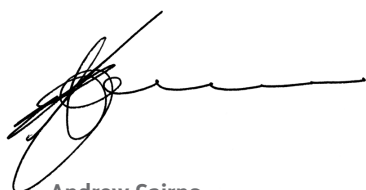
STATUTORY CERTIFICATION

We certify that 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 Financial Reporting Directions, applicable Australian Accounting Standards including interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the accompanying notes, presents fairly the financial transactions during the financial year ended 30 June 2015 and the financial position of Coliban Region Water Corporation as at 30 June 2015.

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

We authorise the attached financial statements for issue on 14 August 2015.



Andrew Cairns
Chairman
Coliban Region Water Corporation



Jeff Rigby
Managing Director
Coliban Region Water Corporation



Peter Leersen
Chief Financial Officer
Coliban Region Water Corporation

COMPREHENSIVE OPERATING STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 (\$'000)	2014 (\$'000)
REVENUE			
Service charges	2(a)	65,899	61,185
Usage charges	2(a)	44,796	40,909
Government grants		26	—
Interest received		83	74
Contributions and gifted assets	2(a)	14,566	11,880
Other income		1,599	1,449
Total revenue		126,969	115,497
EXPENSES			
Operating and administration expenses	2(b)	38,558	39,408
Employee expenses	2(b)	15,626	14,247
Borrowing costs	2(b)	24,042	22,687
Depreciation	2(b)	32,705	33,141
Finance charges		6,980	7,066
Environmental contributions	1 (vi), 22(c)	3,272	3,272
Total expenses		121,183	119,821
Net result/(deficit) before tax and other economic flows		5,786	(4,324)
Income tax (expense)/benefit	13(b)	(513)	1,305
Net result/(deficit) before other economic flows		5,273	(3,019)
OTHER ECONOMIC FLOWS INCLUDED IN THE NET RESULT			
Net gain/(loss) on disposal of assets		(414)	(2,167)
Fair value increase/(decrease) in other financial instruments		12	6
Other gains/(losses) from other economic flows		(86)	(240)
Income tax benefit relating to components of other economic flows	13(c)	146	720
Total other economic flows net of tax		(342)	(1,681)
Net result/(deficit) for the year		4,931	(4,700)
Other comprehensive income for the year		—	—
Total comprehensive result/(deficit) for the year		4,931	(4,700)

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

BALANCE SHEET

➔ AS AT 30 JUNE 2015

	Notes	2015 (\$'000)	2014 (\$'000)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	9,134	4,390
Receivables	4	21,486	21,739
Inventories	6	1,005	1,097
Prepayments		564	409
Assets held for sale	7	–	788
Total current assets		32,189	28,423
NON-CURRENT ASSETS			
Receivables	4	1,172	1,235
Other financial assets	5	78	66
Infrastructure assets, property, plant and equipment	8	1,270,718	1,261,708
Intangible assets	9	60,052	60,052
Total non-current assets		1,332,020	1,323,061
TOTAL ASSETS		1,364,209	1,351,484
LIABILITIES			
CURRENT LIABILITIES			
Payables	10	10,986	16,283
Borrowings	11	5,512	3,839
Employee benefits	12	3,652	2,968
Total current liabilities		20,150	23,090
NON-CURRENT LIABILITIES			
Payables	10	581	464
Borrowings	11	456,620	446,309
Net deferred tax	14	43,451	43,084
Employee benefits	12	526	437
Total non-current liabilities		501,178	490,294
TOTAL LIABILITIES		521,328	513,384
NET ASSETS		842,881	838,100
EQUITY			
Contributed capital	15	308,429	308,579
Reserves	16	188,968	188,968
Accumulated funds		345,484	340,553
TOTAL EQUITY		842,881	838,100
Commitments for expenditure	22, 23, 24		
Contingent assets and contingent liabilities	27		

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Contributed Capital (\$'000)	Reserves (\$'000)	Accumulated funds (\$'000)	Total (\$'000)
BALANCE AT 1 JULY 2013		308,579	188,968	345,253	842,800
Total comprehensive result/(deficit) for the year		–	–	(4,700)	(4,700)
Transactions with the State in its capacity as owner:					
Contributed capital transfer	15	–	–	–	–
BALANCE AT 30 JUNE 2014		308,579	188,968	340,553	838,100
Total comprehensive result/(deficit) for the year		–	–	4,931	4,931
Transactions with the State in its capacity as owner:					
Contributed capital transfer	15	(150)	–	–	(150)
BALANCE AT 30 JUNE 2015		308,429	188,968	345,484	842,881

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 (\$'000)	2014 (\$'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
Service and usage charges		106,977	96,508
Other customer revenue		9,108	6,963
Receipts from Government		26	–
GST received from the ATO ⁽ⁱ⁾		6,757	8,192
Interest received		84	74
		122,952	111,737
PAYMENTS			
Payments to suppliers and employees		(63,918)	(58,298)
Borrowing costs and finance charges		(30,884)	(29,225)
Environmental contributions		(3,272)	(3,272)
		(98,074)	(90,795)
Net cash inflows from operating activities	17	24,878	20,942
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for infrastructure assets, property, plant and equipment		(29,161)	(40,595)
Proceeds from sale of infrastructure assets, property, plant and equipment		3,444	93
Net cash outflows from investing activities		(25,717)	(40,502)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		9,589	22,565
Outflow from contributions of owners		(150)	–
Repayment of finance lease liabilities		(3,856)	(3,425)
Net cash inflows from financing activities		5,583	19,140
Net increase/(decrease) in cash and cash equivalents		4,744	(420)
Cash and cash equivalents at the beginning of the financial year		4,390	4,810
Cash and cash equivalents at the end of the financial year	3	9,134	4,390

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

⁽ⁱ⁾ Goods and Services Tax paid to the ATO is presented on a net basis.

NOTE 1: 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 a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements. The financial statements for Coliban Water have been prepared in accordance with Statutory Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards (AAS) including interpretations and other mandatory professional reporting requirements.

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 14th August 2015.

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 all classes of infrastructure assets, property, plant and equipment.

Fair value measurement

Consistent with AASB 13 *Fair Value Measurement*, Coliban Water determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment, and financial instruments and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

The Valuer General Victoria (VGV) is Coliban Water's independent valuation agency in relation to the valuation of infrastructure assets, property, plant and equipment.

Coliban Water, in conjunction with VGV, monitors changes in the fair value of infrastructure assets, property, plant and equipment through relevant data sources to determine whether revaluation is required.

Accounting estimates and judgements

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

The most significant accounting estimates and judgements undertaken are:

- > estimation of assets useful lives
- > impairment of assets
- > recognition of deferred tax balances
- > employee benefits provision
- > contingent assets and liabilities
- > fair value of infrastructure assets, property, plant and equipment
- > actuarial assumptions of the defined benefits superannuation
- > accrued revenue and expenses

ii CHANGES IN ACCOUNTING POLICIES

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

Subsequent to the 2013/14 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

AASB 10 Consolidated Financial Statements

AASB 10 provides a new approach to determine whether an entity has control over an entity, and therefore must present consolidated financial statements. The new approach requires the satisfaction of all three criteria for control to exist over an entity for financial reporting purposes:

- (a) The investor has power over the investee;
- (b) The investor has exposure, or rights to variable returns from its involvement with the investee; and
- (c) The investor has the ability to use its power over the investee to affect the amount of investor's returns.

Coliban Water has assessed the new approach under AASB 10 and conclude that no control exists over another entity, therefore no consolidated financial statements will be generated.

AASB 11 Joint Arrangements

In accordance with AASB 11, there are two types of joint arrangements, i.e. joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to

the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportionate consolidation of a joint venture is no longer permitted.

Coliban Water has reviewed its existing contractual arrangements with other entities to ensure they are aligned with the new classifications under AASB 11. Coliban Water has concluded that the existing classification for the current joint arrangement remains appropriate and therefore no adjustment is required to the financial statements. Refer Note 25 for full disclosure.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 prescribes the disclosure requirements for an entity's interests in subsidiaries, associates and joint arrangements, and extends to the entity's association with unconsolidated structured entities.

Coliban Water has disclosed information about its interests in its joint operation in Note 25, including any significant judgements and assumptions used in determining the type of joint arrangement in which it has an interest.

Coliban Water has reviewed its current contractual arrangements to determine if there are any unconsolidated structured entities that it has involvement with. Coliban Water has not identified any unconsolidated structured entities during the assessment.

iii CHANGES IN ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In 2014/15 Coliban Water updated all infrastructure asset useful lives with the latest available and more reliable information which improved our judgement and estimation of asset useful lives. The following revisions were applied:

At 1 July 2014 Coliban Water revised the useful lives of underground infrastructure assets by aligning the accounting life with the engineering life in order to ensure that useful lives represent reality as closely as possible. The revised methodology for estimating useful lives takes into consideration historical performance, operational data, location, soil types and other factors. This resulted in revisions to the remaining useful life of approximately 90% of both water and sewer underground assets and reduced annual depreciation expense by almost \$3.3 million in the 2014/15 financial year. It is estimated that this depreciation benefit will continue to have a similar impact in future financial years.

At 1 February 2015 Coliban Water revised the useful lives of above ground infrastructure assets, which included plant and equipment, based on condition assessments derived from the physical inspection of over 90% of assets in this category. Through this process assets were broken down into lower, more accurate component levels where they were allocated more realistic useful lives. These judgement changes have resulted in a reduction in annual depreciation expense by almost \$0.5 million in the 2014/15 financial year with an estimated future annual impact of \$1.3 million.

Asset useful lives are reviewed on an annual basis and revised as required which may impact future years by differing amounts than stated above.

In 2014/15 Coliban Water revised the taxation treatment for three financial items based on the latest available and more reliable information. The following revisions were implemented from 1 July 2014:

- Included for assessment, for the first time, was the estimated accrued revenue in respect of water rates and charges for which meters have been read at year end but not invoiced per 'ATO Interpretative Decision 2012/15'. This transitioning from the invoice to supply basis has decreased deferred tax liabilities by \$2.3 million (refer Note 14(b))
- Included for deduction for the first time, was the accrued interest on loans which has decreased the deferred tax assets by \$1.3 million (refer Note 14(a))

- Adjusted the deduction, for the first time, to reflect only the depreciation component relating to low value pool asset purchases which were expensed during the year which increased deferred tax assets by \$8,000 (refer Note 14(a))

iv COMPARATIVE AMOUNTS

Where appropriate, comparative figures have been amended to align with current presentation and disclosure in accordance with AASB 101 *Presentation of Financial Statements*.

v REVENUE FROM OPERATING ACTIVITIES

Service and usage charges

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

Usage charges are recognised as revenue when the service has been supplied. Meter reading is scheduled quarterly 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 in accordance with the trade waste agreements. Major trade waste customer meters are read monthly with accounts sent monthly. All minor trade waste customer meters are read quarterly with accounts sent quarterly. An estimation is made by multiplying the number of days since the last reading by an adjusted reading for an equivalent prior period.

On 18 January 2014, the former Victorian Government announced the Victorian Government Efficiency Initiative (VGEI) formally known as Fairer Water Bills. The objective of this reform is to lower household water bills by delivering efficiencies and system-wide cost reductions that are to be passed onto customers. From 1 July 2014 through to 30 June 2018, Coliban Water will pass on the VGEI savings through tariffs that are lower than those approved by the Essential Services Commission.

Government Grants and 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 *Contributions*, whichever is the sooner, and disclosed in the Comprehensive Operating Statement as government grants and 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 Environment, Climate Change and Water have indicated are in the nature of owners' contributions, are accounted for as Equity – Contributions by Owners in accordance with FRD 119A Transfers through Contributed Capital.

Interest

Interest is recognised as revenue when earned or when the service has been provided.

Contributions and gifted assets

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 of charge 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 within estate developments are often constructed and financed by property developers and on completion, the ownership of the mains are transferred to Coliban Water as a gifted asset.

Other income

Other income associated with rentals, leases, information statements, rechargeable and miscellaneous charges are recognised when earned or when the service has been provided.

Operating and administration expenses

Operating expenses relating to general operating costs, routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the works include the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated.

Administration expenses relating to supplies and service costs are recognised as an expense in the reporting period in which they are incurred, and are reported in the financial year to which they relate.

Employee expenses

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

Superannuation

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

Borrowing costs

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

Depreciation of non-current assets

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

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 available and 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 include a comparison to the prior year.

Asset	2014–15 Useful Life	2013–14 Useful Life
Buildings and Leasehold Improvements	20 to 50 years	20 to 50 years
Plant and Equipment	1 to 40 years	1 to 20 years
Infrastructure	5 to 400 years	10 to 300 years
BOOT Schemes Infrastructure	25 to 60 years	25 to 60 years

During the year Coliban Water made changes in accounting estimates and judgements relating to the useful lives of infrastructure assets. Refer to Note 1(iii) for a detailed explanation.

Finance charges

Coliban Water has entered into two contractual arrangements to build, own and operate water and wastewater treatment facilities in the region (see Note 23). The interest element of finance leases is charged to the Comprehensive Operating Statement over the lease period.

Environmental contributions

The *Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water corporations.

The Act established 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, which set out the amounts payable. The contribution period was extended to 30 June 2016.

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.

Coliban Water has a statutory requirement to pay an environmental contribution to the Department of Environment, Land, Water and Planning (DELWP). This contribution is recognised as an expense during the reporting period as incurred.

vii OTHER ECONOMIC FLOWS

Impairment of assets

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

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

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

The recoverable amount for non-financial assets is measured at the higher of value in use and fair value less costs to disposal. As Coliban Water is a not-for-profit entity, value in use is based on depreciated replacement cost where the future economic benefits of the asset are not primarily dependent on the asset's ability to generate cash flows and where in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading asset revaluation reserve. However, to the extent that an impairment loss on the same class of asset was previously recognised in the Comprehensive Operating Statement, a reversal of that impairment loss is recognised in the Comprehensive Operating Statement.

For Coliban Water's permanent water entitlements the value in use (VIU) at the cash generating unit (CGU) level has been applied in determining the recoverable amount as at 30 June 2015 on the basis that the future economic benefits of the asset are primarily dependent on the asset's ability to generate cash flows consistent with the prior year. Where the VIU of the CGU is higher than its carrying value, the fair value less costs to sell is not required to be calculated. As the VIU at CGU is higher than the carrying amount as at 30 June 2015 no impairment of the permanent water entitlements has been recognised for the financial year ended 30 June 2015 (30 June 2014, no impairment recognised).

viii CASH AND CASH EQUIVALENTS

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash on hand, cash in bank and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities on the balance sheet.

ix RECEIVABLES

Receivables consist of:

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

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

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

Contractual receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impaired receivables. Trade receivables for water utility debtors and other debtors are due for settlement no more than 28 days from the date of recognition.

Collectability of contractual receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that Coliban Water will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised as an expense in the Comprehensive Operating Statement.

x INVENTORIES

Inventories include goods held for distribution at no or nominal cost. Inventories held for distribution are measured at cost, adjusted for any loss of service potential. The basis used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence.

Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

xi PREPAYMENTS

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

xii INFRASTRUCTURE ASSETS, PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement of assets

Infrastructure assets, property, plant and equipment represent non-current physical assets comprising land, buildings, water and sewerage infrastructure assets, plant, equipment, motor vehicles, and BOOT scheme infrastructure used by Coliban Water in its operations. Items with a cost value in excess of \$1,000 (2013/14: \$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.

Leasehold improvements

Leasehold improvements are recognised at fair value and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 20 year and 5 year period consistent with the terms of the two leases (2013/14: 20 year and 5 year period).

Measurement of non-current physical assets

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

Revaluations are conducted in accordance with FRD 103F. Scheduled revaluations are undertaken every five years with an annual assessment of fair value to determine if it is materially different to the 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 a 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 the carrying amounts.

For the plant, equipment and motor vehicles asset classes, 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 fair value.

In accordance with FRD 103F Non-Current Physical Assets, at both the entity reporting level and whole of government reporting level, infrastructure assets, property, plant and equipment are measured at fair value less accumulated depreciation and impairment. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include sewerage and drainage systems.

The initial fair value assessment for infrastructure occurred as at 30 June 2011 and was undertaken with involvement from Valuer General of Victoria (VGV), under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructures.

Revaluations of non-current physical assets

Revaluation increments are credited directly to equity in the asset revaluation reserve, except when 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 then recognised as revenue 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 asset revaluation reserve in respect of the same class of assets, they are then debited to the asset revaluation reserve. Revaluation increases and revaluation decreases relating to individual assets within a class of infrastructure assets, property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes. Asset revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset.

Assets held for sale

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

xiii 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 water entitlements purchased and capitalised under the provisions of AASB 138 *Intangible Assets*.

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

Permanent water entitlements are tested for impairment at either individually or at the cash generating unit (CGU) level by comparing the assets or CGUs recoverable amount with its carrying amount annually. Whenever there is an indication that the impairment exists, any excess of the carrying amount over the recoverable amount is recognised as an impairment loss in the Comprehensive Operating Statement (refer to Note 1 (vii) for further detail).

xiv BOOT SCHEMES INFRASTRUCTURE

Coliban Water has entered into contractual arrangements with Bendigo Water Services Pty Ltd to build, own and operate water treatment facilities in Bendigo, Castlemaine and Kyneton and with ETE Coliban Pty Ltd to build, own and operate a wastewater treatment facility in Echuca and Rochester, 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. Each stream of lease payment is allocated between the liability and finance costs. The interest element of the finance cost is charged to the Comprehensive Operating Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets acquired in a BOOT Scheme that meet the classification of a finance lease are depreciated over the asset's useful life.

xv LEASES

Operating leases

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

xvi PAYABLES

Payables consist of:

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

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

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

xvii PROVISIONS

Provisions are recognised when Coliban Water, as a result of a past event, has a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

xviii 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 Comprehensive 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.

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

ixx EMPLOYEE BENEFITS

Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave to be wholly 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 wholly settled within 12 months are measured at 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 (LSL)

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 wholly 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 liability for long service leave are measured at:

- > Present value – component that Coliban Water does not expect to wholly settle within 12 months; and
- > Nominal value – component that Coliban Water expects to wholly 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 based 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 Comprehensive Operating Statement in respect of superannuation represents the contributions made or due by Coliban Water to the relevant superannuation plans in respect to the services of Coliban Water's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that Coliban Water is required to comply with.

The amount charged to the Comprehensive 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 19.

Employee benefit on-costs

Employee benefit on-costs, including superannuation, 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 based bonus payments for Coliban Water's Executive Officers, when approved, are based on an agreed percentage of the annual salary package provided under their contracts 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 for Environment, Climate Change and Water, after consultation with the Minister for Finance, direct that such contributions be recognised as Equity – Contributed Capital.

xxi FINANCIAL INSTRUMENTS

Recognition

Financial instruments are initially measured at fair value, plus transaction costs except where the instrument is classified 'at fair value through the profit or loss' in which case transaction costs are expensed to the Comprehensive Operating Statement immediately. Subsequent to initial recognition, the financial instruments are measured as set out below.

Financial assets at fair value through the Comprehensive Operating Statement

Financial assets at fair value through the Comprehensive Operating Statement are financial assets held for trading or designated at fair value through the Comprehensive Operating Statement on initial recognition when doing so results in more relevant information. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets. Gains and losses arising from changes in fair value are recognised in the Comprehensive Operating Statement.

Other financial instruments at fair value through Comprehensive Operating Statement

Other financial assets are valued at their market value at 30 June 2015 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 Comprehensive 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 with 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 the Comprehensive Operating Statement, are subject to annual review for impairment.

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

In assessing impairment of statutory (non-contractual) financial assets which are not financial instruments, Coliban Water applies professional judgement in assessing materiality in accordance with AASB 136 *Impairment of Assets*.

xxii TAXATION

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

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 Comprehensive 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 COMMITMENTS

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (see Note 22) at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

xxiv CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note (refer to Note 27) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

xxv DIVIDEND POLICY

Any dividend payable is 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 Minister for Environment, Climate Change and Water and the Treasurer. Following this consultation a formal determination is made by the Treasurer.

The process to determine the dividend applicable to the 2014/15 financial year has not yet been completed at the reporting date however it is anticipated that no dividend will be payable. There was no dividend payable last year.

xxvi 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 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 cash flows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.

xxvii **NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

As at 30 June 2015, the following applicable standards and interpretations had been issued but were not mandatory for the financial year ending 30 June 2015. 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	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	01/01/2018	Based on preliminary assessment, Coliban Water does not have these financial instruments therefore it will not be impacted by AASB 9.
AASB 14 Regulatory Deferral Accounts	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP.	01/01/2016	The AASB does not expect the proposed interim standard, if it were to be incorporated into Australian Accounting Standards, would have an impact on entities in Australia as the standard could conceivably only affect entities that adopt Australian Accounting Standards for the first time and have recognised regulatory deferral account balances under their previous GAAP accounting policies. Based on a preliminary assessment, there will be no impact of this change on the accounts.
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	01/01/2017 (Exposure Draft 263 – potential deferral to 01/01/2018)	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard requires additional disclosures on service revenue and contract modifications. Based on a preliminary assessment, there may be a limited impact on the accounts.
AASB 2014 4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]	Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to: <ul style="list-style-type: none"> > establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; > prohibit the use of revenue based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset. 	01/01/2016	Based on a preliminary assessment, it is not expected that there will be an impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2014 9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]	Amends AASB 127 <i>Separate Financial Statements</i> to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	01/01/2016	Based on a preliminary assessment, it is not expected that there will be an impact as Coliban Water will continue to account for the investments in subsidiaries, joint ventures and associates using the cost method as mandated if separate financial statements are presented in accordance with FRD 113A.
AASB 2014 10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]	AASB 2014-10 amends AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 <i>Investments in Associates</i> to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that: <ul style="list-style-type: none"> > a full gain or loss to be recognised by the investor when a transaction involves a business (whether it is housed in a subsidiary or not); and > a partial gain or loss to be recognised by the parent when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. 	01/01/2016	Based on a preliminary assessment, there will be a limited impact, as the revisions to AASB 10 and AASB 128 are guidance in nature. Coliban Water is yet to assess the full impact of this change on the accounts.
AASB 2015 6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	The Amendments extend the scope of AASB 124 <i>Related Party Disclosures</i> to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	01/01/2016	The amending standard will result in extended disclosures on the entity's key management personnel, and the related party transactions. The extended disclosure will have a minor impact on the accounts..

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2014/15 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- > AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*.
- > AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- > AASB 2014-1 *Amendments to Australian Accounting Standards [PART D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only]*
- > AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]*
- > AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- > AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*
- > AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]*
- > AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]*
- > AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*

xxviii JOINTLY CONTROLLED ASSETS

Joint operations are contractual arrangements between the entity and one or more other parties to undertake an economic activity that is subject to joint control. Joint control only exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Jointly controlled operations and assets are accounted for using proportionate consolidation.

Investments in jointly controlled operations and assets, in respect of any interest in jointly controlled assets, Coliban Water recognises in the financial statements:

- > its share of jointly controlled assets;
- > any liabilities that it had incurred;
- > its share of liabilities incurred jointly by the joint operation;
- > any income earned from the selling or using of its share of the output from the joint operation; and
- > any expenses incurred in relation to being an investor in the joint operation.

Coliban Water recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in Note 25.

	Notes	2015 (\$'000)	2014 (\$'000)
NOTE 2: COMPREHENSIVE OPERATING STATEMENT DISCLOSURES			
(a) INCOME FROM OPERATING ACTIVITIES			
SERVICE CHARGES:			
Water service charges		17,271	16,008
Rural water service charges		2,299	2,189
Sewerage service charges		42,083	38,820
Trade waste charges		4,174	4,103
Recycled water service charges		72	65
		65,899	61,185
USAGE CHARGES:			
Water usage charges		37,471	33,311
Rural water usage charges		1,329	965
Sewerage usage charges		1,121	996
Trade waste usage charges		1,076	905
Recycled water usage charges		559	481
Temporary water sales		3,240	4,251
		44,796	40,909
CONTRIBUTIONS AND GIFTED ASSETS:			
Developer contributions and gifted assets		10,694	9,119
New customer contributions		3,872	2,761
		14,566	11,880
(b) EXPENSES FROM OPERATING ACTIVITIES			
OPERATING AND ADMINISTRATION EXPENSES:			
Partnership contract expenses		15,210	15,332
Water purchases		1,815	1,591
General services		6,175	5,641
Electricity		3,741	3,951
BOOT toll service payments		6,348	7,060
Other operating and administration expenses		5,269	5,833
		38,558	39,408
EMPLOYEE EXPENSES:			
Salaries and wages		12,471	11,226
Annual leave		1,034	997
Accrued days off		524	486
Long service leave		142	178
Superannuation	19	1,455	1,360
		15,626	14,247
BORROWING COSTS:			
Borrowing Costs - Treasury Corporation Victoria		19,455	18,693
Borrowing Costs - Financial Accommodation Levy		4,587	3,994
		24,042	22,687
DEPRECIATION:			
Buildings and leasehold improvements		429	285
Plant & equipment		2,282	1,180
Infrastructure		26,377	28,310
BOOT schemes infrastructure		3,617	3,366
		32,705	33,141

	Notes	2015 (\$'000)	2014 (\$'000)
NOTE 3: CASH AND CASH EQUIVALENTS			
Cash at bank		9,134	4,390
Total cash and cash equivalents		9,134	4,390
NOTE 4: RECEIVABLES			
CURRENT RECEIVABLES			
Contractual:			
Rates and charges receivables		8,630	10,288
Sundry customer receivables		1,150	1,380
Accrued revenue		9,964	7,891
Provision for doubtful receivables		(16)	(80)
Statutory:			
Amount owing from the Victorian Government		907	1,015
GST receivables		851	1,245
		21,486	21,739
NON-CURRENT RECEIVABLES			
Contractual:			
Customer receivables		1,172	1,235
		1,172	1,235
Total receivables		22,658	22,974
(a) AGEING ANALYSIS OF RECEIVABLES			
The ageing at 30 June 2015 includes current rates and charges receivables, sundry customer receivables, amount owing from Victorian Government and non-current customer receivables. Accruals, provision for doubtful receivables and GST receivables are excluded.			
Current (up to 1 month)		7,550	9,375
1 to 3 months		1,940	1,723
3 to 12 months		1,197	1,586
More than 12 months		1,172	1,235
		11,859	13,919
As at 30 June 2015, receivables net of provision for doubtful receivables past due (older than 1 month) but not impaired totalled \$4,292,654 (2013/14: \$4,464,079). 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 (up to 1 month)		–	–
1 to 3 months		1,940	1,724
3 to 12 months		1,181	1,506
More than 12 months		1,172	1,234
Total receivables past due but not impaired		4,293	4,464
(b) PROVISION FOR DOUBTFUL RECEIVABLES			
As at 30 June 2015, receivables of Coliban Water with a nominal value of \$16,161 (2013/14: \$80,276) were impaired and a provision for doubtful receivables has been raised for this amount. The individually impaired receivables mainly relate to customers, which are in difficult economic situations and hence, assumed recoverability is low. The ageing of these receivables is as follows:			
Current (up to 1 month)		–	–
1 to 3 months		–	–
3 to 12 months		(16)	(80)
More than 12 months		–	–
Total receivables		(16)	(80)
Movement in the doubtful receivables provision is as follows:			
Opening provision balance at 1 July		(80)	(70)
Provision recognised during the year		214	156
Receivables written off during the year as uncollectable		(150)	(166)
Closing provision balance at 30 June		(16)	(80)
The creation and release of the provision for doubtful receivables has been included in other economic flows in the Comprehensive 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 20 for the nature and extent of risks arising from receivables.			

Notes	2015 (\$'000)	2014 (\$'000)
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NOTE 5: OTHER FINANCIAL ASSETS

Shares in Bendigo Community Telco Limited – fair value		78	66
Total other financial assets		78	66

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. Their value is reported as the share value at 30 June 2015.

a) AGEING ANALYSIS OF OTHER FINANCIAL ASSETS

Refer to Note 21 for the ageing analysis of other financial assets.

b) NATURE AND EXTENT OF RISK ARISING FROM OTHER FINANCIAL ASSETS

Refer to Note 20 for the nature and extent of risks arising from other financial assets.

NOTE 6: INVENTORIES

Inventories held for distribution		1,005	1,097
Total current inventories		1,005	1,097

NOTE 7: ASSETS HELD FOR SALE

Freehold land		–	788
Total current assets held for sale		–	788

FAIR VALUE MEASUREMENT HIERARCHY

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

	Carrying amount as at 30 June 2014 (\$'000)	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾
		(\$'000)	(\$'000)	(\$'000)
Freehold land held for sale	788	–	788	–

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

Land held for sale was independently valued at 30 June 2011 by Valuer General Victoria (VGV) using the market approach. Under this valuation method, the assets are compared to recent comparable sales. As there were no significant unobservable adjustments the assets are classified as Level 2 using the market approach.

The freehold land held for sale in the 2013/14 financial year was disposed of in 2014/15. Refer Note 8(b).

2015
(\$'000)

2014
(\$'000)

NOTE 8: INFRASTRUCTURE ASSETS, PROPERTY, PLANT AND EQUIPMENT

(a) CLASSES OF INFRASTRUCTURE ASSETS, PROPERTY, PLANT AND EQUIPMENT

LAND		
At fair value	44,660	40,709
BUILDINGS		
At fair value	1,853	1,721
Less: accumulated depreciation	(369)	(287)
	1,484	1,434
BUILDINGS – LEASEHOLD		
At fair value	4,326	4,099
Less: accumulated depreciation	(2,458)	(2,111)
	1,868	1,988
PLANT AND EQUIPMENT		
At fair value	18,701	15,153
Less: accumulated depreciation	(9,181)	(7,329)
	9,520	7,824
WATER INFRASTRUCTURE		
At fair value	363,826	334,879
Less: accumulated depreciation	(44,715)	(33,862)
	319,111	301,017
WATER DISTRIBUTION ASSETS		
At fair value	140,467	137,735
Less: accumulated depreciation	(11,604)	(9,322)
	128,863	128,413
WASTEWATER INFRASTRUCTURE		
At fair value	426,180	413,398
Less: accumulated depreciation	(43,931)	(34,945)
	382,249	378,453
RECYCLING INFRASTRUCTURE		
At fair value	57,558	52,819
Less: accumulated depreciation	(5,669)	(4,259)
	51,889	48,560
RURAL INFRASTRUCTURE		
At fair value	26,763	25,860
Less: accumulated depreciation	(3,268)	(2,537)
	23,495	23,323
HEADWORKS INFRASTRUCTURE		
At fair value	175,589	172,682
Less: accumulated depreciation	(5,006)	(3,262)
	170,583	169,420
Total Infrastructure Assets	1,076,190	1,049,186
BOOT SCHEMES INFRASTRUCTURE		
At fair value	132,404	116,653
Less: accumulated depreciation	(38,435)	(34,818)
	93,969	81,835
WORKS IN PROGRESS		
At cost	43,027	78,732
	43,027	78,732
Total infrastructure assets, property, plant and equipment	1,270,718	1,261,708

Land, Buildings and Infrastructure Assets were independently valued at 30 June 2011 by VGV.

At 30 June 2015 Coliban Water assessed land and building index movements using indices from the VGV. Both land and building cost indexation factors for financial year 2014/15 were applied. It was determined that there was no material movement that required a managerial revaluation.

At 30 June 2015 Coliban Water assessed infrastructure and BOOT scheme infrastructure asset movements using the dual index system. The Road and Bridge Construction (Victoria) Indices was applied to pipelines, dams/reservoirs and channels and the Stage of Production-Final Domestic Capital Indices was applied to all other asset classes. It was determined that there was no material movement that required a managerial revaluation.

(b) MOVEMENTS DURING THE REPORTING PERIOD

2014–2015	Opening WDV at 1 July 2014	Additions	Disposals / Writeoffs	Transfers in (out) of assets under construction	Transfers between categories	Fair value of assets received free of charge	(1) Depreciation	Closing WDV at 30 June 2015
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
LAND⁽²⁾								
At fair value	40,709	–	(2,403)	5,566	788	–	–	44,660
BUILDINGS								
At fair value	1,434	–	–	132	–	–	(82)	1,484
BUILDINGS – LEASEHOLD								
At fair value	1,988	–	–	227	–	–	(347)	1,868
PLANT & EQUIPMENT								
At fair value	7,824	–	(80)	4,058	–	–	(2,282)	9,520
INFRASTRUCTURE⁽³⁾								
At fair value	1,049,186	–	(1,291)	54,672	–	–	(26,377)	1,076,190
BOOT SCHEMES								
At fair value	81,835	6,251	–	9,500	–	–	(3,617)	93,969
WORKS IN PROGRESS								
At cost	78,732	27,757	–	(74,155)	–	10,694	–	43,027
Totals	1,261,708	34,008	(3,774)	–	788	10,694	(32,705)	1,270,718

2013–2014	Opening WDV at 1 July 2013	Additions	Disposals / Writeoffs	Transfers in (out) of assets under construction	Transfers between categories	Fair value of assets received free of charge	(1) Depreciation	Closing WDV at 30 June 2014
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
LAND⁽²⁾								
At fair value	40,652	57	–	–	–	–	–	40,709
BUILDINGS								
At fair value	1,517	–	–	–	–	–	(83)	1,434
BUILDINGS – LEASEHOLD								
At fair value	1,962	–	–	228	–	–	(202)	1,988
PLANT & EQUIPMENT								
At fair value	8,518	–	(81)	567	–	–	(1,180)	7,824
INFRASTRUCTURE⁽³⁾								
At fair value	1,067,869	–	(2,179)	11,749	57	–	(28,310)	1,049,186
BOOT SCHEMES								
At fair value	83,658	1,543	–	–	–	–	(3,366)	81,835
WORKS IN PROGRESS								
At cost	41,731	41,378	–	(12,544)	(215)	8,382	–	78,732
Totals	1,245,907	42,978	(2,260)	–	(158)	8,382	(33,141)	1,261,708

⁽¹⁾ Aggregate depreciation recognised as an expense during the year, refer to Note 2(b).

⁽²⁾ Land with a book value of \$2.4 million was sold, resulting in profit on sale of \$869k. The profit on sale is disclosed as part of the net gain/(loss) on disposal of assets under 'Other economic flows included in the net result' in the Comprehensive Operating Statement. Land held for sale in 2013/14 totalled \$788k. Refer Note 7.

⁽³⁾ All infrastructure asset classes have been aggregated when comparing to Note 8(a).

(c) FAIR VALUE MEASUREMENT HIERARCHY FOR ASSETS AS AT 30 JUNE 2015

Refer Note 1(i) for the accounting policy relating to disclosure of the fair value measurement hierarchy. Coliban Water has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

2014–2015	Carrying amount as at 30 June 2015 (\$'000)	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾ (\$'000)	Level 2 ⁽ⁱ⁾ (\$'000)	Level 3 ⁽ⁱ⁾ (\$'000)
LAND AT FAIR VALUE				
Specialised	44,660	–	–	44,660
	44,660	–	–	44,660
BUILDINGS AT FAIR VALUE				
Specialised	1,484	–	–	1,484
	1,484	–	–	1,484
BUILDINGS – LEASEHOLD AT FAIR VALUE				
Specialised	1,868	–	–	1,868
	1,868	–	–	1,868
PLANT AND EQUIPMENT AT FAIR VALUE				
Specialised	9,520	–	–	9,520
	9,520	–	–	9,520
INFRASTRUCTURE AT FAIR VALUE				
Specialised Water Infrastructure	319,111	–	–	319,111
Specialised Water Distribution Assets	128,863	–	–	128,863
Specialised Wastewater Infrastructure	382,249	–	–	382,249
Specialised Recycling Infrastructure	51,889	–	–	51,889
Specialised Rural Infrastructure	23,495	–	–	23,495
Specialised Headworks Infrastructure	170,583	–	–	170,583
	1,076,190	–	–	1,076,190
BOOT SCHEME INFRASTRUCTURE AT FAIR VALUE				
Specialised	93,969	–	–	93,969
	93,969	–	–	93,969
Total assets at fair value (excluding works in progress)	1,227,691	–	–	1,227,691

2013–2014	Carrying amount as at 30 June 2014 (\$'000)	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾ (\$'000)	Level 2 ⁽ⁱ⁾ (\$'000)	Level 3 ⁽ⁱ⁾ (\$'000)
LAND AT FAIR VALUE				
Specialised	40,709	–	–	40,709
	40,709	–	–	40,709
BUILDINGS AT FAIR VALUE				
Specialised	1,434	–	–	1,434
	1,434	–	–	1,434
BUILDINGS – LEASEHOLD AT FAIR VALUE				
Specialised	1,988	–	–	1,988
	1,988	–	–	1,988
PLANT AND EQUIPMENT AT FAIR VALUE				
Specialised	7,824	–	–	7,824
	7,824	–	–	7,824
INFRASTRUCTURE AT FAIR VALUE				
Specialised Water Infrastructure	301,017	–	–	301,017
Specialised Water Distribution Assets	128,413	–	–	128,413
Specialised Wastewater Infrastructure	378,453	–	–	378,453
Specialised Recycling Infrastructure	48,560	–	–	48,560
Specialised Rural Infrastructure	23,323	–	–	23,323
Specialised Headworks Infrastructure	169,420	–	–	169,420
	1,049,186	–	–	1,049,186
BOOT SCHEME INFRASTRUCTURE AT FAIR VALUE				
Specialised	81,835	–	–	81,835
	81,835	–	–	81,835
Total assets at fair value (excluding works in progress)	1,182,976	–	–	1,182,976

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

There have been no transfers between levels during the period.

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

SPECIALISED LAND, SPECIALISED BUILDINGS AND SPECIALISED BUILDINGS – LEASEHOLD

For the majority of Coliban Water's specialised buildings and specialised buildings – leasehold, the depreciated replacement cost method is used, adjusted for associated depreciation. As depreciation adjustments are considered as significant unobservable inputs in nature, specialised buildings are classified as Level 3 for fair value measurements.

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

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

An independent valuation of Coliban Water's specialised land, specialised buildings and specialised buildings – leasehold was performed by the Valuer-General Victoria (VGV). The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation was 30 June 2011.

A review of fair value indicators by Coliban Water which included the application of VGV Land and Building indices, indicated that there was not a material movement in Land and Buildings for the financial year ended 30 June 2015.

INFRASTRUCTURE

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

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

An independent valuation of Coliban Water's infrastructure was performed by AECOM on behalf of the VGV. The valuation was performed using the depreciated replacement cost of the assets, based on the condition assessment of aboveground assets, age and material for underground assets and remaining useful lives. The effective date of the valuation was 30 June 2011.

There is an absence of an active market for these assets. As depreciation adjustments are considered as significant unobservable inputs in nature, infrastructure assets are classified as Level 3 for fair value measurements.

Coliban Water used a dual index system to determine the movement in fair value assessments, in accordance with guidance issued by the Department of Treasury and Finance (DTF).

The dual index system is the application of the Road and Bridge Construction (Victoria) to pipeline, dams/reservoirs and channel assets, with all other assets applying the Stage of Production – Final Domestic Capital (Australia) index. The Road and Bridge Construction (Victoria) index involves a comparable construction of infrastructure using similar materials used in the majority of water industry assets such as concrete and steel and associated earthworks. This review has indicated that there was not a material movement in the fair value assessments.

VEHICLES

Coliban Water acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers within Coliban Water who set relevant depreciation rates during use to reflect the utilisation of the vehicles. Coliban Water uses depreciated replacement cost for vehicles hence they are classified as Level 3 for fair value measurements.

PLANT AND EQUIPMENT

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method hence they are classified as Level 3 for fair value measurements.

There were no changes in valuation techniques throughout the period to 30 June 2015.

(d) RECONCILIATION OF LEVEL 3 AT FAIR VALUE

2014–2015	Specialised land	Specialised buildings	Specialised buildings – leasehold	Specialised plant and equipment	Specialised infrastructure ⁽¹⁾	Specialised BOOT Schemes
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
FAIR VALUE						
Opening balance	40,709	1,434	1,988	7,824	1,049,186	81,835
Purchases (sales)	3,951	132	227	3,978	53,381	15,751
Transfers in (out) of level 3	–	–	–	–	–	–
Gains or losses recognised in net result						
Depreciations	–	(82)	(347)	(2,282)	(26,377)	(3,617)
Impairment loss	–	–	–	–	–	–
	44,660	1,484	1,868	9,520	1,076,190	93,969
2013–2014	Specialised land	Specialised buildings	Specialised buildings – leasehold	Specialised plant and equipment	Specialised infrastructure ⁽¹⁾	Specialised BOOT Schemes
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
FAIR VALUE						
Opening balance	40,652	1,517	1,962	8,518	1,067,869	83,658
Purchases (sales)	57	–	228	486	9,627	1,543
Transfers in (out) of level 3	–	–	–	–	–	–
Gains or losses recognised in net result						
Depreciations	–	(83)	(202)	(1,180)	(28,310)	(3,366)
Impairment loss	–	–	–	–	–	–
	40,709	1,434	1,988	7,824	1,049,186	81,835

⁽¹⁾ All infrastructure asset classes have been aggregated when comparing to Note 8(a).

(e) DESCRIPTION OF SIGNIFICANT UNOBSERVABLE INPUTS TO LEVEL 3 VALUATIONS

Asset Class	Valuation technique ⁽ⁱ⁾	Significant unobservable inputs ⁽ⁱ⁾	Weighted average cost per unit ⁽ⁱ⁾	Sensitivity of fair value measurement to changes in significant unobservable inputs
SPECIALISED LAND				
Land	Market approach	Community Service Obligation (CSO) adjustment	20% ⁽ⁱⁱ⁾	A significant increase or decrease in the CSO adjustment would result in a significantly higher or lower fair value.
SPECIALISED BUILDINGS				
Buildings (36 Buildings, 3,651 m2)	Depreciated replacement cost	Direct cost per square metre	\$36 to \$2,084 (Average \$401)	A significant increase or decrease in the cost per square metre would result in a significantly higher or lower fair value.
		Useful life of specialised assets ⁽ⁱⁱⁱ⁾	4 to 47 years (Average 28 years)	A significant increase or decrease in the estimated useful life of these assets would result in a significantly higher or lower valuation.
SPECIALISED BUILDINGS – LEASEHOLD IMPROVEMENTS				
Leasehold Improvements (2 Buildings, 3,750 m2)	Depreciated replacement cost	Direct cost per square metre	\$3 to \$1,096 (Average \$485)	A significant increase or decrease in the cost per square metre would result in a significantly higher or lower fair value.
		Useful life of Leasehold Improvements ⁽ⁱⁱⁱ⁾	2 to 30 years (Average 17 years)	A significant increase or decrease in the estimated useful life of these assets would result in a significantly higher or lower valuation.
PLANT AND EQUIPMENT				
Plant and Equipment	Depreciated replacement cost	Cost per unit	\$550 to \$1,850,512 (Average \$13,713)	A significant increase or decrease in the cost per unit would result in a significantly higher or lower fair value.
		Useful life of Plant and Equipment	1 to 37 years (Average 10 years)	A significant increase or decrease in the estimated useful life of these assets would result in a significantly higher or lower valuation.
WATER INFRASTRUCTURE				
Water Mains (2,174,284 metres)	Depreciated replacement cost (20ml – 1350ml)	Cost per metre	\$50 to \$1,450 (Average \$98)	A significant increase or decrease in the cost per metre would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	50 to 145 years (Average 82 years)	A significant increase or decrease in the estimated useful life of these assets would result in a significantly higher or lower valuation.
Water Treatment Plants (16 in total)	Depreciated replacement cost	Average cost per treatment plant	\$5,062,272	A significant increase or decrease in the cost per treatment plant would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	5 to 200 years (Average 47 years)	A significant increase or decrease in the estimated useful life of these assets would result in a significantly higher or lower valuation.
WASTEWATER INFRASTRUCTURE				
Wastewater Mains (1,884,535 metres)	Depreciated replacement cost	Cost per metre	\$81 to \$5,009 (Average \$169)	A significant increase or decrease in the cost per metre would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	50 to 110 years (Average 80 years)	A significant increase or decrease in the estimated useful life of these assets would result in a significantly higher or lower valuation.
Wastewater Treatment Plant (14 in total)	Depreciated replacement cost	Average cost per treatment plant	\$3,381,207	A significant increase or decrease in the cost per treatment plant would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	5 to 250 years (Average 49 years)	A significant increase or decrease in the estimated useful life of these assets would result in a significantly higher or lower valuation.
WATER DISTRIBUTION INFRASTRUCTURE				
Distribution Mains (91,937 metres)	Depreciated replacement cost (50ml – 1350ml)	Cost per metre	\$50 to \$1,450 (Average \$975)	A significant increase or decrease in the cost per metre would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	50 to 110 years (Average 85 years)	A significant increase or decrease in the estimated useful life of these assets would result in a significantly higher or lower valuation.
Distribution Channel (67,493 metres)	Depreciated replacement cost	Cost per metre	\$25 to \$287,743 (Average \$502)	A significant increase or decrease in the cost per metre would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	5 to 255 years (Average 185 years)	A significant increase or decrease in the estimated useful life of these assets would result in a significantly higher or lower valuation.
RECYCLING INFRASTRUCTURE				
Recycled Water Mains (45,711 metres)	Depreciated replacement cost (40ml – 1050ml)	Cost per metre	\$50 to \$1,450 (Average \$325)	A significant increase or decrease in the cost per metre would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	50 to 125 years (Average 102 years)	A significant increase or decrease in the estimated useful life of these assets would result in a significantly higher or lower valuation.
Recycled Water Factory (1 in total)	Depreciated replacement cost	Average cost per recycled water factory	\$36,439,465	A significant increase or decrease in the cost of the recycled water factory would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	63 years	A significant increase or decrease in the estimated useful life of these assets would result in a significantly higher or lower valuation.
RURAL INFRASTRUCTURE				
Channels (422,829 metres)	Depreciated replacement cost	Cost per metre	\$4 to \$3,156 (Average \$32)	A significant increase or decrease in the cost per metre would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	5 to 188 years (Average 159 years)	A significant increase or decrease in the estimated useful life of these assets would result in a significantly higher or lower valuation.
Mains (25,827 metres)	Depreciated replacement cost (50ml – 1350ml)	Cost per metre	\$50 to \$1,450 (Average \$357)	A significant increase or decrease in the cost per metre would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	50 to 150 years (Average 65 years)	A significant increase or decrease in the estimated useful life of these assets would result in a significantly higher or lower valuation.
HEADWORKS INFRASTRUCTURE				
Reservoirs & Basins (36 in total)	Depreciated replacement cost	Average cost per Reservoir	\$4,726,231	A significant increase or decrease in the cost per reservoir would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	5 to 300 years (Average 195 years)	A significant increase or decrease in the estimated useful life of these assets would result in a significantly higher or lower valuation.
BOOT SCHEME INFRASTRUCTURE				
Treatment Plants (5 in total)	Depreciated replacement cost	Average cost per treatment plant	\$18,912,600	A significant increase or decrease in the cost per treatment plant would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	25 to 100 years (Average 48 years)	A significant increase or decrease in the estimated useful life of these assets would result in a significantly higher or lower valuation.

⁽ⁱ⁾ Illustrations on the valuation techniques, significant unobservable inputs and the related quantitative range of those inputs are indicative and should not be directly used without consultation with the entities' independent valuers, but only once authorisation from Coliban Water is obtained.

⁽ⁱⁱ⁾ CSO adjustments of 20% were applied to reduce the market approach value for Coliban Water's specialised land

⁽ⁱⁱⁱ⁾ These useful lives refer to the residual usual lives within this asset class.

	2015 (\$'000)	2014 (\$'000)
NOTE 9: INTANGIBLE ASSETS		
Permanent water entitlements at cost	60,052	60,052
Total intangible assets	60,052	60,052
Movements during the year		
Opening balance at 1 July	60,052	60,052
Closing balance at 30 June	60,052	60,052
<p>In accordance with AASB 136 <i>Impairment of Assets</i>, Coliban Water has reviewed the carrying value of water entitlements at 30 June 2015. The entitlements were tested for impairment using value in use (VIU) at the cash generating unit (CGU) level. The VIU of the CGU was higher than the carrying value, therefore there is no impairment of the permanent water entitlements.</p> <p>In determining VIU, the permanent water entitlements have been allocated to the Echuca CGU and Bendigo CGU. The recoverable amount of each CGU has been determined based on a VIU calculation using cash flow projections from the five year approved <i>Corporate Plan</i>. Cash flows beyond the final year forecast period in the <i>Corporate Plan</i> have been extrapolated using a 2.5% growth rate (2013/14: 2.5% growth rate).</p> <p>The carrying amount of the intangible asset with an indefinite useful life allocated to each CGU and the significant assumptions used in the calculation of the VIU is as follows:</p>		
	Bendigo	Echuca
Permanent water entitlements allocated to the CGU (\$ millions)	\$59.63	\$0.42
Pre-tax discount rate (%)	6.88	8.38
Water use per customer (kilolitres)	177	177
Growth rate (%)	2.50	2.50
Headroom (\$ million)	\$98.54	\$15.08
<p>Discount Rate: Represents the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have been incorporated into the cash flow estimates. The weighted average cost of capital discount rate calculation is based on specific circumstances relating to Coliban Water.</p> <p>Growth rate: Estimates are based on CPI level price rises.</p> <p>Water use per customer: Based on historical averages of water usage for customers within the regions covered by the CGUs.</p> <p>Sensitivity to key assumptions: Management has performed an assessment and consider that no reasonable possible change in a key assumption would cause either the Bendigo CGU or the Echuca CGU carrying amount to exceed its recoverable amount.</p>		

	Notes	2015 (\$'000)	2014 (\$'000)
NOTE 10: PAYABLES			
CURRENT PAYABLES			
Contractual:			
Trade payables		1,041	4,502
Amounts payable to government and agencies		121	3
Accrued expenses		9,314	10,882
Other payables		499	885
Statutory:			
FBT payable		11	11
		10,986	16,283
NON-CURRENT PAYABLES			
Contractual:			
Retention and advance deposits		581	464
		581	464
Total payables		11,567	16,747
(a) MATURITY ANALYSIS OF PAYABLES			
The ageing analysis of payables at 30 June 2015 is as follows:			
1 month		8,562	11,802
2 to 3 months		2,218	1,235
4 to 12 months		206	3,246
More than 12 months		581	464
		11,567	16,747
NOTE 11: BORROWINGS			
CURRENT BORROWINGS			
Loans from Treasury Corporation Victoria		1,332	243
Finance lease liabilities – BOOT Schemes	23	4,180	3,596
		5,512	3,839
NON-CURRENT BORROWINGS			
Loans from Treasury Corporation Victoria		371,500	363,000
Finance lease liabilities – BOOT Schemes	23	85,120	83,309
		456,620	446,309
Total borrowings		462,132	450,148
(a) MATURITY ANALYSIS OF BORROWINGS			
Refer to Note 21 for the maturity analysis of borrowings.			
(b) NATURE AND EXTENT OF RISK ARISING FROM BORROWINGS			
Refer to Note 20 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 26 for financing facilities arrangements.			

	2015 (\$'000)	2014 (\$'000)
NOTE 12: PROVISIONS AND EMPLOYEE BENEFITS		
CURRENT PROVISIONS		
Employee benefits – annual leave:		
Unconditional and expected to be paid within 12 months	1,128	1,064
Employee benefits – accrued days off leave:		
Unconditional and expected to be paid within 12 months	143	94
Employee benefits – long service leave:		
Unconditional and expected to settle within 12 months	208	82
Unconditional and expected to settle after 12 months	1,678	1,308
	3,157	2,548
On-costs relating to employee benefits		
Unconditional and expected to be paid within 12 months	228	202
Unconditional and expected to be paid after 12 months	267	218
	495	420
	3,652	2,968
NON-CURRENT PROVISIONS		
Employee benefits	454	375
On-costs relating to employee benefits	72	62
	526	437
Total provisions and employee benefits	4,178	3,405
(a) EMPLOYEE BENEFITS AND ON-COSTS		
CURRENT EMPLOYEE BENEFITS		
Annual leave	1,128	1,064
Accrued days off leave	143	94
Long service leave	1,886	1,390
	3,157	2,548
NON CURRENT EMPLOYEE BENEFITS		
Long service leave	454	375
	454	375
	3,611	2,923
Current on costs	495	420
Non current on costs	72	62
	567	482
Total employee benefits and on-costs	4,178	3,405
Employee numbers at end of financial year	190	182
The following assumptions were adopted in measuring the present value of long service leave entitlements:		
Weighted average increase in employee costs	4.44%	4.44%
Weighted average discount rates	3.03%	3.57%
Weighted average settlement period	7 years	7 years

	Notes	2015 (\$'000)	2014 (\$'000)
NOTE 13: INCOME TAX			
(a) COMPONENTS OF INCOME TAX (EXPENSE)/BENEFIT:			
Current tax		(2,672)	1,611
Deferred tax relating to timing differences		2,302	(817)
Adjustments for current tax of prior periods		3	1,231
		(367)	2,025
Income tax (expense)/benefit is attributable to:			
Loss (profit) from continuing operations		(513)	1,305
Other economic flows included in net result		146	720
Aggregate income tax (expense)/benefit		(367)	2,025
Deferred tax (expense)/benefit included in income tax expense comprises:			
(Decrease)/increase in deferred tax assets	1(iii), 14	(800)	(415)
Decrease/(increase) in deferred tax liabilities	1(iii), 14	3,103	(402)
		2,303	(817)
(b) PRIMA FACIE TAX PAYABLE			
Net result/(deficit) before tax		5,786	(4,324)
Prima facie tax calculated at 30% (2013/14: 30%)		(1,736)	1,297
Tax effect of non-deductible/(non-taxable) amounts in calculating taxable income			
• Non deductible expenses		(1)	–
• Assessable income		(1)	(1)
Previously not recognised tax losses now recognised to decrease current tax expense			
• Tax losses brought to account		3	1,231
Previously recognised tax losses now not recognised to increase current tax expense			
• Tax losses not brought to account		1,222	(1,222)
Income tax (expense)/benefit attributable to profit		(513)	1,305
<i>Coliban Water will not pay income tax for 2014/15. Tax losses have been brought to account.</i>			
(c) INCOME TAX (EXPENSE)/BENEFIT RELATING TO COMPONENTS OF OTHER ECONOMIC FLOWS			
Net gain/(loss) on revaluation of infrastructure assets, property, plant and equipment		–	–
Net gain/(loss) on disposal of assets		124	650
Fair value increase/(decrease) in other financial assets		22	70
Total income tax benefit relating to components of other economic flows		146	720

	Notes	2015 (\$'000)	2014 (\$'000)
NOTE 14: NET DEFERRED TAX			
DEFERRED TAX ASSET/(LIABILITY)			
(a) DEFERRED TAX ASSETS			
The balance comprises temporary differences attributable to:			
Amounts recognised in the Comprehensive Operating Statement			
Doubtful receivables		5	24
Book differences in depreciable asset values		19	9
Low value asset pool	1(iii)	8	–
Accruals	1(iii)	1,528	3,276
Employee benefits		1,253	1,022
BOOT Scheme finance leases		26,790	26,072
Tax losses		58,636	61,306
Total deferred tax assets		88,239	91,709
MOVEMENTS			
Opening balance at 1 July		91,709	89,282
Credited/(debited) to the Comprehensive Operating Statement	13(a)	(800)	(415)
Credited/(debited) to the operating statement relating to tax losses		(2,670)	2,842
Credited/(debited) to other comprehensive income		–	–
Closing balance at 30 June		88,239	91,709
Deferred tax assets to be recovered after more than 12 months		85,426	87,378
Deferred tax assets to be recovered within 12 months		2,813	4,331
Ending Balance at 30 June		88,239	91,709
(b) DEFERRED TAX LIABILITIES			
The balance comprises temporary differences attributable to:			
Amounts recognised in the Comprehensive Operating Statement			
Accrued rates and charges	1(iii)	–	2,367
Interest and other income receivables		172	180
Book differences in depreciable asset values		107,383	107,682
BOOT scheme assets		24,118	24,550
Other financial assets at fair value through profit and loss		17	14
Amounts recognised directly in equity			
Revaluation of infrastructure, property, plant and equipment		–	–
Total deferred tax liabilities		131,690	134,793
MOVEMENTS			
Opening balance 1 July		134,793	134,391
Credited/(debited) to the Comprehensive Operating Statement	13(a)	(3,106)	400
Credited/(debited) to other economic flows	13(a)	3	2
Closing balance at 30 June		131,690	134,793
Deferred tax liabilities to be recovered within 12 months		189	2,561
Deferred tax liabilities to be recovered after more than 12 months		131,501	132,232
		131,690	134,793
Total net deferred tax asset/(liability)		(43,451)	(43,084)
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 2015 and therefore a net tax liability has been disclosed in the Balance Sheet.			

	Notes	2015 (\$'000)	2014 (\$'000)
NOTE 15: CONTRIBUTED CAPITAL			
Opening balance at 1 July		308,579	308,579
Contributions from the Victorian Government ⁽ⁱ⁾		(150)	–
Closing balance at 30 June		308,429	308,579
⁽ⁱ⁾ An initial transfer of funds of \$1.15 million was made to Coliban Water from the former Department of Environment and Primary Industries as contributed capital for the Country Town Water Supply and Sewerage Program. A subsequent transfer of \$150k was made to Grampians Wimmera Mallee Water Corporation (GMMW) to deliver a point of entry trial at GMMW under this program.			
NOTE 16: RESERVES			
ASSET REVALUATION RESERVE: LAND			
Opening balance at 1 July		29,122	29,122
Closing balance at 30 June		29,122	29,122
ASSET REVALUATION RESERVE: BUILDINGS			
Opening balance at 1 July		827	827
Closing balance at 30 June		827	827
ASSET REVALUATION RESERVE: INFRASTRUCTURE			
Opening balance at 1 July		159,019	159,019
Closing balance at 30 June		159,019	159,019
Total reserves		188,968	188,968
NOTE 17: RECONCILIATION OF NET RESULT/(DEFICIT) FOR THE YEAR TO NET CASH INFLOWS FROM OPERATING ACTIVITIES			
Net result/(deficit) for the year after income tax		4,931	(4,700)
ADD/(LESS) NON-CASH MOVEMENTS IN NET RESULT/(DEFICIT)			
Add: Depreciation	2(b)	32,705	33,141
Net (gain)/loss on disposal of non-current assets		414	2,167
Fair value (increase)/decrease in other financial assets		(12)	(6)
Payments for fixed assets in payables movement		1,321	53
Less: Non cash developer contributions & gifted assets		(10,694)	(9,119)
Income tax (expense)/benefit	13(a)	367	(2,025)
		29,032	19,511
MOVEMENTS IN ASSETS AND LIABILITIES			
Decrease/(increase) in receivables		316	(3,004)
Decrease/(increase) in inventories		92	170
Decrease/(increase) in prepayments		(155)	(11)
(Decrease)/increase in payables		(5,180)	4,055
(Decrease)/increase in employee benefits		773	221
Net cash inflows from operating activities		24,878	20,942

NOTE 18: 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. Peter Walsh MLA	Minister for Water	01 Jul 2014	03 Dec 2014
The Hon. Lisa Neville MP	Minister for Environment, Climate Change and Water	04 Dec 2014	30 Jun 2015
Andrew Cairns	Director (Chairperson)	01 Jul 2014	30 Jun 2015
Russell Walker	Director	01 Jul 2014	30 Jun 2015
Rodney Thomson	Director	01 Jul 2014	30 Jun 2015
Linda Veronese	Director	01 Jul 2014	30 Jun 2015
April Merrick	Director	01 Jul 2014	30 Jun 2015
Deborah Hambleton	Director	01 Jul 2014	30 Jun 2015
David Richardson	Director	01 Jul 2014	30 Jun 2015
Jeff Rigby	Managing Director	01 Jul 2014	30 Jun 2015

(b) RESPONSIBLE PERSONS REMUNERATION

The number of Responsible Persons whose remuneration for the year ended 30 June 2015 falls within the following bands are:

Income band (\$)	Total Remuneration	
	2015	2014
	No.	No. ⁽¹⁾
0 – 9,999	–	3
10,000 – 19,999	–	1
20,000 – 29,999	–	2
30,000 – 39,999	6	3
60,000 – 69,999	1	1
260,000 – 269,999	1	1
Total Numbers	8	11

⁽¹⁾ The terms of three directors concluded in 2013/14. They were Andrew Skewes (1 July 2013 to 30 November 2013), Jean Sutherland (1 July 2013 to 30 September 2013) and David Beard (1 July 2013 to 30 September 2013).

REMUNERATION OF RESPONSIBLE PERSON

Remuneration paid to the 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 2014/15 by Responsible Persons including the Managing Director from Coliban Water in connection with the management of the Corporation was \$547,230 (2013/14: \$530,437).

RELATED PARTY TRANSACTIONS

During the financial year ended 30 June 2015, there were no transactions between Coliban Water and responsible persons and their related parties.

(c) EXECUTIVE OFFICERS' REMUNERATION

The numbers of executive officers (excluding the Manager Director, refer Note 18b) and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

Factors that have affected the total remuneration payable to executives include a number of executives receiving an indexation increase to their total remuneration and performance based bonus payments during the year.

The number of executive officers reporting to the Managing Director is six. In the comparative year an executive officer commenced midway through the previous year, replacing an outgoing executive officer who left the organisation in the same year (refer to Annualised Employee Equivalent below).

The number of executive officers whose remuneration received for the year ended 30 June 2015 falls within the following bands are:

Income band (\$)	Total Remuneration		Base Remuneration	
	2015	2014	2015	2014
	No.	No.	No.	No.
Less than 100,000	–	1	–	2
140,000 – 149,999	–	1	–	–
150,000 – 159,999	–	1	1	1
160,000 – 169,999	2	1	2	2
170,000 – 179,999	1	1	1	–
180,000 – 189,999	1	–	–	1
190,000 – 199,999	–	1	2	1
200,000 – 209,999	1	1	–	–
210,000 – 219,999	1	–	–	–
Total Numbers	6	7	6	7
Total Annualised Employee Equivalent (AEE) ⁽¹⁾	6.00	5.68	6.00	5.68
Total Amount	1,108,261	1,114,091	1,056,261	976,305

⁽¹⁾ Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.

(d) REMUNERATION OF OTHER PERSONNEL

Coliban Water does not engage any contractors or consultants that are charged with significant management responsibilities.

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

(a) ACCUMULATION

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2015, this was 9.5 per cent required under Superannuation Guarantee legislation (for 2013/14, this was 9.25 per cent).

(b) DEFINED BENEFIT

Coliban Water does not use defined benefit accounting for its defined benefit obligations under the Fund's defined benefit category. This is due to the Fund's Defined Benefit category being a multi-employer sponsored plan.

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

FUNDING ARRANGEMENTS

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.

The Fund's latest actuarial investigation was held as at 30 June 2014 and it was determined that the vested benefit index (VBI) of the defined benefit category of which Coliban Water is a contributing employer was 103.4 per cent. To determine the VBI, the fund Actuary used the following long-term assumptions:

Net Investment Return	7.50% p.a.
Salary Inflation	4.25% p.a.
Price Inflation	2.75% p.a.

Vision Super has advised that the estimated VBI at March 2015 quarter end was 108.5 per cent.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100 per cent, the actuarial investigation determined the defined benefit category was in a satisfactory financial position and that no change was necessary to the defined benefit category's funding arrangements from prior years.

EMPLOYER CONTRIBUTIONS

(i) Regular contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 30 June 2014, Coliban Water makes employer contributions to the Fund's defined benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2015, this rate was 9.5 per cent of members' salaries. This rate will increase in line with any increase to the Superannuation Guarantee (SG) contribution rate.

In addition, Coliban Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above that funded for resignation or retirement benefit purposes.

(ii) Funding calls

If the defined benefit category is in an unsatisfactory financial position then as determined by an actuarial investigation, or the category's VBI is below its shortfall limit at any time other than at the date of the actuarial investigation, the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97 per cent.

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

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

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

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

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

LATEST ACTUARIAL INVESTIGATION SURPLUS AMOUNTS

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

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

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2014.

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

Coliban Water was notified of the results of the latest actuarial investigation during January 2015.

(c) SUPERANNUATION CONTRIBUTIONS

Contributions by Coliban Water to the various superannuation plans for the financial year ended 30 June 2015 are detailed below:

Scheme	Type of Scheme	Rate	2015 (\$'000)	2014 (\$'000)
Vision Super	Defined Benefits	9.5%–12.5%	46	50
Vision Super	Accumulated Contribution	9.5%	662	640
Emergency Services & State Superannuation	Defined Benefits	9.5%–10.3%	29	37
VicSuper Scheme	Accumulated Contribution	9.5%	82	60
Other Superannuation Funds	Accumulated Contribution	9.5%	585	530
Employee Personal Superannuation Funds	Accumulated Contribution	9.5%	51	43
Total contributions to all funds			1,455	1,360

Coliban Water was not required to pay any unfunded liability payments to Vision Super during 2014/15 (2013/14 \$nil).

There were \$nil contributions outstanding and \$nil loans issued from or to the above schemes as at 30 June 2015 (2013/14: \$nil contributions outstanding and \$nil loans issued).

The expected contributions to be paid to the defined benefit category of Emergency Services & State Superannuation and Vision Super for the year ending 30 June 2016 is \$39,618.

NOTE 20: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial instruments comprise of cash assets, receivables (excluding statutory receivables), payables (excluding statutory payables), borrowings and finance lease liabilities.

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) via approval from the Treasurer. 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 Coliban Water's Management under policies approved by the Board of Directors. The finance department of Coliban Water 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 and non-derivative financial instruments, and investment of excess liquidity.

The carrying amounts of the contractual financial assets and financial liabilities by category are disclosed below:

2014–2015	Contractual financial assets – loans and receivables	Contractual financial liabilities at amortised cost	Total
CONTRACTUAL FINANCIAL ASSETS			
Cash and Deposits	9,134		9,134
Receivables⁽¹⁾			
Rates and charges receivable	10,936	–	10,936
Accrued revenue	9,964	–	9,964
Other financial assets	78	–	78
Total contractual financial assets	30,112	–	30,112
CONTRACTUAL FINANCIAL LIABILITIES			
Payables⁽²⁾			
Trade payables	–	10,355	10,355
Amounts payable to government and agencies	–	121	121
Other payables	–	1,080	1,080
Borrowings			
Finance lease liabilities	–	89,300	89,300
Loans from TCV	–	372,832	372,832
Total contractual financial liabilities	–	473,688	473,688

⁽¹⁾ The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and tax payable).

⁽²⁾ The total amount disclosed excludes FBT payable.

NOTE 20: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

RISK EXPOSURES

The main risks that Coliban Water is 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 there is 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. Short term borrowings are variable rate interest only loans. Debt is sourced from TCV as approved by the Treasurer 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 National Stock Exchange of Australia and therefore the reported value of the shares at 30 June 2015 of \$78,000 (2013/14: \$66,000) 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. The table below shows the impact before tax and only includes financial instruments subject to variable interest. Coliban Water believes that a movement of 1% in interest rates is reasonable over the next 12 months.

2014–2015	Carrying Amount	Interest Rate Risk			
		-1%		+1%	
	(\$'000)	Result (\$'000)	Equity (\$'000)	Result (\$'000)	Equity (\$'000)
FINANCIAL ASSETS					
Cash and cash equivalents	9,134	(91)	(91)	91	91
Total financial assets	9,134	(91)	(91)	91	91
FINANCIAL LIABILITIES					
Borrowings – floating interest rate loans	1,332	13	13	(13)	(13)
Total financial liabilities	1,332	13	13	(13)	(13)
Total increase/(decrease)		(78)	(78)	78	78

2013–2014	Carrying Amount	Interest Rate Risk			
		-1%		+1%	
	(\$'000)	Result (\$'000)	Equity (\$'000)	Result (\$'000)	Equity (\$'000)
FINANCIAL ASSETS					
Cash and cash equivalents	4,390	(44)	(44)	44	44
Total financial assets	4,390	(44)	(44)	44	44
FINANCIAL LIABILITIES					
Borrowings – floating interest rate loans	243	2	2	(2)	(2)
Total financial liabilities	243	2	2	(2)	(2)
Total increase/(decrease)		(42)	(42)	42	42

(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.

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 21.

NOTE 21: 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 to date holds fixed interest rate liabilities to maturity.

As the financial assets and financial liabilities are at amortised value the carrying amount equals fair value.

2014–2015	Floating Interest Rate	Fixed Interest Rate Maturing						Non-interest Bearing	Total	Weighted Average Interest Rate
		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)			
FINANCIAL ASSETS										
Cash and cash equivalents	9,132	–	–	–	–	–	–	2	9,134	1.23%
Receivables (excl. statutory receivables)	–	–	–	–	–	–	–	20,900	20,900	n/a
Other financial assets	–	–	–	–	–	–	–	78	78	n/a
Total financial assets	9,132	–	–	–	–	–	–	20,980	30,112	
FINANCIAL LIABILITIES										
Payables (excl. statutory payables)	–	–	–	–	–	–	–	11,556	11,556	n/a
Finance lease liabilities	–	4,180	4,518	4,882	5,275	5,727	64,718	–	89,300	7.77%
Loans from TCV	1,332	–	25,000	30,000	25,000	30,000	261,500	–	372,832	5.15%
Total financial liabilities	1,332	4,180	29,518	34,882	30,275	35,727	326,218	11,556	473,688	
Net financial liabilities	7,800	(4,180)	(29,518)	(34,882)	(30,275)	(35,727)	(326,218)	9,424	(443,576)	

2013–2014	Floating Interest Rate	Fixed Interest Rate Maturing						Non-interest Bearing	Total	Weighted Average Interest Rate
		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)			
FINANCIAL ASSETS										
Cash and cash equivalents	4,388	–	–	–	–	–	–	2	4,390	1.61%
Receivables (excl. statutory receivables)	–	–	–	–	–	–	–	20,714	20,795	n/a
Other financial assets	–	–	–	–	–	–	–	66	66	n/a
Total financial assets	4,388	–	–	–	–	–	–	20,782	25,251	
FINANCIAL LIABILITIES										
Payables (excl. statutory payables)	–	–	–	–	–	–	–	16,736	16,736	n/a
Finance lease liabilities	–	3,596	3,882	4,192	4,526	4,887	65,822	–	86,905	7.67%
Loans from TCV	243	–	24,000	25,000	30,000	25,000	259,000	–	363,243	5.36%
Total financial liabilities	243	3,596	27,882	29,192	34,526	29,887	324,822	16,736	466,884	
Net financial liabilities	4,145	(3,596)	(27,882)	(29,192)	(34,526)	(29,887)	(324,822)	4,045	(441,634)	

2015
(\$'000)2014
(\$'000)**NOTE 22: COMMITMENTS****(a) CAPITAL EXPENDITURE COMMITMENTS**

The nominal value of capital expenditure commitments including GST outstanding as at 30 June 2015 totalled \$4.2 million (2013/14: \$11.8 million).

CAPITAL EXPENDITURE COMMITMENTS

Not later than one year	3,922	2,804
Later than one year and not later than five years	272	8,947
Total capital expenditure commitments	4,194	11,751

(b) OPERATING SERVICE COMMITMENTS

The nominal value of operating service commitments including GST as at 30 June 2015 totalled \$118.3 million (2013/14: \$142.7 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 23 for more details of these schemes. The third contract is a four year contract for operations and maintenance to be provided to Coliban Water. Operating expenditure commitments are due and payable as follows:

OPERATING EXPENDITURE COMMITMENTS

Not later than one year	19,339	18,244
Later than one year and not later than five years	40,246	52,349
Later than five years	58,763	72,086
Total operating expenditure commitments	118,348	142,679

(c) ENVIRONMENTAL CONTRIBUTION LEVY COMMITMENTS

There were environmental contribution levy commitments as at 30 June 2015 of \$3.3 million (2013/14: \$6.5 million). The purpose of the environmental contribution is set out in the Water Industry (Environmental Contributions) Act 2004, 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. See Note 1(vi) for a full explanation of these commitments.

ENVIRONMENTAL CONTRIBUTION LEVY COMMITMENTS

Not later than one year	3,272	3,272
Later than one year and not later than five years	–	3,272
Total environmental contribution levy commitments	3,272	6,544

The Environmental Contribution levy in the current year totalled \$3.3 million (2013/14: \$3.3 million).
The last payment of this levy will be made in 2015/16.

NOTE 23: 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 Bendigo Water Services 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 ETE Coliban Pty Ltd for the provision of water reclamation and reuse services for Echuca and Rochester. 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 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

(a) FINANCE LEASE COMMITMENTS

Commitments for minimum lease payments (excluding the GST of \$8.9 million as at 30 June 2015 and \$8.7 million as at 30 June 2014), in relation to finance leases are payable as follows:

COMMISSIONED BOOT SCHEMES RELATED TO FINANCE LEASE LIABILITIES	Notes	Minimum future lease payments ^(a)		Present value of minimum future lease payments	
		2015 (\$'000)	2014 (\$'000)	2015 (\$'000)	2014 (\$'000)
Not later than one year		10,971	10,159	4,180	3,596
Later than one year and not later than five years		43,913	40,637	20,402	17,486
Later than five years		87,164	91,737	64,718	65,823
		142,048	142,533	89,300	86,905
Less future interest charges		52,748	55,628	–	–
Total finance lease commitments		89,300	86,905	89,300	86,905
Included in the financial statements as:					
Current lease liability	11	–	–	4,180	3,596
Non-current lease liability	11	–	–	85,120	83,309
Total finance lease liabilities – BOOT schemes		–	–	89,300	86,905

^(a) Minimum future lease payments include the aggregate of all base payments and any guaranteed residual.

(b) COMMISSIONED BOOT OPERATING COMMITMENTS (NOT INCLUDING FUTURE INTEREST CHARGES BUT INCLUDING GST) CONTRACTED FOR BUT NOT RECOGNISED AS LIABILITIES.	Notes	Nominal		Present Value	
		2015 (\$'000)	2014 (\$'000)	2015 (\$'000)	2014 (\$'000)
Not later than one year		6,762	6,712	5,614	6,261
Later than one year and not later than five years		29,186	29,065	18,963	21,141
Later than five years		65,215	72,086	25,260	30,661
		101,163	107,863	49,837	58,063

NOTE 24: OPERATING LEASE COMMITMENTS

a) OPERATING LEASE ON HEAD OFFICE BUILDING

Coliban Water signed an Operating Lease agreement on 20 September 2000 for the 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 the 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 \$1.2 million (2013/14: \$1.4 million).

OPERATING LEASE EXPENDITURE COMMITMENTS	2015 (\$'000)	2014 (\$'000)
Not later than one year	380	389
Later than one year and not later than five years	763	843
Later than five years	6	216
	1,169	1,448

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 paid (including GST) for 2014/15 totalled \$584,231 (2013/14: \$491,713) have been included in operating and administration expenses in the determination of the operating result for the accounting period.

NOTE 25: JOINT OPERATIONS

On 6 May 2008, Coliban Water established with Central Highlands Water (CHW) a joint operation for the development, operation and maintenance of the pipelines and infrastructure associated with the Goldfields Superpipe. The joint operation involves the use of assets and other resources of both parties. Each party 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 CHW. The incremental proportion has been funded by CHW.

Coliban Water's operational costs share 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.

PRINCIPAL ACTIVITY 2014/15	Interest	Water Distribution ⁽ⁱ⁾ (\$'000)	Operational Costs ⁽ⁱⁱ⁾ (\$'000)
Operation and maintenance of pipelines and associated infrastructure:			
> Waranga Channel to Lake Eppalock	2/3	61,755	1,293
> Lake Eppalock to Sandhurst Reservoir	2/3	33,237	191
> Sandhurst Reservoir to White Swan Reservoir	100% CHW	–	–
PRINCIPAL ACTIVITY 2013/14	Interest	Water Distribution ⁽ⁱ⁾ (\$'000)	Operational Costs ⁽ⁱⁱ⁾ (\$'000)
Operation and maintenance of pipelines and associated infrastructure:			
> Waranga Channel to Lake Eppalock	2/3	59,994	1,173
> Lake Eppalock to Sandhurst Reservoir	2/3	33,630	164
> Sandhurst Reservoir to White Swan Reservoir	100% CHW	–	–

⁽ⁱ⁾ Disclosed as Water Distribution Assets. Refer to Note 8.

⁽ⁱⁱ⁾ Disclosed as part of other operating and administration expenses. Refer to Note 2(b).

As at 30 June 2015, there were \$nil outstanding liabilities incurred by Coliban Water and the joint operation (as at 30 June 2014, \$nil).

NOTE 26: FINANCING FACILITIES

The bank overdraft limit of Coliban Water is \$400,000. This facility is subject to annual review and at 30 June 2015 the amount of unused credit was \$400,000 (2013/14: \$400,000). The bank overdraft is secured by way of mortgage over the revenue of Coliban Water.

Loan facilities from TCV have various maturity dates through to 2029 and may be extended by mutual agreement.

NOTE 27: CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no material contingent assets or liabilities at 30 June 2015 (2013/14: \$nil).

Of significance however is the termination of Coliban Water's contract with Redline Mining & Infrastructure Pty Ltd (RMI) for the Harcourt Rural Modernisation Project. Coliban Water took all remaining work out of RMI's hands in June 2015. Amongst other reasons, this occurred due to substantial delays by RMI for which RMI had no satisfactory explanation. Coliban Water is making arrangements to complete the project with other contractors.

At the time of preparing this statement, a court winding up order has been made with respect to RMI, and liquidators have been appointed to it. Coliban Water expects to incur additional costs of completing capital work that RMI failed to complete, and that the performance security provided by RMI will not be sufficient to cover those costs. For this reason, Coliban Water does not expect to receive a claim by the liquidators and nor does Coliban Water expect to have any liability to RMI or the liquidators. It is not possible at this time to estimate what Coliban Water's unsecured loss will be (if any), nor whether there will be any significant return to unsecured creditors (including Coliban Water) in the liquidation of RMI.

NOTE 28: AUDITORS REMUNERATION

The fee for auditing the financial statements of Coliban Water excluding GST for 2014/15 has been set at \$84,300 (2013/14: \$84,360) by the Victorian Auditor-General Office. No other benefits were received or are receivable by the Victorian Auditor-General Office.

NOTE 29: EVENTS OCCURRING AFTER THE BALANCE DATE

The following matters and/or circumstances have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years:

On the 8 April 2015, the Minister for Environment, Climate Change and Water, the Hon Lisa Neville MP, announced a review of all 135 Victorian water corporation board director positions. Expressions of interest were invited during April and May 2015 with new boards to be in place by 1 October 2015.

Water corporations remain governed by a properly constituted board of directors and will do so following 1 October 2015 when any new appointments are due to commence.

NOTE 30: EX-GRATIA EXPENSES

The total forgiveness or waiver of debt at 30 June 2015 was \$149,665 (2013/14: \$165,960).

This includes ex-gratia expenses greater than or equal to \$5,000 or those considered material in nature. These ex-gratia expenses relate to debt that has been deemed to be uncollectible and uneconomical to pursue. Refer also to Note 4(b).

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 2015 of Coliban Region Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification has been audited.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, 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 Coliban Region Water Corporation as at 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
21 August 2015



John Doyle
Auditor-General

NECOORIE MALDON CAMPBELLS CREEK NEWSTEAD GUILDFORD FRYERSTOWN CASTLEMAINE CHEWTON ELPHINSTONE TARADALE MALMSBURY KYNETON TYLDEN TRENTHAM HARCOURT TOOBORAC HEATHCOTE AXEDALE BENDIGO SEBASTIAN RAYW
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