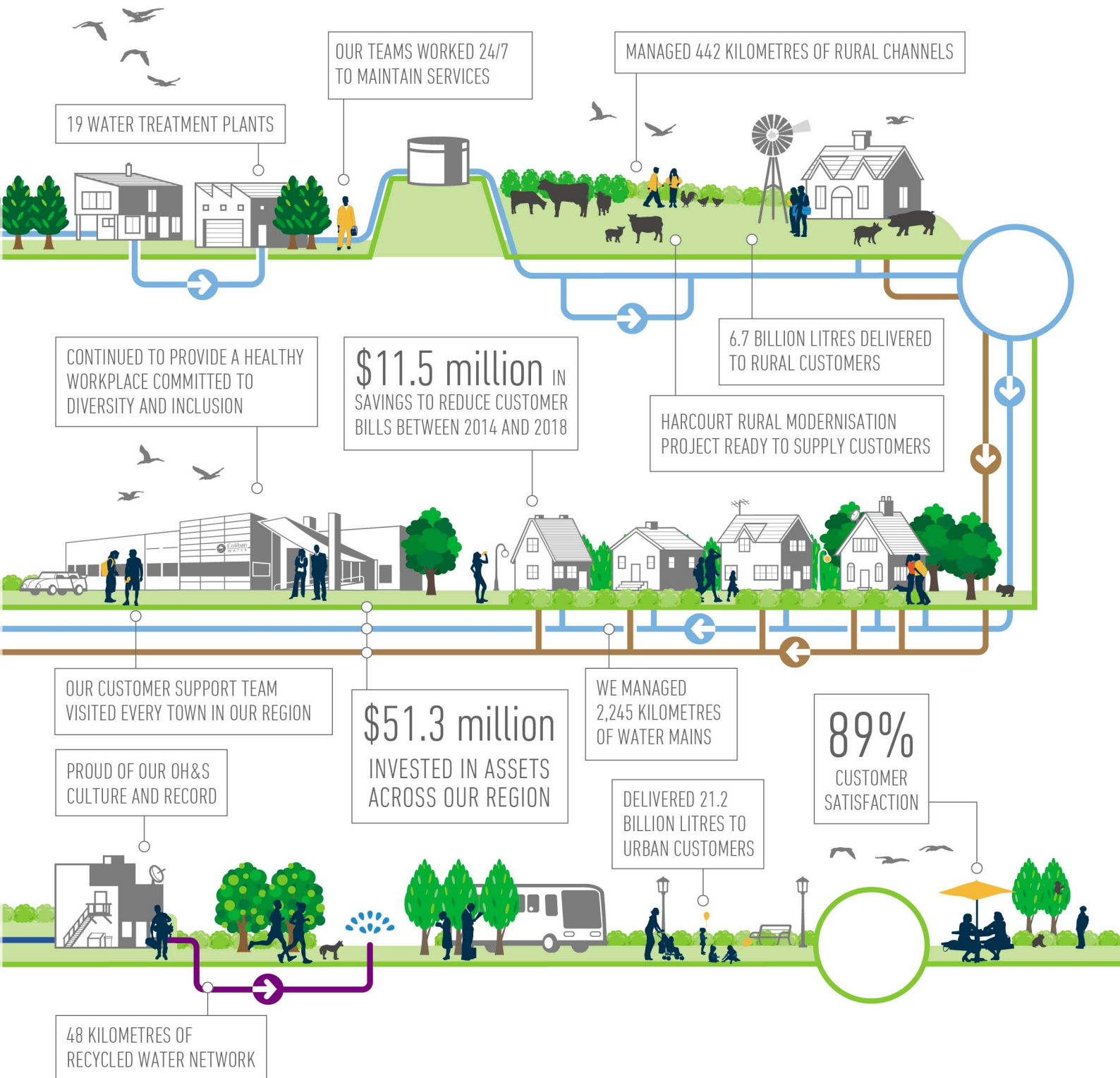


Annual Report 2016



Water
to live,
grow
& enjoy

Coliban
WATER

COLIBAN WATER SERVICE REGION DIAGRAM



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 2015 and 30 June 2016.

It reports on our progress in implementing our 2015/16 Corporate Plan.

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 2015 until 22 May 2016 was The Hon. Lisa Neville MP, Minister for Environment, Climate Change and Water. For the period 23 May 2016 until 30 June 2016 it was The Hon. Lisa Neville MP, Minister for Water.

We provide water and wastewater services to a region with a population of approximately 160,000 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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ABORIGINAL ACKNOWLEDGEMENT

Coliban Water proudly acknowledges our region's Aboriginal community and their rich culture and pays respect to their Elders past and present.

We acknowledge Aboriginal people as Australia's first peoples and as the Traditional Owners and custodians of the land and water on which we rely. We recognise and value the ongoing contribution of Aboriginal people and communities to Victorian life and how this enriches us.

We embrace the spirit of reconciliation, working towards the equality of outcomes and ensuring an equal voice.

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CONNECTIONS

Connection	30 June 2016	30 June 2015
Residential	66,412	65,372
Non-residential	6,801	6,754
Rural licences	1,374	1,355

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:

- › 2,245 kilometres of water mains (potable and non-potable)
- › 48 kilometres of recycled water infrastructure
- › 1,904 kilometres of sewer mains
- › 146 kilometres of water distribution pipelines and channel system
- › 442 kilometres of rural 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
- › 35 water reservoirs and service basins + 4 operated by Veolia Water as a BOOT⁽¹⁾ partner
- › 1 recycled water factory
- › 177 wastewater pump stations
- › 66 water pump stations

Infrastructure assets, property, plant and equipment

Net book value (000's)

Land	37,673
Buildings	3,305
Plant and equipment	2,466
Water infrastructure	396,126
Water distribution infrastructure	176,715
Sewer infrastructure	446,707
Recycling infrastructure	34,215
Rural infrastructure	138,677
Headworks infrastructure	160,919
BOOT schemes infrastructure ⁽¹⁾	147,125
Works in progress	14,747
Total	1,558,675

(1) BOOT – Build Own Operate Transfer.
These assets are owned by our BOOT partners

On behalf of Coliban Water, we are pleased to present our 2015/16 Annual Report detailing our business performance for the reporting year. This report contains our audited financial statements, statutory disclosures and other information.

Coliban Water provides essential water and sewerage services for our customers. Through our business activities, we actively support the enhancement of the social fabric, environmental health and economic development of the communities we serve and in which we operate. We are committed to collaboratively and meaningfully participating in the continued growth, well-being and sustainability of our region and enabling our region to take advantage of opportunities that emerge in the future.

This year saw Coliban Water undertake its planned peak year of works delivery under the capital investment program within the 2013–18 regulatory period for water pricing. We invested a total of \$51.3 million in much-needed upgrades and improvements to the treatment process and network infrastructure of urban water and sewerage systems and the continued modernisation of the rural water system supplying rural customers at Harcourt. Investment will see access to long term infrastructure that will deliver solutions for the growth and well-being needs of today and the future.

With two-thirds of the works constructed, the Harcourt Rural Modernisation Project resumed toward the end of 2015 after we took the necessary action in June 2015 of taking the remaining works out of the hands of the lead contractor due to lack of progress for a protracted period. We re-contracted incomplete pump station works to local contractors who had supported the project since construction first commenced and, using a competitive tender process, appointed a local pipelaying contractor to finish the rural pipeline network. Construction was completed in June of this year, and the project is on track to supply water to rural customers at the start of the 2016/17 rural season.

As part of the capital investment program, at Cohuna we installed water storage works to augment supply capacity and we rebuilt treatment lagoons at the town's water reclamation plant. The capacity of sewerage system networks was upgraded in Echuca and at Epsom, Huntly and Long Gully in the greater Bendigo area to accommodate residential growth, future urban development and reduce network spills in extreme rainfall events. Renewal works for the Coliban Main Channel, which transfers water from our southern major reservoirs to Castlemaine and Bendigo were commenced and completed, and we provided new sewerage services to unsewered properties at Reckleben Street in Castlemaine. We also commenced upgrades to water treatment plants at Laanecoorie and Bridgewater that service six of our regional towns, which will be completed in 2016/17.

The strengthened financial performance and position achieved over the last two reporting years was pivotal to financing the delivery of this peak-year investment. This underscores the importance to our region of Coliban Water being a financially sound enterprise, as it ensures our capacity and capability of participating in and supporting our communities with their future visions and plans. This year's positive operating result before tax and other economic flows of \$8.2 million and the resulting cash flows provided the majority of the funds for our investment program. The supplementary investment funds sourced from loans raised during the year were within the annual borrowing limit approved by the Victorian Treasurer, resulting in an overall debt position that was lower than planned.

Our final financial sustainability goal is to peak our accumulated debt within the 2013–18 regulatory period and then commence our long term strategy to pay down this debt, which was raised over the last decade to provide the funds needed to finance the delivery of our essential services. Next year, with a planned and controlled scaling back in capital works off the back of this peak-year, our

plan is to fully fund our capital investment from operating cash flows and for the first time repay a modest amount of debt, in line with our strategy.

Our water resources were secure throughout the year, with Permanent Water Savings Rules in place for all urban supplies and our rural customers received full allocations for the 2015/16 season. The El-Nino conditions that prevailed for the majority of 2015/16 resulted in prolonged dry periods during the year, particularly over summer and autumn when water consumption is typically high. We also encountered much drier than normal conditions during the 2015 spring season, which led to low inflows to the sources of supply we rely on, and water allocations were lower in 2015/16 than the previous year for all surface water sources that supply us. Of particular note, the storage operator for the Wimmera Mallee system allocated only 16 per cent of our bulk entitlement volume, which necessitated us securing supplementary bulk water through the purchase of water held and made available to us by another Wimmera Mallee system entitlement holder. This water purchase secured supply for our four towns dependent on that system for their water.

Proactively, we suspended all other water allocation trading activity during the year, taking the prudent position of holding all bulk water in reserve and having the flexibility to then carry forward the volumes held into next year should the dry conditions persist and water allocations be further reduced. However, the transition from El-Nino towards La-Nina conditions during the 2016 autumn saw an eventual break from dry conditions and the arrival of much welcome rainfall, although, with dry catchments, inflows to our southern reservoirs did not commence until the onset of winter. With the good rainfall we have seen throughout the 2016 winter so far, we look forward to much improved water availability heading into the next peak summer demand period.

In September 2015, the Victorian Government announced Coliban Water's lead role, as part of a whole-of-government response, in developing and implementing a transitional solution for managing rising groundwater levels to protect the city of Bendigo over the coming three to five years. Working with government agencies, a community reference group and an advisory group, we are in the final stages of preparing to procure supplier services to design, construct and operate a preferred solution that is targeted for completion in early 2017. The Victorian Government has committed funding of \$23.2 million for the project, and has provided true leadership in working with the local community in facilitating a collaborative and integrated community outcome.

During September 2015, we farewelled Board directors Russell Walker, Rod Thomson, Linda Veronese and Deborah Hambleton, and welcomed Bob Cameron, Marika McMahon, Rowan O'Hagan, Bill O'Neil and Lucy Roffey as new directors. We wish Russell, Rod, Linda and Deborah well in their future endeavours.

The year 2015/16 has been one of significant achievement at Coliban Water. We sincerely thank our fellow directors, both present and past, our staff, our business partners and the agencies that we work with for their commitment, support and contribution as we pursue our vision of *Water to Live, Grow and Enjoy*.

In accordance with the *Financial Management Act 1994*, we are pleased to attest that Coliban Water's 2015/16 Annual Report is compliant with all statutory reporting requirements.



Andrew Cairns
Chairman



Jeff Rigby
Managing Director

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	Completed
A TRUSTED MONOPOLY ENTERPRISE AND ECONOMIC PARTNER		
Strong and effective relations with regulators	› Explore how each party can work together to make regulation of the business easier and more effective to reduce red tape	Completed
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	Completed
	› Clarify responsibilities and accountabilities for stewardship of deliverables to all stakeholders	Completed
MAXIMISING BENEFITS THROUGH OPTIMAL DECISIONS AND SOLUTIONS		
Greater rigour in justifying and prioritising projects	› Further develop a capital investment prioritisation tool that is aligned with critical business drivers and incorporates assessment of risk mitigation benefits	Nearing completion
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	Completed
	› Implement strategy of debt repayment	Completed
	› Identify and prepare plans to dispose of surplus land assets	Completed

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	Completed
	› Introduce methods to recognise and reward genuine innovation	Ongoing
	› 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	Completed
	› Invest in leadership development to develop future leaders within the corporation	Completed
FOCUSSING ON OUR ‘CUSTOMER OF THE FUTURE’ AND INTERGENERATIONAL EQUITY		
Breaking even on the bottom line within five years	› Introduce an Earnings Improvement Program (EIP)	Completed
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)	Nearing completion
	› 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	Completed
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	Ongoing
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	› Future pipeline connection between Bendigo and southern townships	In progress

CUSTOMER SUPPORT

GRADE OF SERVICE

Grade of Service measures the number of calls answered within 30 seconds after connecting to Coliban Water. Our Essential Services Commission (ESC) target is to answer 90 per cent of calls within 30 seconds during business hours.

Year	2016	2015	2014	2013	2012
Result	90.87%	91.28%	90.32%	85.9%	83.34%

A total of 79,560 calls were recorded for the year. This is a 0.1 per cent decrease in call volume since last year. The decrease in call numbers is reflective of the changing way our customers are making contact with us. Most notably, we have witnessed a 1,516 per cent increase in customers completing online forms (179 in 2013/14, 2,974 in 2014/15) and a 2,850 per cent increase in online information statement requests (71 in 2013/14, 2,094 in 2014/15).

The Customer Support team, which includes the Contact Centre, has made considerable operational changes over the past four years to create a multi-skilled team culture. This provides a better customer experience and has created many efficiencies for the team and for our customers.

In total the team handled 143,207 contacts for the year compared to 156,129 in the previous year and 126,724 in 2013/14. This includes all telephone, email and over-the-counter contact.

CUSTOMER SERVICE AND SATISFACTION

CONTACT CENTRE BENCHMARKING

In late 2015, Coliban Water was one of 21 water authorities to participate in the Water Services Association of Australia (WSAA) National Customer Perceptions Survey Project. Nearly 6,000 water customers were surveyed and our customers ranked us highly in the areas of responsiveness, easy to deal with, cares for customers, resolves issues and our response to faults and emergencies.

In October 2015, we participated in WSAA's Customer Service Indicators Program. This was run in partnership with Customer Service Benchmarking Australia (CSBA) and looked at improving industry performance and establishing benchmarks and industry leading practices for water service providers. We ranked well in the three areas measured. We were first in mystery shopping, third in the WSAA Index (first contact resolution and abandonment rate for telephone, email and website) and sixth in customer experience.

We participated in benchmarking with CSBA 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.

In 2015/16 we ranked fourth in the water industry with our performance continuing to outperform not only Water Sector averages but averages from all industries surveyed.

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 79 complaints were made to EWOV compared to 85 last year, representing a seven per cent decrease in complaints. 12 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 (nine cases) and billing / tariff / account charges (24 cases). Other matters raised included our land development processes and projects, consumption and sewer/water operational issues.

EWOV referred the equivalent of 1.2 complaints for every 1,000 customers to us for action during 2015/16, compared to the ESC's target of two per 1,000 customers.

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

2015/16	Unassisted referrals	Assisted referrals	Real time resolution	Investigations	Total
	20	41	6	12	79

STANDPIPES AND WATER CARTERS

This year we had 1,941 water carters registered for water carting. This is an increase of 23 per cent over the previous year. Water carting permits allow customers to take water from various standpipes within our region. Coliban Water directly manages 15 of these standpipes.

A total of 239.7 megalitres was taken from the Coliban Water managed standpipes (including recycled water standpipes) for the year. This was higher than the previous year total of 160.4 megalitres, a result of drier conditions.

Investigation summary 2015/16	Number
Consumption	100
Revenue (Billing, Meters, Tariffs)	144
Operational issues, site restoration, compensation claims, water leaks and sewer intrusions	293
EWOV cases	79
PWSR offender investigation	11
Penalty infringement notices issued	0
Restrictors applied for breach of water restrictions	0
Total actions	627

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 590 enquiries referred for further review and investigation, a four per cent increase compared to last year.

Consumption related enquiries accounted for about 17 per cent of all complex enquiries. Operational issues accounted for a further 50 per cent and were made up of sewer odours, sewer overflows, sewer blockages, water leaks and issues with our assets. Tariffs, billing and meter enquiries accounted for 27 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.

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 aim to deliver culturally appropriate communications that meet their needs and expectations.

We also continue to give consideration to heritage and cultural-related issues on our capital works projects.

We offer telephone interpreter and text telephone (TTY) services to assist non-English speaking and speech and hearing impaired customers. This information is provided to our customers on our website in Burmese (Karen), Arabic, Chinese, Italian, German and Greek.

COMMUNITY RELATIONS AND COMMUNICATION

CUSTOMER AND COMMUNITY COMMITTEES

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, equity between urban and rural and seasonal forecasts.
- › Harcourt Water Services Committee which met three times this year and has been updated on a fortnightly basis about the progress of the Harcourt Rural Modernisation Project.

We have a permanent representative on the City of Greater Bendigo Farming Advisory Committee which focusses on the challenges and opportunities presented by rural communities in and around the greater Bendigo area. We actively seek to meet with progress associations and community groups across our region to discuss projects or local issues and look to establish ongoing relationships with these groups.

YOUR TOWN COMMUNITY VISITS PROGRAM

Our *Your Town* visits continued for its fourth year, providing our customers an opportunity to meet with not only our Customer Support Team but staff from across our business. We promote the program through bill inserts and articles in community newsletters. Our visits offer an informal face-to-face opportunity for us to learn more about our customers, understand issues at a local level, and to proactively respond to customer enquiries.

This year we visited 21 towns, and met with 267 customers. We are committed to our *Your Town* program, which will continue in 2016/17.

SCHOOL AND COMMUNITY EDUCATION

Our educational programs are based around our core business functions of water and wastewater treatment and delivery, with specifically developed age-appropriate activities that cater for all levels.

We experienced increasing demand from the early childhood sector visiting 10 early learning centres involving around 200 children – presenting sessions on the water cycle, water catchments, treating and delivering water and sustainable water use.

In addition we visited 25 schools from primary through to tertiary levels reaching more than 1,200 students.

We have been further developing the indoor version of our popular catchment in the sandpit activity which involves students constructing water systems in a tray of 'kinetic' sand. The activity has been conducted in different settings including with early childhood groups and with students who have special needs.

We have been involved in planning for a local primary schools initiative called 'Passions & Pathways' with the intention of hosting a group of students to provide them with experiences about careers in the water industry.

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. We also support the Resource Smart Schools program and are represented on the Loddon Mallee consortium which facilitates this curriculum framework for schools in our region.

We support the state government Schools Water Efficiency Program (SWEP). 34 schools in our region participate in this water saving initiative which, since August 2012, has resulted in a total of 100 million litres of water savings for the schools involved.

We are also supporters of the 2016 Rural Water Awards (coordinated through VicWater). These awards aim to recognise and reward rural licence holders who have used innovative technology, introduced projects to bring about water savings or increased productivity through changed water practices.

The Awards are recognized at both regional and state level and this year we are supporting two categories – irrigation and community education. Winners in these awards will be announced in December 2016.

INFORMATION AND EDUCATION

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

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

We continue to make use of our customer accounts as an opportunity to provide further information to customers. This includes a bi-annual all customer newsletter delivered over January, February and March.

PERMANENT WATER SAVING RULES EDUCATION CAMPAIGN

A new Permanent Water Saving Rules (PWSR) campaign was introduced over March, April and May in 2016 to re-educate customers and create consumer readiness for the potential for low level water restrictions in some supply areas next summer (2016/17) – particularly the Coliban System Southern (Castlemaine and Kyneton areas).

PWSR are a set of five common-sense water use rules that apply at all times when water restrictions are not in force.

New online platforms were added to traditional campaign channels – Google and Facebook advertising was particularly successful:

- › 29,498 video views for \$1,000 budget over campaign (Facebook)
- › 4.8 million views, resulting in 1,644 clicks through for further information with a budget of \$2,000 (Google placement)

MEDIA AND ONLINE

We issued 36 media releases for the year and proactively developed information for media and online platforms. We had 103,938 visits to our website in 2015/16 compared to 81,587 last year, an increase of 27 per cent. Our unique users increased by 20 per cent from 50,021 to 60,376. There was also a 50 per cent increase in people accessing our website on mobile devices and 43 per cent increase in access via tablets.

We continue to grow our social media followers through Twitter, which increased by 342 from 1,558 to 1,900 by the end of the financial year. For the year we posted 418 Tweets, which had 1,070 link clicks, 215 Retweets and 321 Likes.

COMMUNITY ENGAGEMENT FOR CAPITAL PROJECTS

We develop community relations programs for our capital projects to engage with community and other key stakeholders. This financial year our capital delivery works program was \$51.3 million. Our largest community relations projects for the year included the Harcourt Rural Modernisation Project and the Pine Safety Removal Project.

Other projects which have had significant community engagement activity this year include: Wet Weather Storages Project; Huntly Epsom Sewer Augmentation Project; Hopkins Avenue Sewer Pump Station Upgrade Project; and Guildford Water Supply Project.

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.

Throughout the project we have placed a strong focus on face to face contact with landowners, customers and the community to help with project delivery, and to minimise the impacts of construction. We have also provided regular community updates and been in contact with key stakeholders to keep them informed about the progress of the project and things that affect them. Our Harcourt Water Services Committee, the Harcourt Fruit Growers Association and Harcourt Progress Association have been important parts of our community engagement for this project.

The project is nearing completion and is anticipated to be fully operational for the 2016/17 irrigation season. Engagement with customers will be undertaken to facilitate a smooth transition from supply from a channel system to a piped system.

PINE SAFETY REMOVAL PROJECT

There were 27 hectares of pine plantations 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 had become a safety risk to staff and visitors.

In 2014 we removed and revegetated the first two stands around the recreation areas at Lauriston and Malmsbury Reservoirs. In 2016 we removed the remaining seven stands across Lauriston, Upper Coliban and Malmsbury Reservoirs. The next stage is to revegetate the areas using native species local to the areas.

We have had comprehensive landowner and community engagement and communication throughout.

INDIGENOUS CONSULTATION

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.

HARCOURT RURAL MODERNISATION PROJECT

A Cultural Heritage Management Plan (CHMP) has been developed along the pipeline route. The CHMP, approved by the local Registered Aboriginal Party (Dja Dja Wurrung Clans), sets out recommendations for each site of significance to manage and protect the Aboriginal cultural heritage prior to, during and following tree harvesting.

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 ensure that artefacts still remaining can be preserved during the final construction activities.

PINE SAFETY REMOVAL PROJECT

Under the requirements of the *Aboriginal Heritage Act (2006)* we engaged cultural heritage advisors during the project planning and delivery stages to identify and assess sites of Aboriginal cultural heritage significance where we were planning to remove pines around the reservoirs for reasons of public safety. A Cultural Heritage Management Plan was developed by our cultural heritage advisors and subsequently approved by the Dja Dja Wurrung. Our project team followed the recommendations throughout the construction and reinstatement process.

A total of 319 artefacts were salvaged (281 at Malmsbury and 38 at Lauriston) and will all be replaced at the end of the project.

WET WEATHER STORAGE – BORONIA ROAD, HUNTLY

Under the requirements of the *Aboriginal Heritage Act (2006)* we engaged cultural heritage advisors during the project planning and delivery stages to identify and assess sites of Aboriginal cultural heritage significance where we were planning to install wet weather storage tanks in Boronia Road. A CHMP was developed by our advisors and subsequently approved by the Dja Dja Wurrung. Our project team followed the recommendations throughout the construction and reinstatement process.

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 and mechanical trash grate at our Coliban Main Channel at Sutton Grange
 - Notification occurred in early 2015, and the process was finalised by May 2016.
- › Negotiation B Activity for the Huntly-Epsom Sewer Augmentation project
 - Notification occurred in early 2016 and the process was finalised by mid-2016.
- › Negotiation B Activity for water pressure works in Guildford
 - Notification occurred in early 2016 and was finalised in June 2016.

WATER SUPPLY SYSTEMS

We have a total nine water systems that consists of 26 separate urban supplies. This includes Elmore and Trentham whose supply is sourced from groundwater. We can supplement the Coliban System Northern with supply from the Waranga Western Channel (via the Goldfields Superpipe) and Lake Eppalock. The Coliban System Southern Southern is solely supplied by our Coliban River catchment storages. For further detail see our region map on the inside front cover.

Due to the dry weather conditions, initial forecasts that we undertook in March 2016 outlined that we could have had a minimum of 30 per cent rural allocation and the potential for low level water restrictions enforced in our southern system. This was forecast on a premise of low inflows during Winter and Spring 2016. During Autumn 2016, we experienced good rainfall which increased the opening minimum allocation to 50 per cent with likelihood of further increases pending continuing improved inflows.

Upper Coliban, Lauriston and Malmsbury are our three Coliban River catchment storages. The storages started the year at 42,304 megalitres (61 per cent of capacity), reaching a maximum of 44,612 megalitres (64 per cent of capacity) on 23 September 2015. The storages then slowly decreased to 30,702 megalitres (44 per cent of capacity) on 30 June 2016.

Lake Eppalock (which we have a share in) at the start of the financial year was 34,154 megalitres (62 per cent of our share of full capacity) and at 30 June 2016 was 20,364 megalitres (37 per cent of our share of full capacity).

Inflows did not exceed storage capacity during the year and there was no spilling water from both our Coliban River catchment storages and from our share of Lake Eppalock. No spills were recorded against our water shares accounts.

Our Coliban System Southern storages at the start of the year were holding more than the 45 gigalitres reserve trigger level that was in place at the time. In October 2015 the trigger level was revised to 55 gigalitres; due to the dry conditions, reduced inflows and predicted climatic conditions. 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 2015, using our share of water stored in Lake Eppalock as the alternate source to supply Bendigo. For the year, we pumped a total of 18,988 megalitres for Coliban Water. There was no water pumped from the Waranga Western Channel at Colbinabbin this year.

WATER STORAGE VOLUMES

Storage volume in our region

	As at 30 June 2015 Megalitres (ML)	As at 30 June 2016 Megalitres (ML)	% full 30 June 2016
Coliban System Northern – Sandhurst Reservoir	2,072	2,316	89.4
Coliban System Northern – Caledonia Reservoir	162	187	87.4
Coliban System Northern – Lake Eppalock (Coliban Water share)	34,154	20,153	36.8
Coliban Rural Northern – Spring Gully Reservoir (recycled water)	842	1,240	73.8
Coliban System Southern – Upper Coliban Reservoir	20,441	14,897	39.4
Coliban System Southern – Lauriston Reservoir	17,390	13,060	66.0
Coliban System Southern – Malmsbury Reservoir	4,480	2,745	22.8
Coliban System Southern – McCay Reservoir	1,168	1,026	75.4
Coliban System Southern – Barkers Creek Reservoir (rural)	1,060	1,480	87.6
Groundwater – Trentham storages	69	61	67.0
Total	81,838	57,165	n/a
Campaspe System Bulk Entitlement – held in Lake Eppalock	313	324	n/a
Campaspe System Water Shares – held in Lake Eppalock	3,075	2,047	n/a
Coliban System Northern Water Shares – held in Lake Eildon	2,858	18,017	n/a
Goulburn System Bulk Entitlement – held in Lake Eildon	762	1,150	n/a
Loddon System Bulk Entitlement – held in Loddon storages	332	390	n/a
Murray System Bulk Entitlement (and share) – held in Murray River storages	994	4,855	n/a
Wimmera System Bulk Entitlement – held in Grampians storages	185	91	n/a
Total	8,519	26,874	n/a
TOTAL	90,357	84,039	

Water storage volume notes:

The volume of water held in our storages at 30 June 2016 is 57,165 megalitres which is 24,673 megalitres less than water held in storage at the end of June 2015. The amount stored in the Coliban catchment storages was 11,609 megalitres less largely due to low inflows particularly in July and August 2015.

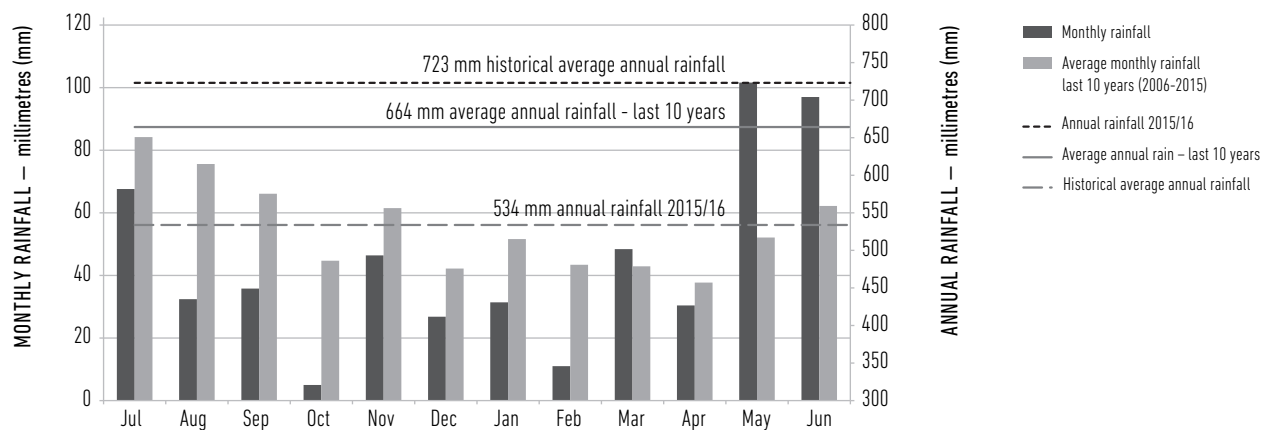
- When full, 68 per cent of our total water resource of 84,039 megalitres, is held in our storages, including our share of Lake Eppalock. The remaining 26,874 megalitres is held in storages controlled by Goulburn-Murray Water and Grampians Wimmera Mallee Water.

WATER SECURITY

RAINFALL AND WATER INFLOWS

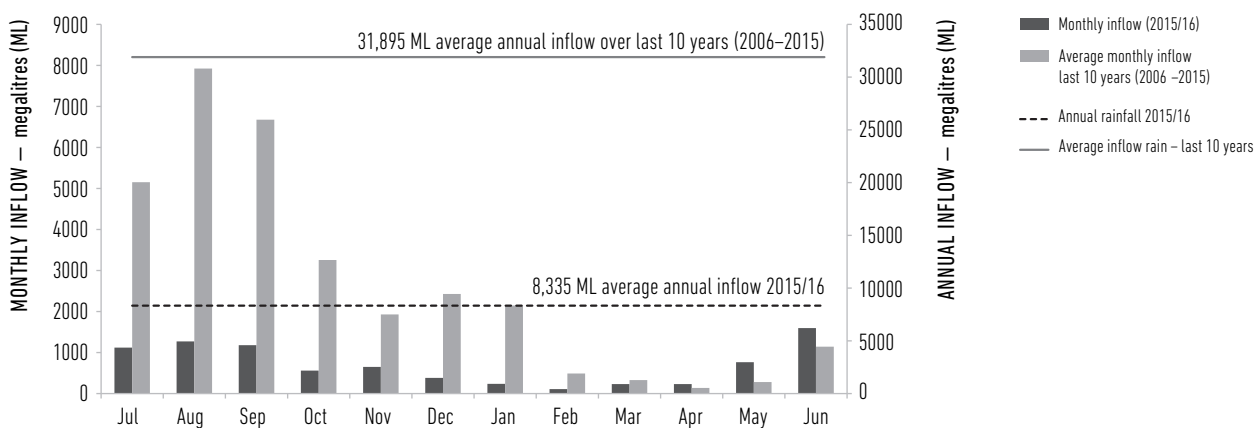
We received 534 millimetres of rainfall at Malmsbury Reservoir for the year. This is 20 per cent less than the average for the past ten years of 664 millimetres, and 26 per cent less than the historical average of 723 millimetres. We received below average rainfall in all months except May and June which were above average.

MALMSBURY RESERVOIR MONTHLY RAINFALL

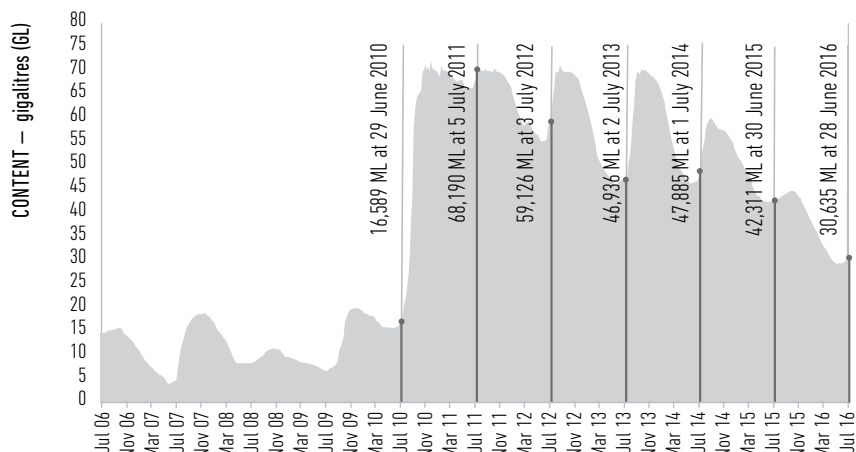


Our catchment storages received below average inflows of 8,335 megalitres (28 per cent of the average of the last 10 years of 31,895 megalitres).

COLIBAN HEADWORKS STORAGES > MONTHLY INFLOW



COLIBAN STORAGE CONTENTS > UPPER COLIBAN, LAURISTON & MALMSBURY RESERVOIRS



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 2015/16 were as follows:

SUPPLY SYSTEM	SOURCE OF SUPPLY	BULK ENTITLEMENT VOLUME (MEGALITRES)	BULK ENTITLEMENT ALLOCATION (MEGALITRES)	BALANCE 30-JUN-15 (MEGALITRES)	RAW WATER VOLUME TAKEN (MEGALITRES)	BALANCE 30-JUN-16 (MEGALITRES)	REPORTING REQUIREMENTS IN ACCORDANCE WITH BULK ENTITLEMENT (BE) CLAUSE
CAMPASPE	CAMPASPE RIVER						
BULK ENTITLEMENT (AXEDALE, GOORNONG & PART ROCHESTER) CONVERSION ORDER 1999							
Axedale & Goornong		215	142	186	73	200	12.1(b) – Annual volume taken – 73 megalitres 12.1(c) – Any credits granted – Nil 12.1(d) – Metering Program – Nil
Rochester		134	88	127	–	124	12.1(e) – Temporary or permanent transfer of all or part of BE – 130 megalitres (transferred to other Allocation Bank Accounts) 12.1(f) – Period of restriction – Nil 12.1(g) & (h) – Any amendment to BE, or new BE for Axedale, Goornong & Rochester – Nil
TOTAL		349	230	313	73	324	12.1(i) – Any failure to comply with BE – Nil 12.1(j) – Difficulties in complying – Nil
COLIBAN	COLIBAN RIVER, CAMPASPE RIVER						
BULK ENTITLEMENT (CAMPASPE SYSTEM – COLIBAN WATER) CONVERSION ORDER 1999							
Bendigo area, Castlemaine area, Kyneton area, Heathcote area & Coliban Rural	Coliban River Reservoirs: Upper Coliban, Malmsbury & Lauriston and Lake Eppalock	50,260	N/A	N/A	30,651	N/A	18.1(f) – Annual volume taken – See Notes 1, 2 & 3 18.1(g) – Annual evaporation loss – from our headworks is 6,973 megalitres and our share of Lake Eppalock is 3,200 megalitres 18.1(h) – Internal spill in Lake Eppalock from and to Goulburn Murray Water 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 Coliban Water – Nil 18.1(m)– Period of restriction – refer to restriction text on page 13 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 – 30,651 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 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							
Jarklin		10*	9	0	1	0	15.1(b) – Annual volume taken – 1,999 megalitres 15.1(c) – Volume from other locations – Nil 15.1(d) – Any credit granted – Nil 15.1(e) – Metering program – Nil 15.1(f) – Assignment or transfer – Nil 15.1(g) – Assignment or transfer to Coliban Water – Nil 15.1(h) – Amendments to BE – Nil 15.1(i) – New BE – Nil 15.1(j) – Failure to comply – Nil 15.1(k) – Difficulties in complying – Nil *Serpentine and Jarklin entitlement volumes are on allowance provided by Goulburn Murray Water.
Serpentine		50*	45	0	33	0	
Boort		2,420	2,420	755.6	257	1,150	
Dingee					13		
Lockington					122		
Macorna					5		
Mitiamo					19		
Mysia					2		
Pyramid Hill					138		
Rochester					1,408.8		
TOTAL		2480.0	2474.0	755.6	1,998.8	1,150.0	

SUPPLY SYSTEM	SOURCE OF SUPPLY	BULK ENTITLEMENT VOLUME (MEGALITRES)	BULK ENTITLEMENT ALLOCATION (MEGALITRES)	BALANCE 30-JUN-15 (MEGALITRES)	RAW WATER VOLUME TAKEN (MEGALITRES)	BALANCE 30-JUN-16 (MEGALITRES)	REPORTING REQUIREMENTS IN ACCORDANCE WITH BULK ENTITLEMENT (BE) CLAUSE
GROUNDWATER GROUNDWATER LICENCE							
Elmore	Bore	284	284	71	148	71	
BULK ENTITLEMENT (TRENTHAM) CONVERSION ORDER 2012							
Trentham	Spring Water	120	120	N/A	87	N/A	12.1(b) – Annual volume taken – 129 megalitres 12.1(c) – Average annual amount taken over three years – 119 megalitres 12.1(e) – Metering program – see Note 5
	Bore	48	48	N/A	42	N/A	12.1(f) – Transfer or assignment of allocation – Nil 12.1(g) – Any amendments of transfers with respect to order – Nil
TOTAL		168	168	N/A	129	N/A	12.1(h) – Any failure to comply with order – Nil 12.1(i) – Any difficulties complying with order – Nil
LODDON LODDON RIVER							
BULK ENTITLEMENT (LODDON SYSTEM- COLIBAN WATER) CONVERSION ORDER 2005							
Bridgewater & Inglewood					230		13.1(b) – Annual volume taken – 376 megalitres 13.1(c) – Any credits granted – Nil 13.1(d) – Metering Program – Nil
Laanecoore, Dunolly, Bealiba & Tarnagulla					146		13.1(e) – Temporary or permanent transfer of all or part of BE – Nil 13.1(f) – Period of restriction – Nil 13.1(g) – Any amendment to BE – Nil 13.1(h) – New BE granted – Nil
		820	498	322	376	390	13.1(i) – Any failure to comply with BE – Nil 13.1(j) – Difficulties in complying – Nil
WIMMERA WIMMERA CHANNEL							
BULK ENTITLEMENT (WIMMERA AND GLENELG RIVERS – COLIBAN WATER) ORDER 2010							
Korong Vale & Wedderburn					220		13.1(b) – Annual volume taken – 226 megalitres 13.1(c) – Amount and location of water taken from other than specified point – Nil 13.1(d) – Allocation – 16 per cent or 48 megalitres
Borong					4		13.1(e) – Metering Program – Nil 13.1(f) – Temporary or permanent transfer of all or part of BE – Nil 13.1(g) – Any BE or other entitlement transferred to Coliban Water under this order – 100 megalitres allocation purchased
Wychitella					2		13.1(h) – Any amendment to BE – Nil 13.1(i) – New BE granted – Nil 13.1(j) – Any failure to comply with BE – Nil 13.1(k) – Difficulties in complying – Nil
		300	148	185	226	91	
MURRAY MURRAY RIVER							
BULK ENTITLEMENT (RIVER MURRAY – COLIBAN WATER) CONVERSION ORDER 1999							
Cohuna					808		20.1(b) – Annual volume taken – 4,647 megalitres 20.1(c) – New off-take points – Nil 20.1(d) – Water returned – Nil
Echuca					3,552		20.1(e) – Metering Program – Nil 20.1(f) – Temporary or permanent transfer of all or part of BE – Nil 20.1(g) – Any BE or other entitlement transferred to supply primary entitlements under this order – 2,645 megalitres (transferred from other Allocation Bank Accounts)
Gunbower					63		20.1(h) – Any amendment to BE – Nil 20.1(i) – New BE granted – Nil 20.1(j) – Any failure to comply with BE – Nil 20.1(k) – Difficulties in complying – Nil
Leitchville					224		
TOTAL		6,285	6,285	827	4,647	4,855	
GOULBURN WARANGA WESTERN CHANNEL							
Coliban System Northern	Water Shares High Reliability	22,774	20,497	0	–	11,729	Allocation purchase – 0 megalitres
	Water Shares Low Reliability	2,858	–	2,858	–	2,858	Allocation trade – 8,930 megalitres (1,036.5 megalitres transferred from and 9,036.5 megalitres transferred to other Allocation Bank Accounts)
CAMPASPE LAKE EPPALOCK							
Coliban System Northern	Water Shares High Reliability	2,772	1,710	2,429		1,401	Allocation purchase – 0 megalitres
	Water Shares Low Reliability	646	–	646		646	Allocation trade – 5,890 megalitres (6,500 megalitres transferred from and 885 megalitres transferred to other Allocation Bank Accounts)
MURRAY MURRAY RIVER							
Cohuna, Echuca	Water Shares High Reliability	55	55	51		–	Allocation purchase – 0 megalitres
Gunbower, Leitchville	Water Shares Low Reliability	24	–	24		0	Allocation trade – 130 megalitres (transferred to other Allocation Bank Accounts)

NOTES TO BULK WATER ENTITLEMENTS TABLES

- Note 1: 10,222 megalitres released from the Malmesbury Reservoir into the Coliban Main Channel.
- Note 2: 957 megalitres pumped from Lauriston Reservoir to the Kyneton water treatment plant.
- Note 3: 18,988 megalitres and 484 megalitres pumped from Lake Eppalock to Bendigo, and Heathcote respectively.
- Note 4: 1,797 megalitres released from Malmesbury Reservoir into the Coliban River as a passing flow with no natural spilling. Malmesbury passing flow account balance was 312 megalitres as at 30 June 2016. Flows in the Coliban River are recorded daily and provided to weekly to the North Central Catchment Management Authority (North Central CMA). At the request of the North Central CMA the minimum passing flow has been reduced to 4 megalitres per day. The rationale is to accumulate environmental reserves to provide for larger 'fresher' flows during dry periods. By request of the North Central CMA, 272 megalitres was discharged into the Coliban River for a summer release. Goulburn Murray Water 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 has been finalised and the bulk metering program for Coliban Water will be finalised during 2016/17.

WATER ALLOCATION

We received the following water allocations across our region from our bulk water suppliers.

System	Allocation (%)
Loddon	84
Campaspe	60
Goulburn	90
Murray	100
Wimmera	16

A total of 18,988 megalitres of water stored in Lake Eppalock was used to supply our customers in Bendigo, Heathcote and the Coliban Northern rural system. Water in our Coliban catchment reservoirs was used to supply our customers in Castlemaine and Kyneton areas (Coliban Southern). A 100 per cent allocation was made to all Coliban Water rural network customers. Announcements on rural allocation are made in early July each year to help rural customers better plan for the rural season.

Sources of water: 2015/16	Megalitres
Direct river extractions	5,187
Groundwater	276
Draw from dams/reservoirs	41,206
Channel supplies	1,999
TOTAL	48,668

WATER PURCHASES

There was no purchase or sale of permanent water entitlement during 2015/16. During the year however there was a purchase of 100 megalitres of allocation within the Grampians Wimmera Mallee system due to insufficient allocations to meet demand.

WATER RESTRICTIONS

At the start of the 2015/16 all towns in our region were on Permanent Water Saving Rules. During the year we monitored our water resource position and discussed options to ensure our ongoing water security should dry conditions continue. At the end of the reporting period, we remained on Permanent Water Saving Rules.

RURAL USAGE

WATER SOURCES

Sources	Number of customers supplied	Supplied volume (Megalitres)
Raw	1,041	6,617.0
Recycled	787	3,449.9

Note: Recycled water customers can be supplied with recycled water, raw water or potable water depending on total demand and supply availability.

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
39	113.4	47	289.1	59	552.5

These figures do not include the three licence volumes surrendered to Coliban Water. A total of 39 megalitres was surrendered.

RURAL USAGE CONTINUED

Our rural customers had 100 per cent allocation for the 2015/16 season.

Channel name	Number rural licences	Base entitlement (Megalitres)	Number licences supplied	Volume delivered (Megalitres)
Abbotts	104	407.4	89	265.5
Ascot	37	799.9	23	458.3
Axe Creek	71	378.7	57	190.6
Campbells Creek	1	6.1	1	5.8
Cockatoo Hill	31	124.4	23	78.6
Coliban Main ⁽¹⁾	149	6,285.7	92	478.2
Cominis	8	51.9	6	20.2
Diamond Hill	12	64.3	9	24.6
Eagles	18	70.4	13	31.1
Ellesmere	45	153.6	42	127.0
Emu No 1 (Eppalock)	16	87.9	15	90.4
Emu No 2 (Eppalock)	16	136.4	12	72.7
Emu Valley No. 1	81	353.3	70	204.7
Emu Valley No. 2	64	365.3	55	174.6
Eppalock Pipeline	83	831.3	69	1,307.8
Goornong	15	352.2	12	115.7
Harcourt Main	88	1,469.6	49	975.0
Huntly	2	18.6	1	2.2
Ironstone	6	12.7	5	5.3
Jackass Flat	2	2.0	2	1.4
Kangaroo	1	9.4	0	0
Lauriston Reservoir	5	10.0	0	0
Lockwood	119	588.5	97	215.3
Maiden Gully	43	357.2	34	248.0
Malmsbury Reservoir	2	4.0	0	0
Mannes	15	93.8	11	23.1
Marong	30	254.8	24	177.0
Myers Flat	16	114.0	14	73.9
Neilborough	10	31.5	10	26.9
Poverty Gully	14	33.2	7	12.9
Raywood	62	305.8	49	233.4
Sebastian	7	59.7	7	25.7
South Lockwood Pipeline	46	397.3	42	199.9
Sparrowhawk	1	5.3	1	2.8
Speciman Gully	13	167.0	8	91.2
Specimen Hill	33	296.9	22	88.8
Spring Gully	33	153.3	27	95.8
Strathfieldsaye	2	5.0	2	1.5
Trust	6	66.7	6	40.3
Upper Coliban Reservoir	1	1.0	0	0
Warrens	28	323.1	14	181.8
White Hills	7	257.7	6	212.1
Wilsons Hill	31	234.9	27	109.6
TOTAL	1,374	15,741.8	1,053	6,689.7

1. Coliban Water licence volume at end of season – 5,141.8 megalitres

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 which is also supplied to off-site users, such as the Fosterville Gold Mine, the Bendigo Livestock Exchange and three neighboring 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 network, two standpipes in Bendigo and some rural channels. The pipeline water is used by sporting facilities, parks and gardens, primary schools, rural customers, car washing, road works and commercial customers, who use it 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 tank (Singers Road Storage), located between Echuca and Rochester, and from there it is supplied to local irrigators.

ROCHESTER

The Rochester WRP produces Class B recycled water, which is pumped to a storage (Singers Road Storage), located between Echuca and Rochester, and from there it 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 the 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)	
	2015/16	2014/15
Axedale	14.56	11.9
Bendigo		
Class A	415.2	0.0
Class B and C	1,192.9	1,089.1
Boort	19.8	17.9
Bridgewater	0	0.0
Castlemaine	117.1	117.6
Cohuna	0	0.0
Dunolly	0	0.0
Echuca	1,147.8	1,463.7
Elmore	0	0.0
Gunbower	0	15.0
Heathcote	131.0	114.9
Kyneton	377.3	329.6
Lockington	0.0	0.0
Pyramid Hill	0.0	14.0
Rochester ⁽¹⁾	0.0	0.0
Wedderburn	28.2	23.9
TOTAL	3,443.9	3,197.5

⁽¹⁾ Note that the recycled water reuse volume for the Echuca WRP for the year 2015/16 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.

This was the third year of our five year capital portfolio target of \$171.4 million, bringing our three year cumulative total to \$117.1 million. The 2015/16 capital portfolio expenditure was budgeted at \$51.8 million. A total of \$51.3 million was delivered throughout the year by our project teams across various programs. The majority of outcomes were delivered in a more efficient way that created significant savings which enabled the delivery of additional capital projects that were not included in the initial capital program.

The delivery of the 2015/16 capital plan was very important in achieving the Board's financial outcome of peaking debt and reducing future capital delivery to \$24.0 million. This outcome was achieved and due to our improved financial result, only \$15.0 million of the budgeted \$24.0 million in borrowings was required. This enabled the business to peak debt \$9.0 million lower than budgeted.

During the year, Coliban Water did not complete any projects with a total estimated investment of greater than \$10 million. A total of \$17.1 million was spent on the Harcourt Rural Modernisation Project, which is due for completion in early 2016/17.

The Water Treatment program had a total 2015/16 capital spend of \$5.3 million and delivered the following key achievements:

- > Bridgewater and Laanecoorie Water Treatment Plant (Bridgewater/Laanecoorie): commenced construction of the Bridgewater and Laanecoorie Water Treatment Plant upgrades (\$2.3 million) to provide greater water security to customers in our Loddon Supply System.
- > Cohuna Water Treatment Plant Clear Water Tank Renewal (Cohuna): completed construction of two 1.35 megalitre Clear Water Storage tanks (\$2 million) in order to replace the existing storage tank which has reached its functional working life and to improve the treatment plant's operational requirements by increasing the storage capacity.

The Water Reticulation program had a total 2015/16 capital spend of \$1.8 million and delivered the following key achievements:

- > Water main renewals (non-metro various*): completed the annual program of water mains renewals (\$0.7 million) to ensure security of water supply to customers and reduce water losses from bursts and leaking mains.

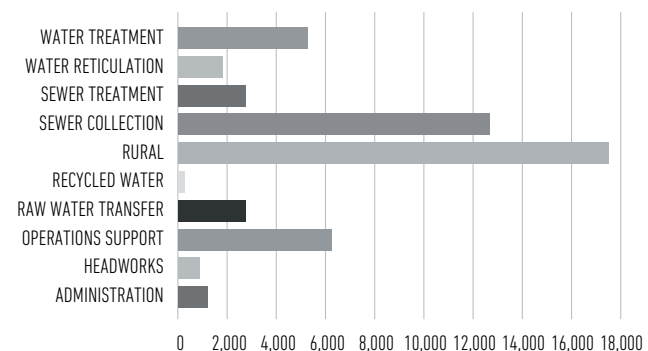
The Sewer Treatment program had a total 2015/16 capital spend of \$2.8 million and delivered the following key achievements:

- > Rebuild the Cohuna Water Reclamation Plant (Cohuna): completed refurbishment works (\$1.3 million) to improve performance and meet Environment Protection Authority requirements.
- > Supply and install mixers at Bendigo Water Reclamation Plant (Bendigo): completed the renewal of mixers (\$0.9 million) to allow the treatment plant to operate to its optimum capacity.

The Sewer Collection program had a total 2015/16 capital spend of \$12.6 million and delivered the following key achievements:

- > Huntly – Epsom Sewer Augmentation (Bendigo): completed construction of 11.5 kilometers of sewer rising main, 145 meters of gravity sewer and two new sewer pump stations (\$6.6 million) to increase the capacity of the existing sewer network and to provide for residential growth in Huntly and Epsom.
- > Sewer Network Wet Weather Capacity (Bendigo): completed construction of four new wet weather storages in Bendigo and Huntly (\$1.3 million) to help prevent sewer spillages during periods of heavy rainfall.
- > Sewer Main Renewals (non-metro various*): completed the annual program of sewer main renewals (\$1.2 million) to improve operational efficiencies and reduce blockages and overflows to the environment.

2015/2016 CAPITAL EXPENDITURE (\$'000s)



- > Echuca Sewer Augmentation (Echuca): commenced construction of a major upgrade (\$1.2 million) of sewer infrastructure to accommodate customer growth in Echuca.

The Rural program had a total 2015/16 capital spend of \$17.5 million and delivered the following key achievements:

- > Rural system reconfiguration (Harcourt): continued the construction of 65 kilometres of rural pipeline (\$17.1 million) throughout the Harcourt area to replace the aged gravity channel system and complete the construction of balancing storage tanks.

The Recycled Water program had a total 2015/16 capital spend of \$0.3 million and delivered the following key achievements:

- > Bendigo Recycled Water Scheme Upgrade (Bendigo): continued investigation and completed operational and functional modifications to the existing media filters (\$0.2 million) to ensure the treatment plant can produce Class A quality recycled water.

The Raw Water Transfer program had a total 2015/16 capital spend of \$2.8 million and delivered the following key achievements:

- > Coliban Main Channel renewals (non-metro various*): continued construction works (\$1.9 million) including flume replacement, erosion control and leakage control.

The Operations Support program had a total 2015/16 capital spend of \$6.2 million and delivered the following key achievements:

- > Planned corrective and reactive maintenance (non-metro various*): completed annual program of renewals and refurbishment of water, recycled water and sewer assets (\$1.7 million) to ensure levels of service are maintained.
- > Water Treatment Plant & Water Reclamation Plant Master Plans (non-metro various*): undertook studies to identify future works required at Water Treatment Plants Water Reclamation Plants (\$1.3 million) over the next 25 years.

The Headworks program had a total 2015/16 capital spend of \$0.8 million and delivered the following key achievements:

- > Land Management (non-metro various*): completed annual program of works (\$0.4 million) to survey title boundaries, install perimeter fencing and improve the land around our reservoirs.

The Administration program had a total 2015/16 capital spend of \$1.2 million and delivered the following key achievements:

- > Information technology improvements (non-metro various*): completed implementation of the second year of a three year strategy (\$0.4 million) 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 within the Coliban Water region.

WATER QUALITY AND RELIABILITY

WE PROVIDE WATER TO 73,213 PROPERTIES IN OUR REGION AND WITH OUR PARTNERS WE OPERATE 19 WATER TREATMENT PLANTS

CUSTOMER SERVICE OBJECTIVES – WATER RETICULATION

There are 14 service standards related to water 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.

We achieved compliance with all 14 service standards. This achievement in customer service can be attributed to 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.

WATER MAIN RENEWAL

We replaced approximately two and a half kilometres of water mains across seventeen sites in our region as part of our ongoing water mains renewal program, at a cost of \$680K.

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.

WATER MAINS CLEANING PROGRAM

During the year, we spent an approximate \$200K on our water mains cleaning program throughout Bealiba, Boort, Cohuna, Dunolly, Elmore, Junortoun, Laanecoorie, Lockington, Pyramid Hill, Rochester and Tarnagulla. This program removes sediment from the water mains and improves chlorine residuals across our networks using innovative techniques such as Ice Pigging and Air Scouring. Ice Pigging was used for the first time in our region during 2015/16 and involves pushing an ice slurry through the system to remove naturally occurring sediment and other particles. This method of mains cleaning is safe, uses minimal water compared to other methods and is environmentally friendly. It also reduces risks to our network and there is no need for excavation. Air scouring was used for smaller mains and pumps air slugs through the main, pushing through sediments as they go. This method also uses less water and is environmentally safe. This cleaning program helps protect the integrity of the water system and enhances the drinking water quality we supply to customers.

BENDIGO WATER NETWORK CONTINGENCY PLANS

We develop and maintain water network contingency plans to ensure reliability of supply and pressure for our customers. These plans are updated and reviewed annually. We were not required to implement contingency plans during the past year. The successful implementation of network contingency plans ensures both customer supply and pressures are maintained during an emergency or planned change to the system.

INSTALLATION OF PRESSURE MONITORING STATIONS

It is important to understand how our network is operating especially during high demand periods. Approx \$105K was invested in pressure monitoring stations in our Bendigo and Echuca networks this year. Pressure monitors allow us to make informed decisions and prioritise capital programs based on the data we receive and facilitates our compliance with service standards across all supply networks.

SAFE DRINKING WATER ACT 2003

Water quality performance results for 2015/16 continued to show that we are achieving a very high level of performance, with 100 per cent compliance being achieved with the state's *Escherichia coli* (E. coli) water quality standard. Additionally, no 'Boil Water Notices' were issued during the reporting period.

Victoria's *Safe Drinking Water Regulations 2005* (SDWR 2005) finished on 17 July 2015, and were replaced by the *Safe Drinking Water Regulations 2015* (SDWR 2015), which commenced on 18 July 2015. Therefore, the water quality table presented in the following section provides performance results for the periods covered by both the SDWR 2005 and the SDWR 2015.

In March 2016, the Department of Environment, Land, Water and Planning (DELWP) issued a Blue Green Algae (BGA) warning for large sections of both the Murray and the Loddon Rivers, in response to high BGA counts in both these rivers, and some of their tributaries. This BGA bloom had the potential to adversely impact six of our Water Treatment Plants (WTPs): Echuca, Gunbower, Leitchville and Cohuna WTPs (supplied from the Murray River system), and Laanecoorie and Bridgewater WTPs (supplied from the Loddon system).

To ensure that customers were not adversely impacted, process changes were implemented at two WTPs to better manage the quality of the raw water. At the Gunbower WTP a temporary Powdered Activated Carbon (PAC) dosing system was installed, while at the Laanecoorie WTP the disinfection process was changed from chloramination to free chlorination. It was late June 2016 before the BGA warning was removed, but throughout the time the warning was in place, we maintained the supply of safe drinking water to our customers. During 2015/16, four instances were recorded of non-compliance against the state's water quality standard for total trihalomethanes (THM). The elevated results were recorded in four of the water sampling localities that are part of the Laanecoorie and Bridgewater water supply systems.

A single elevated result was recorded in the Inglewood water sampling locality (which is supplied from the Bridgewater WTP), and following an investigation it was concluded that an increase in naturally-occurring organic matter in the raw water was the potential cause of the elevated result.

The three elevated results that were recorded in water sampling localities that form part of the Laanecoorie water supply system were the result of the disinfection process at the Laanecoorie WTP being changed from chloramination to free chlorination, and the free chlorine interacting with naturally-occurring organic matter in the raw water. The change to free chlorination was made to manage risks associated with the potential presence of BGA toxins in the raw water. Free chlorination is more effective against toxins than chloramination. Monitoring of the raw water did not detect any toxins, despite the presence of toxin-producing BGA.

At the end of 2014/15 reporting period we submitted the final report for our last remaining undertaking under Victoria's *Safe Drinking Water Act 2003* (improved management of the drinking water systems in order to minimise E. coli detections) to the Department of Health and Human Services (DHHS). In August 2015 confirmation was received from the Department that the requirements of the undertaking had been met and the undertaking was closed.

At the request of the DHHS, during 2015/16 we were required to complete a regulatory audit of our *Drinking Water Quality Risk Management Plan*, under section 11 of the *Safe Drinking Water Act 2003*. This independent audit was undertaken in May 2016, with a result of compliant, with a number of opportunities for improvement being identified by the auditor. The identified opportunities for improvement will be reviewed and actioned appropriately.

WATER QUALITY

The following table shows the compliance of our drinking water sampling localities with the water quality standards specified in Schedule 2 of *Safe Drinking Water Regulations 2005* and *Safe Drinking Water Regulations 2015*¹. The table below lists the quality standards applicable for the 2015/16 year.

The townships of Borung, Dingee, Jarklin, Macorna, Mitiamo, Mysia and Wychitella were supplied with regulated water (non-drinking water) during 2015/16.

Water sampling locality	SDWA 2005 (1 JULY 2015 – 17 JULY 2015)				SDWA 2015 (18 JULY 2015 ONWARDS)		
	E. coli (orgs/100mL) >98% compliance	Aluminium (<=0.2mg/L)	Turbidity (<=5 NTU)	Disinfection by-products	E. coli (orgs/100mL) 100% compliance	Total Trihalomethanes (> 0.25mg/L)	Turbidity (<=5 NTU)
Bealiba	✓	✓	✓	✓	✓	✓	✓
Bendigo (Axedale)	✓	✓	✓	✓	✓	✓	✓
Bendigo (Northern)	✓	✓	✓	✓	✓	✓	✓
Bendigo (Raywood)	✓	✓	✓	✓	✓	✓	✓
Bendigo (Sebastian)	✓	✓	✓	✓	✓	✓	✓
Bendigo (Southern)	✓	✓	✓	✓	✓	✓	✓
Bendigo (Spring Gully)	✓	✓	✓	✓	✓	✓	✓
Big Hill	✓	✓	✓	✓	✓	✓	✓
Boort	✓	✓	✓	✓	✓	✓	✓
Bridgewater	✓	✓	✓	✓	✓	✓	✓
Castlemaine	✓	✓	✓	✓	✓	✓	✓
Cohuna (Rural)	✓	✓	✓	✓	✓	✓	✓
Cohuna (Urban)	✓	✓	✓	✓	✓	✓	✓
Dunolly	✓	✓	✓	✓	✓	X ²	✓
Echuca	✓	✓	✓	✓	✓	✓	✓
Elmore	✓	N/A ³	✓	N/A ³	✓	✓	✓
Epsom-Huntly	✓	✓	✓	✓	✓	✓	✓
Fryerstown	✓	✓	✓	✓	✓	✓	✓
Goornong	✓	✓	✓	✓	✓	✓	✓
Guildford	✓	✓	✓	✓	✓	✓	✓
Gunbower	✓	✓	✓	✓	✓	✓	✓
Harcourt	✓	✓	✓	✓	✓	✓	✓
Heathcote	✓	✓	✓	✓	✓	✓	✓
Inglewood	✓	✓	✓	✓	✓	X ⁵	✓
Junortoun	✓	✓	✓	✓	✓	✓	✓
Korong Vale	✓	✓	✓	✓	✓	✓	✓
Kyneton	✓	✓	✓	✓	✓	✓	✓
Laanecoorie	✓	✓	✓	✓	✓	X ²	✓
Leitchville (Rural)	✓	✓	✓	✓	✓	✓	✓
Leitchville (Urban)	✓	✓	✓	✓	✓	✓	✓
Lockington	✓	✓	✓	✓	✓	✓	✓
Maiden Gully – Marong	✓	✓	✓	✓	✓	✓	✓
Maldon	✓	✓	✓	✓	✓	✓	✓
Malmsbury	✓	✓	✓	✓	✓	✓	✓
Newstead	✓	✓	✓	✓	X ⁴	✓	✓
Pyramid Hill	✓	✓	✓	✓	✓	✓	✓
Rochester	✓	✓	✓	✓	✓	✓	✓
Serpentine	✓	✓	✓	✓	✓	✓	✓
Strathfieldsaye	✓	✓	✓	✓	✓	✓	✓
Taradale/Elphinstone	✓	✓	✓	✓	✓	✓	✓
Tarnagulla	✓	✓	✓	✓	✓	X ²	✓
Tooborac	✓	✓	✓	✓	✓	✓	✓
Trentham	✓	✓	✓	✓	✓	✓	✓
Tylden	✓	✓	✓	✓	✓	✓	✓
Wedderburn	✓	✓	✓	✓	✓	✓	✓

Notes to water quality table:

- On 18 July 2015, the *Safe Drinking Water Regulations 2015* came into operation, replacing the *Safe Drinking Water Regulations 2005*.
- Due to raw water quality issues (Blue Green Algae and naturally-occurring organic matter) in the Laanecoorie system, the disinfection system was switched from chloramination to free chlorination to maintain adequate treatment for algal toxins. The challenge we faced was balancing the risks associated the possible presence of algal toxins in the raw water, against the risk of possibly exceeding the Trihalomethanes (THM) water quality standard, when the free chlorine reacted with the naturally-occurring organic matter. From a risk perspective, it was considered that managing risks associated with algal toxin risk was the preferable strategy.
- 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 our routine monitoring program.
- During the commissioning stage of a water main extension in Newstead, a positive E. coli reading was recorded on water sampled from the existing section of water main, while the new main was found to be free of E. coli. A thorough investigation was undertaken, including a resample of the existing water main. The resample did not return a positive result and the investigation concluded the initial result was a false result.
- Re-sampling from the same sample point, as well other sample points within the sampling locality, was undertaken and all samples returned compliant levels. The investigation concluded there may have been a rise in naturally-occurring organic matter in the raw water, which resulted in this non-compliant result. This was a one off non-compliant result for this sampling locality for the year.

WATER TREATMENT PROCESS

The following table shows how Coliban Water treats 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/c austic soda / carbon dioxide/sulphuric acid	Chlorine	Ammonia	Fluoride
Bendigo	Axedale Northern Spring Gully Southern Raywood Sebastian Big Hill Epsom – Huntly Junortoun Maiden Gully – Marong 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					✓	✓					✓	✓	P		
Goornong	Goornong	✓	✓	✓	✓	✓	✓	✓					✓	✓		
Gunbower	Gunbower	✓	✓	M		✓	✓	✓		P		✓	✓	✓		
Heathcote	Heathcote Tooborac	✓	✓	✓		✓	✓	✓	✓	P			✓	✓	✓	
Korong Vale	Korong Vale Wedderburn	✓	✓	✓	✓	✓	✓	✓	✓	P			✓	✓	✓	
Kyneton	Kyneton Malmsbury Tylden	✓		M	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓
Laanecoorie	Bealiba Dunolly Laanecoorie Tarnagulla	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓	✓	
Leitchville	Leitchville (Rural) Leitchville (Urban)	✓	✓	M	✓	✓	✓	✓		✓		✓	✓	✓		
Lockington	Lockington	✓	✓	✓		✓	✓	✓	P				✓	✓		
Pyramid Hill	Pyramid Hill	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓		
Rochester	Rochester	✓	✓	M	✓	✓	✓	✓	P	✓	✓ ¹		✓	✓		
Serpentine	Serpentine	✓	✓	✓	✓	✓	✓	✓	✓	P			✓	✓		
Trentham	Trentham			M	✓		✓	P		✓	✓ ¹			✓	✓ ²	

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

Note 1. Recent process reviews at Rochester and Trentham water treatment plants have identified that ozone is no longer required and has been turned off.

Note 2. During 2016, the disinfection process at Trentham water treatment plant was changed from chloramination to chlorination, removing the need to use Ammonia.

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	0	0	0	150	25	175	35	19	54	40	233	760
Total	0	0	0	150	25	175	35	19	54	40	233	760
COLIBAN NORTHERN												
Bendigo *	40,295	3,175	43,470	42,546	3,393	45,939	8,683	3,043	11,726	10,313	204	897
Heathcote	740	103	843	1,063	128	1,191	157	113	270	223	148	883
Axedale	110	11	121	115	17	132	25	4	29	25	217	235
Raywood	0	0	0	81	15	96	19	11	30	21	235	733
Sebastian	0	0	0	71	5	76	18	12	30	21	254	2,400
Tooborac	0	0	0	47	6	53	9	2	11	10	191	333
Total	41,145	3,289	44,434	43,923	3,564	47,487	8,911	3,185	12,096	10,614	203	894
COLIBAN SOUTHERN												
Castlemaine	3,977	357	4,334	4,698	404	5,102	793	725	1,518	1,391	169	1,795
Kyneton	2,310	377	2,687	2,510	424	2,934	426	366	792	698	170	863
Maldon	634	85	719	930	120	1,050	161	63	224	193	173	525
Newstead	294	32	326	331	39	370	56	19	75	60	169	487
Chewton	263	15	278	330	18	348	55	9	64	53	167	500
Malmsbury	263	21	284	286	23	309	46	21	67	58	161	913
Harcourt	192	17	209	249	25	274	54	12	66	59	217	480
Taradale	0	0	0	129	12	141	26	9	35	25	202	750
Guildford	0	0	0	125	9	134	22	3	25	21	176	333
Tylden	139	9	148	116	11	127	19	11	30	25	164	1,000
Fryerstown	0	0	0	92	4	96	13	0	13	13	141	0
Elphinstone	0	0	0	80	6	86	15	3	18	17	188	500
Total	8,072	913	8,985	9,876	1,095	10,971	1,686	1,241	2,927	2,614	171	1,133
GOULBURN												
Rochester	1,206	143	1,349	1,338	176	1,514	416	655	1,071	1,050	311	3,722
Boort	381	70	451	393	92	485	107	39	146	127	272	424
Pyramid Hill	246	37	283	254	50	304	56	32	88	79	220	640
Lockington	187	24	211	191	32	223	44	14	58	47	230	438
Serpentine	0	0	0	64	21	85	16	4	20	17	250	190
Mitiamo **	0	0	0	43	8	51	10	4	14	11	233	500
Dingee **	0	0	0	29	11	40	6	4	10	8	207	364
Macorna **	0	0	0	8	2	10	1	0	1	1	125	0
Mysia **	0	0	0	8	1	9	0	0	0	1	0	0
Jarklin **	0	0	0	6	1	7	1	0	1	2	167	0
Total	2,020	274	2,294	2,334	394	2,728	657	752	1,409	1,342	281	1,909
GROUNDWATER												
Trentham	488	62	550	538	65	603	75	20	95	80	139	308
Elmore	335	46	381	373	65	438	74	57	131	112	198	877
Total	823	108	931	911	130	1,041	149	77	226	192	164	592
LODDON												
Dunolly	332	52	384	395	59	454	53	20	73	64	134	339
Inglewood	322	35	357	399	42	441	63	28	91	82	158	667
Bridgewater	171	26	197	192	32	224	27	31	58	46	141	969
Tarnagulla	0	0	0	106	14	120	11	7	18	14	104	500
Bealiba	0	0	0	76	12	88	11	8	19	14	145	667
Laanecoorie	0	0	0	36	4	40	4	1	5	5	111	250
Total	825	113	938	1,204	163	1,367	169	95	264	225	140	583
MURRAY												
Echuca	5,820	798	6,618	6,027	848	6,875	1,844	1,368	3,212	2,867	306	1,613
Cohuna	972	135	1,107	1,097	361	1,458	350	296	646	576	319	820
Leitchville	141	30	171	156	119	275	49	121	170	165	314	1,017
Gunbower	146	20	166	147	29	176	38	14	52	47	259	483
Total	7,079	983	8,062	7,427	1,357	8,784	2,281	1,799	4,080	3,655	307	1,326
WIMMERA												
Wedderburn	391	55	446	443	60	503	69	42	111	91	156	700
Korong Vale	0	0	0	113	8	121	17	5	22	18	150	625
Borong **	0	0	0	20	2	22	4	0	4	3	200	0
Wychitella **	0	0	0	11	3	14	1	1	2	2	91	333
Total	391	55	446	587	73	660	91	48	139	113	155	658
Grand Total	60,355	5,735	66,090	66,412	6,801	73,213	13,979	7,216	21,195	18,794	210	1,061

Notes to water, wastewater and customer number by system table:

*Includes the towns/areas of Eaglehawk, Huntly, Kangaroo Flat, Maiden Gully, Marong and Strathfieldsaye; **Indicates non treated supply.

PER CAPITA DAILY RESIDENTIAL DRINKING WATER CONSUMPTION

We provided drinking water to a population of around 160,000. The total consumption of water was 13,979 megalitres across this population of our region which averages out to 238.9 litres per person, per day.

* The population estimate is based on total residential connections multiplied by the household density in each town (based on data from the 2011 Census).

RECYCLED WATER AND CUSTOMER USAGE

Water Supply System	Recycled Water					
	Connections			Usage (Megalitres)		
	Residential	Non Residential	TOTAL	Residential	Non Residential	TOTAL
Bendigo	530	26	556	27	346	373

Coliban Water supplies recycled water to third pipe customers in the Bendigo region. In 2015/16 we supplied 27 megalitres to residential customers and 346 megalitres to non-residential customers.

NON-REVENUE WATER

Water supply system	Treated water (Megalitres)		Non-revenue water (Megalitres)
	Supplied	Usage	
Campaspe	57	54	3
Coliban Northern	13,514	12,096	1,418
Coliban Southern	3,272	2,927	345
Goulburn	1,499	1,409	90
Groundwater	263	226	37
Loddon	333	264	69
Murray	4,667	4,080	587
Wimmera	232	139	93
TOTAL	23,837	21,195	2,642

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 2015/16 was calculated to be 2,642 megalitres (11.1 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	Number of customers
Usage range – Megalitres per year (ML)	
Equal to or greater than 200 ML and less than 300 ML	2
Equal to or greater than 300 ML and less than 400 ML	0
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.

There were no other formal water efficiency programs to report for the year.

WASTEWATER SYSTEM

WE PROVIDE WASTEWATER SERVICES TO 66,090 PROPERTIES IN OUR REGION
AND WITH OUR PARTNERS WE OPERATE 16 WATER RECLAMATION PLANTS.

WATER RECLAMATION – SEWERAGE INFLUENT AND TREATED EFFLUENT VOLUMES

Coliban Water's Water Reclamation Plants (WRPs) treat sewage to a specified quality and then discharge the treated water for either reuse, as recycled water, or to waterways.

The following volumes were treated and discharged during 2015/16.

Town	Sewage influent (Megalitres)	Total effluent discharged (Megalitres)	Effluent discharged to waterways (Megalitres)	Effluent discharged for reuse (Megalitres)
Axedale	14.74	14.56	0.00	14.56
Bendigo	7,226.95	5,532.72	3,924.60	1,608.12
Boort	93.40	19.77	0.00	19.77
Bridgewater	67.15	0.00	0.00	0.00
Castlemaine	1,138.88	1,135.95	1,018.85	117.10
Cohuna	269.28	0.00	0.00	0.00
Dunolly	30.50	0.00	0.00	0.00
Echuca	1,754.37	1,147.75	0.00	1,147.75
Elmore	20.09	0.00	0.00	0.00
Gunbower	63.28	0.00	0.00	0.00
Heathcote	144.64	130.95	0.00	130.95
Kyneton	762.41	635.33	258.08	377.25
Lockington	28.03	0.00	0.00	0.00
Pyramid Hill	42.72	0.00	0.00	0.00
Rochester	219.27	0.00	0.00	0.00
Wedderburn	33.70	28.20	0.00	28.20
TOTAL	11,909.4	8,645.2	5,201.5	3,443.7

This year some of the major WRP improvement works included:

- › Master Planning for the next 25 years of operation at 13 of our WRPs
- › A \$1.3 million project to upgrade the Cohuna WRP. This project involved earthworks to rebuild the embankments and re-compact the base of two of the four lagoons. The lagoons are used for the biological treatment of wastewater. The works will extend the life of the plant, and ensure we continue to meet Environment Protection Authority (EPA) guidelines
- › Renewal works on the sludge treatment train at the Bendigo WRP. This will continue to ensure plant efficiency. Additionally, 20 submersible mixers at the Bendigo WRP were replaced by a team of diving specialists. The mixers enable the biological treatment of the wastewater to take place and control the flow of the wastewater to the next stage of the process
- › Lagoon desludging works were completed at the Heathcote WRP. Ongoing desludging of our lagoon-based WRPs is required to improve their operational efficiency
- › Biosolids from the above desludging works, as well as the stockpile of biosolids at the Bendigo WRP have been reused via application to farming land under EPA approvals

Under our EPA licence we are permitted to discharge treated wastewater to the Campaspe River from the Kyneton Water Reclamation Plant during periods of natural river flows as part of normal plant operations. During 2015/16 this was limited due to drier weather and to avoid an uncontrolled overflow, we undertook a controlled release that did not meet our licence allowance. The EPA was notified and we continue to monitor water quality and conduct visual inspections while the quality of discharges remains non-compliant. We are currently working on long term planning to identify future capital works at the Plant to help achieve compliance and ensure our service obligations can be met in the future.

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 kilometres), 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 adjacent table.

Compared with the previous year we have seen an improvement in reactive response performance and a decline in sewer main performance. The decline in sewer main performance is believed to be the result of irregular weather patterns resulting in below average rainfall throughout the year. Operator knowledge indicates that increased rainfall provides flushing of the system.

	Service standard	Actual
Sewerage blockages (per 100 kilometres)	50	53.98
Average time to attend sewer spills and blockages (minutes)	30	26.32
Average time to rectify a sewer blockage (minutes)	80	74.01
Spills contained within five hours (per cent)	99%	100%
Customers receiving more than three sewer blockages in the year (number)	2	5

We have continued to invest resources into preventative maintenance programs and initiatives, including:

- › Continuing our blockage prevention program which proactively targets potential blockages in our sewer networks – completing around 700 preventative sewer cleaning tasks, the equivalent of approximately 32 kilometers of sewer mains
- › Targeting poor performing areas using CCTV technology
- › Carrying out chemical treatment in 12,000 meters of sewer mains which experienced repeat tree root blockages
- › Continuing the rapid sewer condition assessment program. Previously, inspections have been completed using traditional CCTV cameras. For this program we have used new innovative tools that are quicker and more efficient in detection. These tools include a state of the art GPS logger to find and plot manhole locations then using acoustic sensing technology (which is a tool that sends sound waves up and down the pipe) to locate cracks and blockages
- › Undertaking relining works on poor performing mains

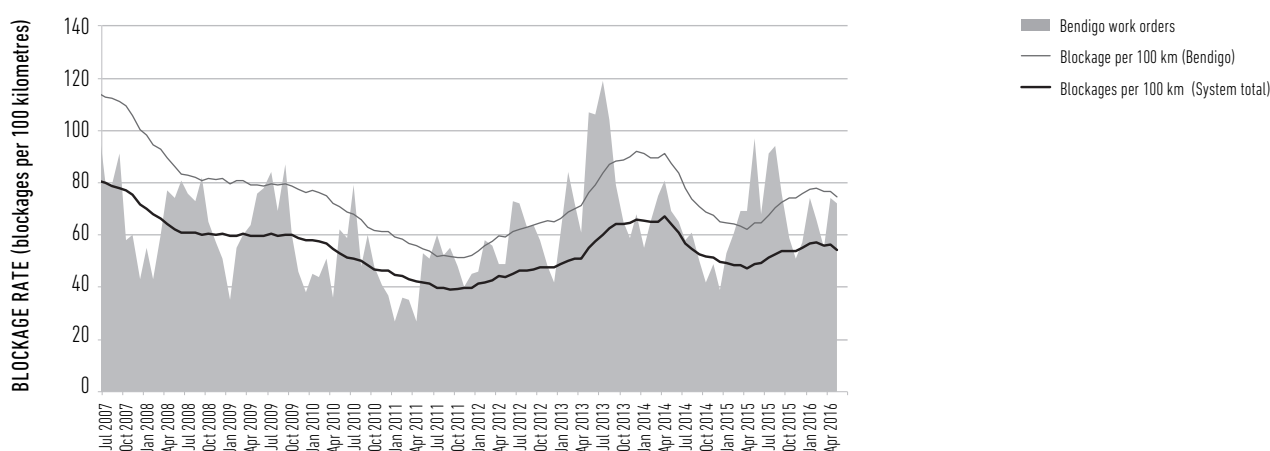
SEWER BLOCKAGES

Blockage rates follow a seasonal trend, lowering over the summer months and peaking in the winter months. The blockage rates that occurred in 2015/16 increased compared to performance recorded in 2014/15 but decreased compared with 2013/14 figures.

The decline in sewer main performance since last year is believed to be the result of below average rainfall throughout the year. Operator knowledge indicates that increased rainfall provides flushing of the system.

We are currently undertaking a review of our preventative maintenance programs and are well placed to continually improve our performance during 2016/17.

BLOCKAGE RATE CHART (BLOCKAGES PER 100 KILOMETRES)



SEWER MAIN RENEWAL

Our program for sewer main condition assessment and renewal has continued this year, prioritised based on criticality (risk), age and structural condition.

A total of 113 sewer main sections have been renewed during the year equivalent to approximately 5.5 kilometers of sewerage main, as well as assessing and inspecting around 226 associated sewer manholes.

Approximately 11 kilometers of sewer rising main and 145 meters of gravity sewer was constructed as part of the Huntly Epsom Sewer Main project. Two new sewer pump stations were also constructed with three existing pump stations becoming redundant as a result of these works. The project was to improve system capacity and to provide for residential growth in Huntly and Epsom.

Approximately 240 meters of 900 millimeter trunk sewer gravity main was relined as part of the annual sewer renewals program on the Epsom Water Reclamation Plant inlet pipeline.

An additional 1.5 kilometers of gravity sewer was constructed in the Reckleben Street area of Castlemaine. This was to service 30 properties that had remained unsewered mostly because of difficult terrain and sensitive vegetation issues and was completed as part of our sewer backlog program.

ODOUR MANAGEMENT

In 2015/16 we received 165 odour complaints. Of the total complaints, roughly 24 per cent were identified as non Coliban Water assets and a further 24 per cent could not be confirmed. The remaining 53 per cent (87 complaints) were confirmed as our assets and were in relation to a mixture of sewer network issues. The number of sewer network issues is fewer than the number of complaints as there are several repeat complaints or issues that have impacted multiple customers and therefore resulted in multiple complaints. Of the confirmed complaints roughly 53 per cent related to sewer pumping station operations, 14 percent to sewer network blockages and the remaining 33 per cent to other sewer network issues such as rising main discharges and air valves.

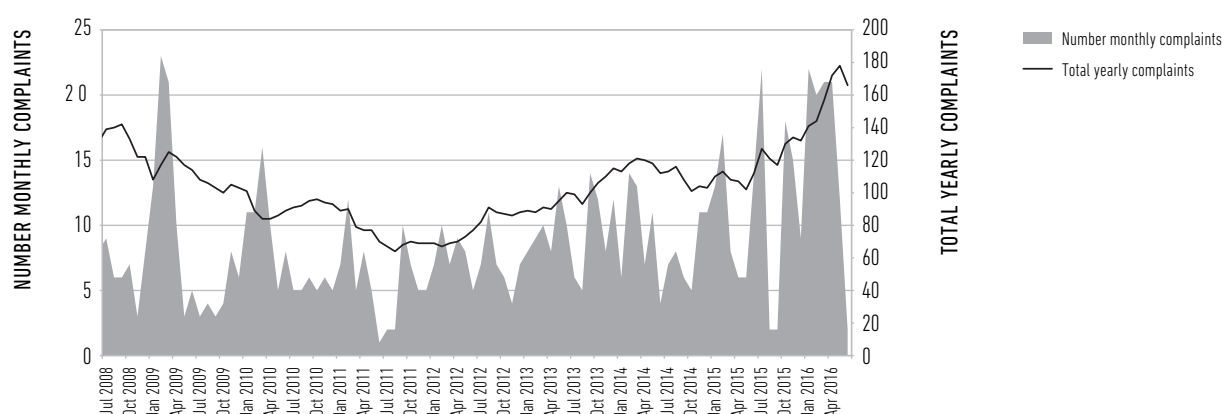
We continued to operate our existing Odour and Corrosion Control Systems and monitor odour at critical sites within our sewer

networks. A new Odour and Corrosion Control System was installed at a sewer pump station in Maldon. Upgrades were carried out at three of the Odour and Corrosion Control Systems in the Bendigo network.

We are continually improving our understanding of the impacts of odour and 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, Echuca, Castlemaine and Pyramid Hill.

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ODOUR COMPLAINTS



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:

- › Progressed the remaining trade waste agreements and their special conditions with regards to trade waste quality to protect the network against corrosion.
- › Continued to improve our trade waste monitoring program and the information we can supply to our major trade waste customers.
- › Developed our understanding of our classification processes to enhance our program into the next pricing submission.

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 2015/16 period. The works completed included flow monitoring, CCTV investigations, manhole rehabilitation and sewer main relining in the Kyneton and Bendigo sewerage systems.

SUPERVISORY CONTROL AND DATA ACQUISITION (SCADA) UPGRADES FOR SEWER NETWORK

SCADA upgrades are planned for all 170 sewer pump stations over the next three years. The upgrades bring higher quality data and greater control and operation of the site using the latest SCADA hardware on the market. 40 sites were upgraded during the 2015/16 period. Works have commenced on the development of a new SCADA Human Machine Interface (HMI) that models the sewer network, giving greater insight into the operation of the network. Additionally a sewer manhole monitoring trial was implemented and tested successfully.

WET WEATHER STORAGES BENDIGO

We have constructed four new wet weather storages in Bendigo and Huntly. These storages are buried underground and help prevent sewer spillages during periods of heavy rainfall. The total project cost was \$1.6 million, of which \$1.3 million was spent in the 2015/16 financial year.

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 and Administration.

EMPLOYEE RELATIONS

We have an Enterprise Agreement detailing the terms and conditions of employment for the majority of employees across the organisation. To assist with the ongoing implementation and oversight of the Enterprise Agreement we have an Employee Consultative Committee that includes representatives from staff and management. This Committee has been instrumental in 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	2015/16	2014/15
Total training hours	7,872	6,935
Total training investment	\$627,987	\$509,553

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.

WORKFORCE INCLUSION

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

We have a rich cultural diversity with 17* per cent of our workforce not born in Australia and 10* per cent who speak languages other than English at home.

The number of females employed by Coliban Water continues to grow, up from 36 per cent in 2014/15 to 38 per cent in 2015/16. We offer employees flexible working arrangements and currently have almost 10 per cent of the workforce employed on a part-time basis.

We are working towards building on our approach to being an inclusive employer in 2016/17 with implementation of a *Workforce Diversity Policy*.

*Data based on demographics collected via 2016 People Matter Survey where staff participation rate was 90 per cent.

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 280 people throughout the region.

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

This year we have continued our in-sourced Education and Professional Development Programs, and have expanded these programs to include, time management, conflict management and technical training.

Our focus this year has been further developing the leadership skills of our managers, and the expansion of professional development opportunities to new and upcoming leaders. This has been achieved through the continuation of our 'Coliban Leader' Program and the inclusion of the management group in our organisational wide Leadership Development Program.

This year has also seen a commitment from the business to support employees who wished to undertake accredited training in the Diploma of Project Management, with 30 employees successfully completing the course. We have also continued to provide assistance to our employees combining their work with gaining qualifications in their relevant field and provided support to a number of staff working towards achieving Certified Practising Accountants (CPA), Chartered Professional Engineer and Leadership Management Australia Performance Edge qualifications.

We actively encourage our employees to participate in a range of professional development opportunities available within the water industry, and have a number of employees holding leadership roles on various Committees of industry associations.

EMPLOYEE STATISTICS

Employees	2015/16	2014/15
Executive Officers	7	7
Senior Managers	21	21
Office-based staff	147	144
Field Staff	21	23
TOTAL	196	195
Full-time	174	175
Part-time	18	19
Casual	4	1
TOTAL	196	195
Full-time equivalent	187.17	190.43
Male	121	124
Female	75	71
TOTAL	196	195

Our corporate structure can be found on page 34.

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. A review of the contract has commenced and will be finalised in 2016/17.

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 are committed to environmental sustainability in the delivery of our water and wastewater services. Our certified Environmental Management System underpins this commitment to 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.

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

Key initiatives for the year includes:

- › installation of a 30 kilowatt solar energy system consisting of 112 panels at the Korong Vale Water Treatment Plant
- › Promotion and support of Integrated Water initiatives in the region, including the commencement of Integrated Water Cycle Management Plans for the townships of Kyneton, Castlemaine, Bendigo and Echuca
- › Implementation of our *Drinking Water Storages and Land Management Plan* for our three Coliban River catchment storages
- › Environmental Risk Assessments of waterways impacted by water discharges from our Heathcote and Kyneton Water Reclamation Plants
- › Rehabilitation works to Cohuna Water Reclamation Plant Treatment lagoons, minimising losses to groundwater and ensuring embankment stability

SUSTAINABLE WATER USE

We are continuing to manage for sustainable water use across our region. During 2015/16 we revised our climate baseline in relation to local rainfall and inflows into our southern catchment storages. The baselines were revised using the draft climate change guidance notes prepared by DELWP to assist with the development of Urban Water Strategies. The baselines indicate a reduction in rainfall and a significant reduction in inflow. These climate induced changes will be reflected in our Urban Water Strategy.

We manage our water resources consistent with the Annual Water Outlook and Annual Operating Plan, as well as relevant operational plans, prepared at the commencement of each financial year and finalised by the end of November each year. The objective is to ensure that water is appropriately stored for future years and to minimise evaporation losses.

Likewise, our 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 wash water recycling at Heathcote Water Treatment Plant.

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 nearing completion, as part of our broader rural services efficiency program. We have continued investigations for our rural systems to develop and determine alternative options including potential piping to reduce leakage and inefficiencies. In some circumstances the most appropriate solution may be to decommission systems.

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

We strongly support DELWP's work to engage on options to minimise impacts and maximise benefits of Bendigo's rising groundwater.

We continued to promote the 'Choose Tap' initiative in our region, which highlights the benefits of drinking tap water as part of a healthy lifestyle and a better option for the environment as a positive alternative to bottled water.

WHOLE OF WATER CYCLE MANAGEMENT

In consultation with local government and other external agencies, we have also initiated investigations in a series of projects to develop Integrated Water Cycle Management Augmentation Plans (IWCMAP) for Bendigo, Castlemaine, Kyneton and Echuca. These plans will examine our traditional water and sewerage networks, but will also incorporate storm water and other sources of water and demand options for the whole water cycle.

Combine this with our forward looking master planning project for water treatment plants and water reclamation plants we will have comprehensive long term plans and a detailed overview of infrastructure augmentation requirements for the next 25 years.

The outcome of these projects will be incorporated into our *Urban Water Strategy*.

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. We have undertaken benchmarking activities over 2015/16 to inform the development of an Energy Management Strategy in 2016/17.

We are actively engaged in industry-wide energy networks at a state and national level. These networks bring opportunities for collaborative energy projects to minimise costs for customers and reduce greenhouse gas emissions. In addition, we have the ability to share information more readily to achieve greater efficiency across the whole industry.

The LED lighting retrofit for main office was completed in July 2015 with all internal office lighting upgraded. As a result, there has been a reduction in office-related Greenhouse Gas Emissions over the 2015/16 period of 40 tonnes CO₂-eq.

BIODIVERSITY

Many of the sites we manage support important and rare native species and ecological communities. Our Threatened Biodiversity Register includes 25 threatened plant and 28 threatened fauna species. Two vegetation communities listed under the *Commonwealth Environment Protection and Biodiversity Conservation (EPBC) Act 1999* were recorded at sites this year. They are the critically endangered White Box – Yellow Box – Blakely's Red Gum Grassy Woodland and Derived Native Grassland and the endangered Grey Box Grassy Woodlands and Derived Native Grasslands of South-Eastern Australia.

A population of nationally endangered Eltham Copper Butterflies is monitored annually at a site on the Coliban Main Channel. The age and extent of the Coliban Rural Channel systems means they are wildlife corridors across the landscape and will be important biolinks in the future.

LAND AND CATCHMENT MANAGEMENT

Our catchments and operational areas are closely managed to ensure we monitor fire hazards, manage our pest plant obligations whilst also protecting our storages' water quality. We also work to enhance river health and support biodiversity of our land and catchments. 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*.

As part of our pest plant management programs, we continued to manage Malmsbury, Lauriston and Upper Coliban storages, as well as Barkers Creek and Trentham reservoirs. This program focusses 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.

Through our slashing programs and inspections of potentially hazardous trees, we reduce fuel loads and minimise risks to adjacent landowners and in public areas. We engaged specialist contractors to assess and prune hazardous trees at Barker Creek Reservoir and in areas of our channel system, to minimise the risk of limb shed and retain habitat for fauna.

We have completed rehabilitation of the Malmsbury and Lauriston Reservoir Recreation areas following the removal of pine stands at these locations, with the installation of shade sails or shelters, picnic tables and barbecues. Harvesting of the remaining pine stands at Upper Coliban, Malmsbury and Lauriston Reservoir has also concluded and we have appointed a contractor for the revegetation works. Preparation for rehabilitation of these sites is well underway with works scheduled to occur throughout 2016/17.

Since releasing our Drinking Water Storages and Land Management Plan in February 2015 a number of Catchment Works Agreements have been entered into with adjoining landowners. Achievements under these agreements include around eight kilometers of fencing and approximately \$67,000 in off storage watering incentives at Malmsbury and Upper Coliban Reservoir. Other agreements are also in the process of being negotiated which would see another five kilometers of fencing installed at Malmsbury Reservoir. Additional notable achievements which have occurred since release of the Plan include:

- › boundary surveys undertaken at Lauriston and Upper Coliban Reservoirs covering around 21 kilometers of storage frontage,
- › land management workshops delivered by Agricultural Services Extension Officers from the Department of Economic Development, Jobs and Resources, and
- › provision of community updates regarding land management and works occurring around the three Coliban River Storages.

CATCHMENT PLANNING AND PROTECTION

We are responsible for providing statutory and strategic land use planning engagement with municipalities where sewer is not connected, and we are a determining referral authority under section 55 of the *Planning and Environment Act 1987*.

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 – '*Special Water Supply Catchment*' of the *Victorian Planning Provisions* and relevant municipal planning schemes.

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

In late 2015, Coliban Water and the North Central Catchment Management Authority (North Central CMA) signed a Memorandum of Understanding that strengthens the collaborative relationship between the two parties, which enables the protection and / or enhancement of the beneficial uses of catchment areas and the environment, with a focus on risks to water security from climate change and land use change.

A key project identified through this process is the development and implementation of an Integrated Catchment Management Plan for the Upper Coliban Catchment. The Upper Coliban Catchment is defined as the area of the Lake Eppalock water supply catchment above the Malmsbury Reservoir. The area includes public, vegetated and cleared private land in rural, semi-rural and residential environments. This project will be delivered as a partnership between Coliban Water and the North Central CMA.

STATE ENVIRONMENTAL PROTECTION POLICY (SEPP) (WATERS) REVIEW

Coliban Water participated on a Victorian Water Industry Association (VicWater) reference group for the review of two key State Government policies: the *State Environment Protection Policy (SEPP) – Waters of Victoria* and the *State Environment Protection Policy (SEPP) – Groundwaters of Victoria*, which is known as the SEPP (Waters) review. The outcome of the review is not expected until late 2017 and is heavily dependent upon processes external to the reference group.

ENVIRONMENTAL COMPLIANCE

Coliban Water operates water reclamation plants (WRPs) that are regulated by an amalgamated Environment Protection Authority (EPA) Licence. Our 2015/16 Annual Performance Statement (APS) will report compliance for eleven of our thirteen WRPs, with non-compliances being recorded at the Cohuna WRP and the Kyneton WRP.

Our Annual Performance Statement for 2015/16 will include the following four non-compliances against our licence:

Requirement	Location	Date	Description
LI_DW2.10	Kyneton WRP	06/07/2015-20/08/2015	Discharge to the Campaspe River at greater than 20 per cent of instream flows
LI_DL1	Cohuna WRP	15/12/2015	Offsite discharge via seepage to a neighboring property
LI_G1	Kyneton WRP	16/02/2015	Offsite discharge of irrigation water to Snipes Creek
LI_DW2	Kyneton WRP	30/06/2015	Water quality annual median concentrations non-compliant for regulated contaminants

Kyneton WRP remains Coliban Water's biggest wastewater treatment challenge with regard to meeting regulatory and service obligations. The challenges to achieving compliance at Kyneton WRP include a reliance on the decreasing frequency of flows in the Campaspe River and the significant expansion of the catchment's largest trade waste customer. It is expected that these issues will be addressed by future capital investments that are currently in the planning phase.

We have been working with the EPA on investigating Licence amendment opportunities, including investments in the health of the Campaspe River waterway to offset current discharge loads. Despite these actions, and other on-site operational improvements, the non-compliances listed in the table above were recorded during 2015/16; they are also summarised below.

In July and August 2015, Coliban Water discharged treated water to the Campaspe River in order to manage on-site storage lagoon levels. During this time, flows in the Campaspe River were not high enough to consistently enable sufficient discharge volumes to prevent lagoon overflows, and meet the requirement that discharges be no greater than 20 per cent of the in-stream flow rate. As a result, there were several instances where the discharge was greater than 20 per cent; however, the total discharge for the period was only marginally greater than 20 per cent of total Campaspe River flows over this period. The decrease in water quality caused by the discharge being greater than 20 per cent of the in-stream flow rate does not significantly increase environmental risks to the health of the waterway, or pose a risk to downstream water uses or users.

On 16 February 2016, Class C recycled water from the Kyneton WRP on-site flood irrigation area discharged into the adjacent dry waterway, Snipes Creek. The spill flowed beyond the boundary of the scheduled premises, and a small volume breached a temporary bund to flow beyond Coliban Water's site boundary. Education trucks were engaged to remove water from Snipes Creek and return the educted water to the on-site winter storage lagoon. There were no significant environmental or community impacts observed as a result of this spill.

Long periods of dry weather experienced during 2015/16 provided limited opportunities to discharge treated wastewater to the Campaspe River under current licence requirements, which resulted in more water needing to be stored on-site. When treated water was able to be discharged, we were forced to discharge treated water of poorer quality, which is normally stored for irrigation re-use, to prevent lagoon overflows.

We will report a non-compliance with annual median concentrations of four (Ammonia, Biological Oxygen Demand (BOD), Total Suspended Solids and Total Phosphorous) of the eight parameters regulated by the EPA Licence, primarily due to the impact on water quality of these discharges.

At the Cohuna WRP, significant refurbishment works were undertaken during 2015/16 to reline and re-engineer treatment lagoon liners and embankments. In order to conduct this work, sewage inflows were directed into a storage lagoon. Extra loading on this lagoon resulted in a loss of wastewater to groundwater, which was observed through impacts to adjoining agricultural land. The EPA Licence requires there to be no discharge from the premises. The EPA issued an Official Warning on 4 March 2016 in response to this non-compliance. We are currently planning further works to improve the Cohuna WRP's ability to meet regulatory and service obligations into the future.

During 2015/16, the EPA was notified of 22 high priority sewer spills from our sewer catchment systems in accordance with EPA's notification protocol. 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.

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:

	2015/16	2014/15	2013/14	2012/13	2011/12
Sewerage Treatment and Supply (tonnes CO ₂ -eq)	24,085.8	23,925.5	27,351	20,148	20,985.3
Water Treatment and Supply (tonnes CO ₂ -eq)	31,170.6	18,500.6	10,407.4	6,778.6	10,480.1
Depots and Offices (tonnes CO ₂ -eq)	589.4	629.2	662.2	797.4	622.7
Transport (tonnes CO ₂ -eq)	604.6	950.5	932	1,045.8	1,036.8
Total	56,450.4	44,005.8	39,352.6	28,769.8	33,124.9

Note: Sewerage Treatment and Supply is 3,110 tonnes of CO₂-eq (Scope 1) and 53,340.4 tonnes of CO₂-eq (Scope 2).

	2015/16	2014/15	2013/14	2012/13	2011/12
Sewerage Treatment and Supply (MJ/ML)	5,373.4	5,416	4,220.2	N/A	N/A
Water Treatment and Supply (MJ/ML)	3,989.5	2,646.8	786.1	N/A	N/A

Our business activities generated approximately 56,450.4 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.

ENERGY GENERATED OR EXPORTED

At the end of June 2016, we installed our first solar panels (Photovoltaic Energy System) at our Korong Vale Water Treatment Plant. The 30 kilowatt system was installed at a cost of \$55,000 and will supply approximately 50 per cent of the energy needs of the plant.

The system has not been operational long enough to record the benefits, however it has been forecast the project will deliver a \$7,000 annual saving in energy costs and reduce the plant's carbon emissions by 50 tonnes each year.

This project is part of our commitment to deliver innovation and achieve renewable energy targets set by the Victorian Government.

CORPORATE WATER CONSUMPTION

At our Bendigo head office, we consumed 3.91 kilolitres per year per Full-Time Equivalent (FTE) staff member working.

Head office water consumption	2015/16	2014/15	2013/14
Total water consumption (kilolitres)	732	808	802
Full-time equivalent (FTE) staff	187.17	190.43	182
Volume per FTE (kilolitres)	3.91	4.24	4.41

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

MANAGEMENT OF SOCIAL AND ECONOMIC IMPACTS

Our Coliban Assist Program (CAP) has been developed to identify and assist customers in genuine financial hardship. We engaged welfare agencies in our districts to assess and provide input into the development of our program. We will continue to maintain and build valuable relationships with welfare agencies to ensure our program remains relevant.

We continue to assist customers through our payment arrangement process. We accepted 12,235 requests this financial year. This figure is lower than last financial year of 14,326 attributed to our focus of entering into long term sustainable arrangements with customers.

We understand that every customer's situation is different. Payment arrangements and/or assistance options offered to each customer is based on their specific circumstances and capacity to pay. Our CAP is committed to assisting and supporting our customers through financial difficulties.

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 \$298.00 per annum, or if a household is billed for only a water or sewerage service, the concession is capped at \$149.00 per annum.

This year the concession increased by \$7.00. We have approximately 21,655 customers in our region who are eligible for this payment.

Utility Relief Grants (URGs) 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 continued our focus on actively providing information to eligible customers with regard to the Utility Relief Grant which has seen the total amount granted increase again over the past 12 months.

The Essential Services Commission's 2014/15 Performance Report of all Water Entities, noted Coliban Water as having the highest uptake of URGs per 1000 customers in Victoria. We are pleased that we have been able to maintain this assistance to customers again in 2015/16.

Concessions and rebates	2015/16	2014/15	2013/14
Not-for-profit rebates	\$372,355	\$364,513	\$367,185
Pension concession	\$5,438,061	\$5,222,019	\$5,009,105
Utility relief grant	\$209,814	\$201,933	\$64,792
Water concession:			
Life support machines/haemodialysis	\$33	\$116	\$360
Hardship relief grant scheme (Coliban Assist Program)	\$79,795	\$49,771	\$8,295

LIVING VICTORIA REBATES

The Living Victoria Water Rebate Program was launched by the Victorian Government in July 2011 and ceased in September 2015. This program rewarded customers for their water-efficient efforts by providing rebates on a range of water-efficient products and appliances. The program was available to Victorian households and small businesses.

Over the past year we have had 103 approved applications totalling \$69,097 in rebates for the financial year. This amount was made up of 83 Home & Garden rebates totalling \$32,200 and 20 Small Business rebates totalling \$36,897.

GOVERNANCE AND RISK

AS A PUBLIC SECTOR ORGANISATION, IT IS IMPORTANT THAT WE PROMOTE AND INSTILL
A CULTURE OF OPENNESS, TRANSPARENCY AND GOOD GOVERNANCE.

BOARD RESPONSIBILITIES

Our Board comprises nine Directors, eight Non-Executive Directors that are appointed by the Victorian Minister for Environment, Climate Change and 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, and convenes informally as required to discuss specific issues and projects.

Russell Walker, Linda Veronese, Rod Thomson and Deborah Hambleton ceased their appointments on the Board in October 2015.

Bob Cameron, Lucy Roffey, Bill O'Neil, Marika McMahon and Rowan O'Hagan commenced their appointment to the Board in October 2015.

Andrew Cairns, April Merrick and David Richardson were reappointed to the Board in October 2015.

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 COMMITTEE

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

- › the annual budget process, including the *Corporate Plan*
- › the forecasting process, including reviewing revenue and expenditure
- › the internal audit function and program
- › financial management and accounting responsibilities
- › annual financial statements

Members of the committee are Rowan O'Hagan (Chair), Lucy Roffey, Bill O'Neil and David Richardson. All committee members are independent.

RISK AND COMMUNITY COMMITTEE

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

- › strategic risk including the impacts of climate change
- › engagement with key stakeholders
- › Community collaboration and shared value creation
- › Coliban Water's contribution to regional triple bottom line development

Members of the Sustainability Committee are Bob Cameron (Chair), Marika McMahon and April Merrick. All committee members are independent.

PEOPLE AND REMUNERATION COMMITTEE

The People and 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
- › succession planning
- › equity and diversity
- › OH&S and wellbeing

Members of the People and Remuneration Committee are Andrew Cairns (Chair), April Merrick and Lucy Roffey. All committee members are independent.

BOARD AND COMMITTEE MEETINGS

The number of meetings of the Board of Directors and Committees of the Board held during the year ended 30 June 2016 and the number of meetings attended by each Director were:

⁽¹⁾ Term ceased October 2015.

⁽²⁾ Term commenced October 2015.

DIRECTOR	BOARD OF DIRECTORS		AUDIT & RISK/ AUDIT (FROM NOV 15)		SUSTAINABILITY/ RISK AND COMMUNITY (FROM NOV 15)		REMUNERATION/ PEOPLE & REMUNERATION (FROM NOV 15)	
	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
Andrew Cairns	10	10	—	—	—	—	3	3
Russell Walker ⁽¹⁾	2	2	2	2	—	—	1	0
Rodney Thomson ⁽¹⁾	2	2	—	—	1	1	1	1
Linda Veronese ⁽¹⁾	2	2	2	2	—	—	1	1
Jeff Rigby	10	9	—	—	—	—	1	1
April Merrick	10	9	—	—	4	4	3	3
Deborah Hambleton ⁽¹⁾	2	2	—	—	1	1	1	1
David Richardson	10	9	5	3	—	—	1	1
Robert (Bob) Cameron ⁽²⁾	8	8	—	—	3	3	—	—
Marika McMahon ⁽²⁾	8	6	—	—	3	3	—	—
William (Bill) O'Neil ⁽²⁾	8	8	3	3	—	—	—	—
Rowan O'Hagan ⁽²⁾	8	8	3	3	—	—	—	—
Lucy Roffey ⁽²⁾	8	6	3	3	—	—	2	2

BOARD DIRECTORS AS AT 30 JUNE 2016

ANDREW CAIRNS

Chairman

BEng (Electrical), AFAIM, GAICD.

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

Mr Cairns is CEO of Community Sector Banking and a former Head, Community Solutions and Partnering for Bendigo and Adelaide Bank Ltd. 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 member of Community Telco Australia and a Director of Loddon Mallee Housing Services, Bendigo Affordable Housing Company.

JEFF RIGBY

Managing Director

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

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

Mr Rigby has 31 years of experience working in the water industry, including 15 years in executive management roles. Prior to joining Coliban Water, he was the Managing Director of Grampians Wimmera Mallee Water (2007 – 2011).

Mr Rigby is a Board Director of the Grampians Central West Waste and Resource Recovery Group and the Chairman of the Group's Audit Committee. In 2015, he was elected to the Board of the national peak body for the urban water sector, Water Services Association of Australia (WSAA), to represent the Association's regional water utility members. He was also appointed in 2015 by the Victorian and Commonwealth Governments to the Regional Development Australia Committee for the Loddon Mallee Region.

Mr Rigby is a chartered professional engineering executive and chartered secretary.

APRIL MERRICK

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

Ms Merrick is the principal consultant and joint director of Creeklane 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).

DAVID RICHARDSON

BA, MBA, GAICD

David Richardson was appointed to the Board in May 2014. Mr Richardson has extensive experience in a wide number of executive management roles and has worked for the Department of Primary Industries (2002 – 2007), the University of Melbourne (2000 – 2002) and was Chief Executive Officer of Strategem (2007 – 2016). Mr Richardson is 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 been Chairman of the Bendigo Professional Services Group for the City of Greater Bendigo (2009 to 2013) and is the 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.

WILLIAM (BILL) O'NEIL

BA (Urban and Regional Studies)

William O'Neil was appointed to the Board on 1 October 2015 and is the Deputy Chairman.

Mr O'Neil is the owner and Director of O'Neil Pollock and Associates Pty Ltd, a sole practitioner town planning and regional economic development consulting firm based in Harcourt. In addition to his consulting business Mr O'Neil is a Senior Sessional Member with Planning Panels Victoria.

Mr O'Neil is a Director of Loddon Mallee Housing Services (trading as Haven; Home, Safe), Bendigo Affordable Housing Company Ltd, Mount View Properties (VIC) Pty Ltd and WOMP Pty Ltd.

He served three terms as a Director on the Board of the Bendigo Health Care Group (2007 – 2015).

MARIKA MCMAHON

BA, LLB, GAICD

Marika McMahon was appointed to the Board on 1 October 2015.

Ms McMahon is a Lawyer and Director of O'Farrell Robertson McMahon. She is a Director of Bendigo Business Council, a founding member of Women.i.s.e Bendigo, life member at Women's Health Loddon Mallee and a member at the Bendigo Law Association.

Ms McMahon has been a lawyer for over 20 years and has over 10 years' experience on statutory boards at Bendigo Health, Rural Ambulance Victoria and Ambulance Victoria.

ROWAN O'HAGAN

B AgSc, M AgSc, MAcct, PhD

Dr Rowan O'Hagan was appointed to the Board on 1 October 2015.

Dr O'Hagan was a Director of North East Water from 2011 to 2015. She is also a Member of Charles Sturt University Council and Director of WAW Credit Union.

Dr O'Hagan is the Principal of Regional Economic and Community Development Solutions and the National Project Manager at Pork Cooperative Research Centre.

ROBERT (BOB) CAMERON

LLB

Bob Cameron was appointed to the Board on 1 October 2015. Mr Cameron is a Lawyer and Consultant at Petersen Westbrook Cameron and was a Minister for Local Government, Workcover and the TAC, Agriculture and Police, Emergency Services and Corrections in the Victorian Government over a number of years.

LUCY ROFFEY

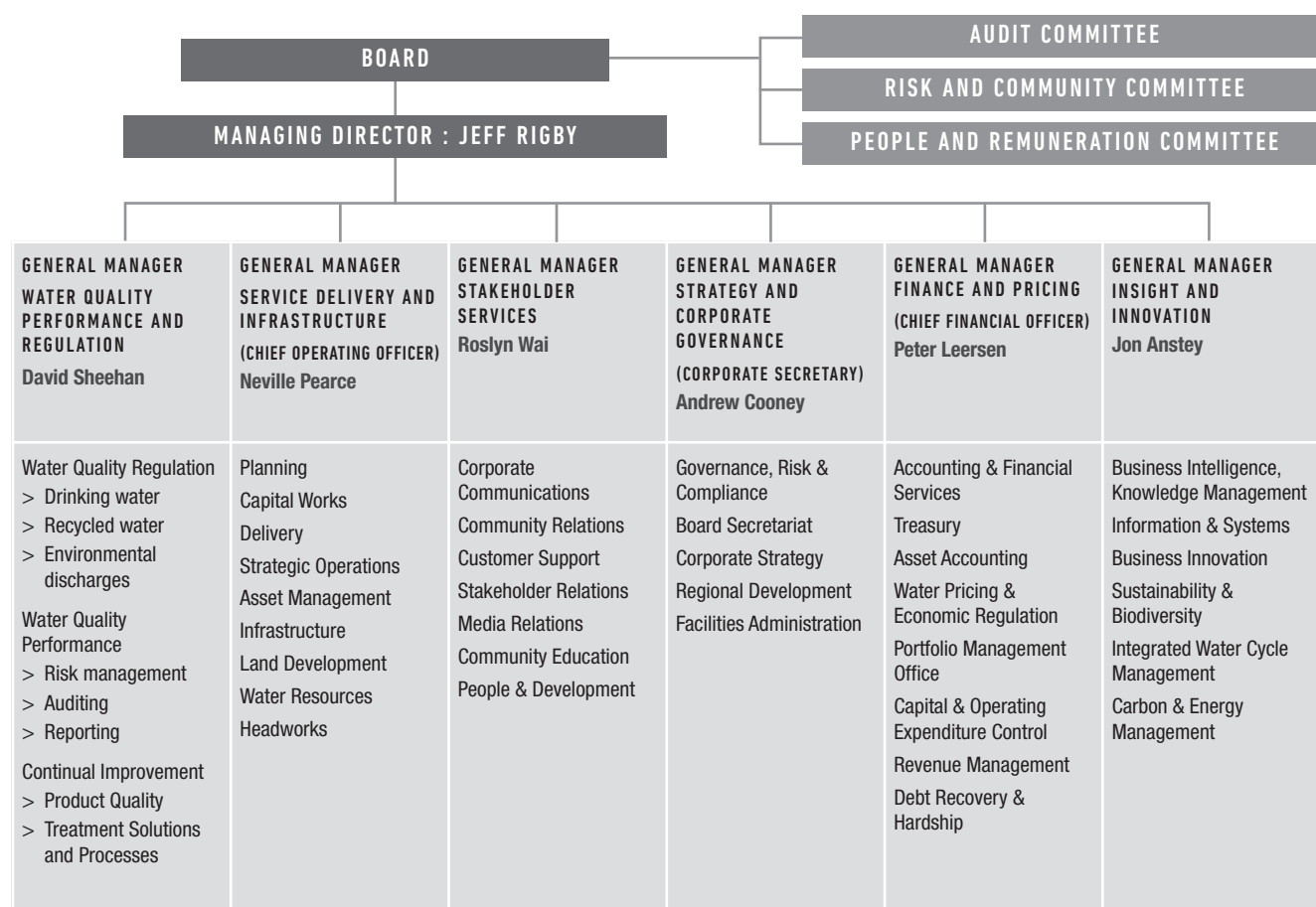
B Com, Grad Dip Mngt, GAICD

Lucy Roffey was appointed to the Board on 1 October 2015.

Ms Roffey is the Director, Corporate Support at Mount Alexander Shire Council. Her expertise includes Finance and Corporate Governance, Strategic Planning, Stakeholder Management and Commercial and Legal. She is a Fellow of the Institute of Chartered Accountants.



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: 12 August 2016

OUR EMERGENCY MANAGEMENT SYSTEM

We provide training to staff in the Australasian Inter-service Incident Management System (AIIMS) to continually develop our capabilities and capacity in emergency management. Our on call Incident managers are also provided nationally recognised standard of Level 2 Incident Controller training.

Commonly used by all Victorian emergency response agencies, the AIIMS structure provides a consistent framework for managing all types of incidents. 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.

We validate our readiness by ensuring we test our policies, procedures and training of staff regularly.

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 chaired the Attorney Generals Department.

During the past year, we have conducted three separate emergency management exercises, these were all desktop reviews of our Pandemic Response Plan, Blue Green Algae Response Plan and the Water Quality Response Plan.

OCCUPATIONAL HEALTH, SAFETY (OH&S) & WELLBEING

As outlined in our *Occupational Health and Safety Policy*, we aim to provide a safe and healthy work environment for staff, contractors, visitors and the general public at risk of injury, illness or property damage. A philosophy of continued improvement assists the organisation to meet its objectives, we do this by; identifying key targets and objectives, providing training, instruction, supervision and consultation with employee health and safety representatives and any person(s) effected by the work we undertake.

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 COMMITTEE

The OH&S Committee consists of nine Designated Work Groups, the business supports the statutory position of the committee to empower the business and raise workplace hazards, driving continuous improvement. Three new Health and Safety Representatives have been appointed to the committee during the year.

EXTERNAL AUDIT – INTEGRATED MANAGEMENT SYSTEMS

In May 2016, BSI Group conducted an onsite assessment of our three certified management systems:

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

All three systems passed the surveillance audit.

INCIDENT AND 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. We continue to work strategically to manage the Water Industry Fatal Risk Standards (WIFRS); areas of focus and activities included:

- › Safe work environment – OH&S site audits of contractors in conjunction with Project Managers
- › Working around water – Implementation of an automated trash screen to mitigate manual handling and drowning hazards
- › Fall from height – Pine plantation removal to mitigate risk of injury for operators and general public
- › Lone worker and workplace violence – implementation and review of technology available in information technology (IT)
- › Hazardous building materials, – working with members of the general public to manage asbestos
- › Construction safety – Review of all safety management plans for projects \$250,000
- › In conjunction with our strategic partners, collaboratively managing asset and hazard rectification programs to maintain a safe work environment for all operators, maintainers, visitors and general public
- › Operations and Maintenance services contract review
- › Contract auditing/hazard identification
- › Pandemic emergency response exercise

HEALTH AND WELLBEING

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 mental and physical health and wellbeing programs

OH&S PERFORMANCE MEASUREMENT AND REPORTING

	2015/16	2014/15	2013/14	2012/13	2011/12
Incidents reported to Coliban Water ⁽¹⁾	65	57	60	29	29
Worksafe reportable incidents ⁽¹⁾	1	0	2	0	0
Workers compensation claims ⁽²⁾	3	2	1	2	1
Injuries resulting in days lost ⁽²⁾	2	2	2	1	1
Lost time due to injuries (days) ⁽²⁾	119	9	81	30	137
Lost time injury frequency rate ⁽³⁾	4.84	4	3.7	4.9	4.8
Average lost time rate ⁽⁴⁾	59.5	4.5	40.5	9.39	103

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

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 \$27.90 as of 1 July 2016.

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

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

During 2015/16 we have received, processed and granted applications in relation to two separate matters. These applications were processed in accordance with the *Freedom of Information Act 1982* and *Freedom of Information (Access Charges) Regulations 2014*.

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:

- › 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.

During 2015/16 we participated in the WSAA Efficiency Benchmarking project. This project benchmarked the business across its full function and responsibility with 20 other water corporations nationally. The results of the benchmarking project has identified areas where we are doing well and also opportunities to learn from other water corporations.

We also completed Customer Service Benchmarking activities as part of the WSAA program. Coliban Water was one of 21 water authorities to participate in the National Customer Perceptions Survey Project. The aim of this project was to better understand how we are perceived, what drives customer value and trust. We also participated in benchmarking with Customer Service Benchmarking Australia (CSBA) which benchmarks our Customer Contact Centre against other water corporations, utilities and various organisations such as banks, insurance companies, internet service providers, and universities.

Asset Management benchmarking also commenced with the WSAA – Asset Management Customer Value project. This benchmarking involves process benchmarking rather than metrics benchmarking. It is anticipated that this work will be completed at the end of the 2016 calendar 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 \$100,000 or greater during the year.

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 2015/16 we engaged 56 separate consultants with a value over \$10,000. The total cost, excluding GST, incurred during this period for major capital consultancies was \$4,934,228 (2014/15: \$2,529,702) and major operational consultancies was \$1,150,109 (2014/15: \$1,235,031).

OPERATIONAL		Total Approved (Exc GST) (\$'000)	Expenditure (Exc GST) (\$'000)	Future Expenditure (Exc GST) (\$'000)
Consultant	Purpose of consultancy			
AFS & Associates Pty Ltd	Financial assessments and advice	37.51	26.30	11.21
AJ Forbes & Associates	Agricultural advice	19.91	19.91	–
Arboricultural Consultants Australia Pty Ltd	Professional tree management advice	15.08	15.08	–
Beca Pty Ltd	Contract and asset management advice	100.61	30.22	70.39
CMP Consulting Group Pty Ltd	Sewer related advice and services	92.09	92.09	–
Customer Service Benchmarking Aust Pty Ltd	Customer service assessments	17.95	17.95	–
Department of Environment Land Water & Planning	Asset revaluation services	91.34	91.34	–
ESRI Australia Pty Ltd	GIS functionality upgrades	63.71	63.71	–
ESS Earth Sciences Pty Ltd	Seismic monitoring services	26.42	21.12	5.30
GHD Pty Ltd	Project management and engineering services	304.19	280.32	23.87
Grant Thornton Australia Pty Ltd	Income tax review	23.65	18.65	5.00
Hatlar Group Pty Ltd	Trade waste classification advice	23.70	23.70	–
Hydronumerics Pty Ltd	Data collection and management advice	10.40	10.40	–
Inside Infrastructure Pty Ltd	Contract management advice	38.97	38.97	–
Jo Fisher Executive Pty Ltd	Strategic human resources advice	13.30	13.30	–
Obviate Pty Ltd	SCADA engineering support	22.20	22.20	–
P3 Outcomes Pty Ltd	Contract management framework advice	26.83	26.83	–
PBJ & Associates	Technical advice	235.19	219.33	15.86
SMEC Australia Pty Ltd	Dam safety structural support	82.85	74.31	8.54
The Corporate Executive Board Company	Best practice insight and technology advice	50.13	44.38	5.75
		1,296.03	1,150.11	145.92

STATUTORY PERFORMANCE

CAPITAL		Total Approved (Exc GST) (\$'000)	Expenditure (Exc GST) (\$'000)	Future Expenditure (Exc GST) (\$'000)
Consultant	Purpose of consultancy			
AAM Pty Ltd	Geospatial data support	36.73	36.73	—
Aerometrex Pty Ltd	Catchment mapping support	19.53	19.53	—
AFS & Associates Pty Ltd	Financial assessments and advice	57.80	57.80	—
Backa Consulting	Project gateway peer review	10.70	10.70	—
Beca Pty Ltd	Project management and engineering services	508.53	367.52	141.01
Biosis Research Pty Ltd	Environmental assessments and advice	11.51	11.51	—
CEE Pty Ltd	Sewer odour investigations	43.60	43.60	—
Clarkeology Pty Ltd	Cultural heritage assessments and advice	26.23	22.69	3.54
CMP Consulting Group Pty Ltd	Project support services	14.64	14.64	—
Curtain Control Systems Pty Ltd	SCADA telemetry upgrades	48.75	41.24	7.51
Department of Environment Land Water & Planning	Aerial photography, valuations and advice	29.15	29.15	—
Dja Dja Wurrung Clans Aboriginal Corp	Cultural heritage assessments and advice	36.40	36.40	—
Elafent Pty Ltd	IT upgrade advice	20.00	20.00	—
EPS Consultants	Project gateway peer review	10.60	10.60	—
Forest Strategy Pty Ltd	Environmental management support	39.70	39.70	—
Frontier Economics Pty Ltd	Development of investment model program	10.80	10.80	—
GHD Pty Ltd	Engineering, architecture, environmental and construction services	3,487.61	2,838.34	649.27
Hadden Farren Land Surveyors Pty Ltd	Land surveying services	34.33	34.33	—
Hydrological Pty Ltd	Engineering trials support	17.09	17.09	—
Infor Global Solutions (ANZ) Pty Ltd	Technical support for asset management system upgrades	62.62	62.62	—
Obviate Pty Ltd	SCADA engineering support	30.30	30.30	—
P3 Outcomes Pty Ltd	Project reviews and advice	27.81	20.78	7.03
Peter McManamon	Project management support	110.36	103.05	7.31
Practical Ecology Pty Ltd	Advanced data logging and communication services	12.31	12.31	—
Prima Consulting Pty Ltd	IT upgrade advice	18.90	18.90	—
PT Tomkinson & Associates Pty Ltd	Surveying and design services	20.40	20.01	0.39
RMCG Consulting Group	Project assessments, investigations and advice	179.75	121.71	58.04
SAFEgroup Automation Pty Ltd	SCADA engineering support	10.72	10.72	—
Sandhurst Geotech Pty Ltd	Geotechnical sampling and investigations	39.22	38.45	0.77
SJ Street & Associates Pty Ltd	Design, review and inspection services	77.91	76.64	1.27
SMEC Australia Pty Ltd	Environmental supervision services	543.19	385.04	158.15
Spiire Australia Pty Ltd	Project management services	42.99	41.89	1.10
Sulfide Control Pty Ltd	Hydrogen and sulfide odour control solutions	30.12	30.12	—
Taylor Development Strategists Pty Ltd	Survey and drafting services	213.49	213.49	—
Tech Duinn Pty Ltd	Cultural heritage advice and site assessments	50.90	32.33	18.57
WTP Australia Pty Ltd	Project management support	53.50	53.50	—
		5,988.19	4,934.23	1,053.96

MINOR CONSULTANCIES

During the year there were 43 minor consultancies at a cost of less than \$10,000 each. The total cost, excluding GST, of these minor consultancies was \$275,964 (2014/15: \$350,274).

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

For the 2015/16 reporting period, Coliban Water had a total ICT expenditure of \$5.57 million, with the details shown below.

Business As Usual (BAU) ICT expenditure (\$'000) (Total)	Non Business As Usual (non BAU) ICT expenditure (\$'000) (Total = Operational expenditure and Capital Expenditure)	Operational expenditure (\$'000)	Capital expenditure (\$'000)
3,681.37	1,891.64	–	1,891.64

ICT expenditure refers to costs in providing business enabling ICT services. It comprises Business As Usual (BAU) ICT expenditure and Non Business As Usual (Non BAU) ICT expenditure. Non BAU ICT expenditure relates to extending or enhancing our current ICT capabilities.

The \$1.9 million includes expenditure from multiple projects delivered under the Operations Support and Administration capital programs.

BAU ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

DISCLOSURE OF MAJOR CONTRACTS

Coliban Water did not award any major contracts (valued \$10 million or more) during 2015/16.

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 2015/16, a total of 12 small to medium sized businesses prepared a VIPP Plan for Coliban Water.

One contract totaling \$6.1 million, occurred in regional Victoria and represented 84 per cent of estimated local content. The total VIPP Plan commitments included the retention of 17 jobs, with benefits to the Victorian economy in terms of skills and/or technology transfer outcomes including the development of apprentices.

During 2015/16 Coliban Water completed three contracts totaling \$14.1 million to which a VIPP Plan was required and had occurred in regional Victoria. The total VIPP Plan commitments achieved as a result of contracts completed include:

- › a recorded average of 87 per cent of local content outcome;
- › 5 new jobs created and 38 retained jobs;
- › 1 new apprenticeship/traineeship and 4 retained apprenticeships/traineeships; and
- › benefits to the Victorian economy in terms of skills and/or technology transfer outcomes including environmental awareness, on the job training and enhanced skills for apprentices.

PERFORMANCE REPORT

FOR THE REPORTING PERIOD ENDED 30 JUNE 2016

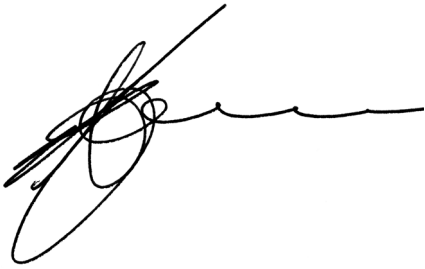
CERTIFICATION

We certify that the accompanying Performance Report of Coliban Region Water Corporation in respect of the reporting period ended 30 June 2016 is presented fairly in accordance with the *Financial Management Act 1994*.

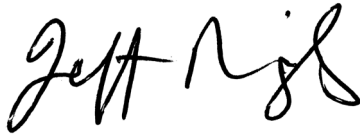
The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister for Water, and as set out in the 2015/16 *Corporate Plan*. We have reported our actual and comparative results achieved for the financial year against predetermined performance 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 12th day of August, 2016, on behalf of the Board



Andrew Cairns
Chairman
Coliban Region Water Corporation



Jeff Rigby
Managing Director
Coliban Region Water Corporation



Peter Leersen
Chief Financial Officer
Coliban Region Water Corporation

PERFORMANCE REPORT

FINANCIAL PERFORMANCE INDICATORS

KPI No.	Key Performance Indicator	2014/15 Result	2015/16 Result	2015/16 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	1.8	2.0	1.8	11.1%	1a	11.1%	2b
F2	Gearing Ratio Total debt (including finance leases) / total assets * 100	33.9%	28.4%	30.5%	-16.2%	3a	-6.9%	
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure * 100	85.3%	62.3%	47.9%	-27.0%	4a	30.1%	5b
F4	Current Ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	1.8 times	1.3 times	1.1 times	-27.8%	6a	18.2%	7b
F5	Return on Assets Earnings before net interest and tax / average assets * 100	2.7%	2.4%	2.5%	-11.1%	8a	-4.0%	
F6	Return on Equity Net profit after tax / average total equity * 100	0.6%	0.4%	0.4%	-33.3%	9a	0.0%	
F7	EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue * 100	54.5%	51.5%	53.3%	-5.5%		-3.4%	

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

- 1a Our cash interest cover has favourably exceeded the previous years result due to the improved net operating cash inflows from increased services charges, water consumption, Government grants and improved debt collection processes. This indicator continues to display a favourable trend that is budgeted to continue.
- 2b Compared to budget our cash interest cover has favourably exceeded the target due to the higher net operating cash inflows against budget resulting from increased water consumption and Government grants. The indicator displays a favourable trend that is budgeted to continue.
- 3a Our gearing ratio improved compared to that achieved last year as a result of the impact of a \$298.9 million increase in total assets, with total debt increasing by \$10.8 million, peaking our planned level of overall debt. The significant increase in total assets includes \$193.8 million relating to the 2016 revaluation increment. This ratio will continue to improve as repayments against borrowings commence in future financial years.
- 4a Our internal financing ratio has decreased when compared to that achieved last year due to the significant level of capital investment in the 2015/16 financial year compared to 2014/15. Payments for infrastructure assets, property, plant and equipment were \$18.2 million above that of the 2014/15 full financial year. This indicator will improve in future years under a reduced capital investment program as we move to fully fund new capital expenditure from cash inflows from operating activities.
- 5b There has been a significant improvement in our internal financing ratio from the 2015/16 target due to improved cash inflows and reduced capital payments. Net operating cash inflows for the year exceeded target by \$4.8 million and payments for infrastructure assets, property, plant and equipment were under budget by \$5.5 million.
- 6a Our current ratio is below what was achieved last year due to an increase of \$9.2 million in current liabilities as a result of the recognition of planned loan repayments as a current liability and an increase in payables and accruals at year end. Increases to land held for sale of \$2.9 million and current receivables of \$3.3 million reduced the impact on the ratio.
- 7b Our current ratio improved compared to that budgeted due to the \$8.4 million increase in current assets as a result of water consumption and Government grants exceeding that budgeted giving rise to a \$6.0 million increase in cash on hand at year end. The impact of the increase in cash on hand was reduced due to a \$1.3 million increase in current liabilities, as a result of the unbudgeted recognition of planned borrowing repayments being classified as a current liability at year end.
- 8a The increase to our asset base from the revaluation process has resulted in a less favourable return on assets ratio. Our earnings before net interest and tax is consistent with last year, however our asset holdings increased by \$289.3 million. The less favourable return is not unexpected given the revaluation year and will improve in future years in line with the improvement in our operating performance.
- 9a Our net profit after tax slightly decreased compared to prior year and our reserves increased due the revaluation increment, resulting in a decrease to the return on equity ratio.

PERFORMANCE REPORT

WATER AND SEWERAGE SERVICE PERFORMANCE INDICATORS

KPI No.	Key Performance Indicator	2014/15 Result	2015/16 Result	2015/16 Target	Variance to prior year	Notes	Variance to target %	Notes
WS1	Unplanned water supply interruptions No. of customers receiving 5+ unplanned interruptions in the year / total number of water (domestic and non-domestic) customers * 100	0.00%	0.55%	0.68%	100.0%	10a	-19.1%	11b
WS2	Interruption time Average duration of unplanned water supply interruptions	114.9 minutes	113.0 minutes	118.0 minutes	-1.7%		-4.2%	
WS3	Restoration of unplanned water supply Unplanned water supply interruptions restored within (5) hours / total unplanned water supply interruptions * 100	98.0%	98.3%	98.0%	0.3%		0.3%	
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	100.0%	100.0%	99.0%	0.0%		1.0%	
SS2	Sewer spill interruptions No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	99.7%	100.0%	100.0%	0.3%		0.0%	

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

- 10a All customers experiencing 5+ unplanned supply interruptions are co-located in East Bendigo. We have undertaken works on the local main to minimise future disruptions to this area.
- 11b The improvement in asset performance and the proactive management of water networks has contributed to this positive outcome.

PERFORMANCE REPORT

CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS

KPI No.	Key Performance Indicator	2014/15 Result	2015/16 Result	2015/16 Target	Variance to prior year	Notes	Variance to target %	Notes
CR1	Water quality complaints No. of complaints per 100 customers	0.34	0.30	0.36	-11.8%	12a	-16.7%	13b
CR2	Sewerage service quality complaints No. of complaints per 100 customers	0.006	0.009	0.005	50.0%	14a	80.0%	15b
CR3	Sewerage odour complaints No. of complaints per 100 customers	0.19	0.25	0.18	31.6%	16a	38.9%	17b
CR4	Billing complaints No. of complaints per 100 customers	0.01	0.02	0.02	100.0%	18a	0.0%	

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

- 12a In 2014/15 we had two instances of widespread customer complaints, the main issue being an increase in water taste complaints in Heathcote following a change in the water supply sources. Those issues have been resolved leading to the improved results this year.
- 13b Water quality performance has been good throughout the year despite a major algal bloom occurring in the Murray River system. The improvement in customer notification that informed customers of operational changes to address potential issues with water quality has contributed to the reduction in customer complaints.
- 14a There has only been six sewerage service quality complaints received in 2015/16 compared to four last year which has resulted in an unfavourable variance for the year.
- 15b There has been six sewerage service quality complaints received in 2015/16 compared to three budgeted which has resulted in the unfavourable variance for the year.
- 16a The majority of complaints are associated with localised areas in the Bendigo, Castlemaine and Echuca sewer networks. Lower than usual rainfall over the early part of the year has contributed to the increase in odour complaints due to lower flows through the sewer systems.
- 17b The unfavourable variance to the Corporate Plan target is due to the lower than usual rainfall over the early part of the year that has contributed to the increase in odour complaints.
- 18a Whilst the total number of billing complaints has increased from what was experienced last year, we have not exceeded our target. We have made changes to the way we invoice non-residential tenants and commercial landlords which had generated the higher number of complaints. We do not anticipate these complaints will continue as tenants and landlords are fully aware of the revised invoicing practices.

ENVIRONMENTAL PERFORMANCE INDICATORS

KPI No.	Key Performance Indicator	2014/15 Result	2015/16 Result	2015/16 Target	Variance to prior year	Notes	Variance to target %	Notes
E1	Effluent re-use volume (end use) Percentage recycled for each category	37.1%	39.8%	42.0%	7.4%	19a	-5.2%	20b
E2	Total net CO₂ emissions Net tonnes CO ₂ equivalent	41,091	56,450	32,765	37.4%	21a	72.3%	22b

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

- 19a A reduction in licenced discharge to waterways and increases in re-use (with the recycled water factory resuming operation) have contributed to the increased percentage of recycled water re-used compared to the previous year.
- 20b Effluent reuse for the year was tracking to exceed the target until the final quarter when above average rainfalls resulted in increased discharge to waterways instead of re-use.
- 21a Compared to what was achieved last year, the annual increase in net CO₂ emissions is attributable to an increase in water transfers due to the extensive operation of the Goldfields Superpipe to meet water 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 low rainfall and inflows in the spring season and higher water consumption in summer were significantly different to the assumptions in our Corporate Plan budget. As a result of this changed water outlook there was an increase in water transfers due to the extensive operation of the Goldfields Superpipe to meet water demand, and this increased the net CO₂ emissions due to increased water pumping. There was also an increase in wastewater volumes to our plants which 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.



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INDEPENDENT AUDITOR'S REPORT

To the Board Members, Coliban Region Water Corporation

The Performance Report

I have audited the accompanying performance report for the year ended 30 June 2016 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.

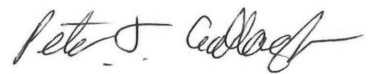
Independent Auditor's Report (continued)*Independence*

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, I and my staff and delegates have complied with all applicable independence requirements of the Australian accounting profession.

Opinion

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

MELBOURNE
18 August 2016



For Dr Peter Frost
Acting Auditor-General

REPORT OF OPERATIONS

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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 22G 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

FOR THE REPORTING PERIOD ENDED 30 JUNE 2016

Financial Result	Plan 2015/16	Actual 2015/16	Actual 2014/15	Actual 2013/14	Actual 2012/13	Actual 2011/12
REVENUE						
Service charges	67,687	67,537	65,899	61,185	49,362	46,897
Usage charges	41,022	46,517	44,796	40,909	36,183	34,056
Government grants	0	4,561	26	0	0	0
Developer contributions & capital works	13,415	11,835	14,566	11,880	11,367	9,847
Other	1,812	3,853	1,599	1,449	1,440	2,519
Interest	74	52	83	74	63	54
Total Revenue	124,011	134,355	126,969	115,497	98,415	93,373
EXPENSES						
Operations, Administration & Employee	54,954	59,392	54,184	53,655	53,466	50,447
Grant Expenditure	0	1,300	0	0	0	0
Direct Depreciation and Amortisation	30,016	31,637	32,705	33,141	35,295	32,697
Borrowing Costs & Finance Charges	31,222	30,557	31,022	29,753	29,107	27,082
Environmental Contribution	3,272	3,272	3,272	3,272	2,031	2,031
Total Expenditure	119,464	126,158	121,183	119,821	119,899	112,257
Net Result before tax	4,547	8,197	5,786	(4,324)	(21,484)	(18,884)
Net Result for the year	3,836	4,094	4,931	(4,700)	(15,087)	(13,126)
ASSETS						
Total Current Assets	27,717	36,120	32,189	28,423	25,847	23,247
Total Non-Current Assets	1,564,398	1,627,031	1,332,020	1,323,061	1,307,404	1,307,724
Total Assets	1,592,115	1,663,151	1,364,209	1,351,484	1,333,251	1,330,971
LIABILITIES						
Total Current Liabilities	27,011	29,336	20,150	23,090	20,541	20,380
Total Non-Current Liabilities	584,588	593,007	501,178	490,294	469,910	446,197
Total Liabilities	611,599	622,343	521,328	513,384	490,451	466,577
Total Net Assets	980,515	1,040,808	842,881	838,100	842,800	864,394
Net Cash Flows from operations	24,771	29,546	24,878	20,942	2,550	2,721
Payments for assets	(51,755)	(47,400)	(29,161)	(42,138)	(34,807)	(43,441)
Performance Indicator	Plan 2015/16	Actual 2015/16	Actual 2014/15	Actual 2013/14	Actual 2012/13	Actual 2011/12
Interest Cover (Cash)	1.8	2.0	1.8	1.7	1.1	1.1
Gearing Ratio	47.9%	62.3%	85.3%	33.3%	32.2%	29.7%
Internal Financing Ratio	110.0%	130.0%	180.0%	49.7%	7.3%	6.3%
Current Ratio	1.1	1.3	1.8	1.3	1.4	1.1
Return on Assets	2.5%	2.4%	2.7%	1.9%	0.6%	0.6%
Return on Equity	0.4%	0.4%	0.6%	(0.6%)	(1.8%)	(1.5%)
EBITDA Margin	53.3%	51.5%	54.5%	49.6%	43.5%	43.7%

Coliban Water achieved a net result for the year of a \$4.1 million profit for the 2015/16 financial year, which is the second consecutive year of positive results in 14 financial years. The strengthened financial performance and position achieved over the last two reporting years was pivotal to financing the delivery of a planned peak-year investment in capital delivery of \$51.3 million (including intangible assets), and this underscores the importance to our region of Coliban Water being a financially sound enterprise.

This year's positive net result for the year and the resulting cash flows provided the majority of the funds for our capital investment program. The supplementary investment funds sourced from loans raised during the year were within the annual borrowing limit approved by the Victorian Treasurer, resulting in an overall debt position that was lower than planned.

Our final financial sustainability goal to peak our accumulated debt was achieved during the year. Next year, with a planned and controlled scaling back in capital works off the back of this peak-year, our plan is to fully fund our capital investment from operating cash flows and for the first time repay a modest amount of debt, in line with our strategy.

Our water resources were secure throughout the year, with Permanent Water Savings Rules in place for all urban supplies and our rural customers received full allocations for the 2015/16 season. The El-Nino conditions that prevailed for the majority of 2015/16 resulted in prolonged dry periods, particularly over summer and autumn when water consumption is typically high. We also encountered much drier than normal conditions during the 2015 spring season, which led to low inflows to the sources of supply we rely on, and water allocations were lower in 2015/16 than the previous year for all surface water sources that supply us.

We suspended all other water allocation trading activity during the year, taking the prudent position of holding all bulk water in reserve and having the flexibility to then carry forward the volumes held into next year should the dry conditions persist and water allocations be further reduced. However, the transition from El-Nino towards La-Nina conditions during the 2016 autumn saw an eventual break from dry conditions and the arrival of much welcome rainfall, although, with dry catchments, inflows to our southern reservoirs did not commence until the onset of winter which we anticipate will improve our water availability for next financial year.

Our performance indicators summarise our improvement over the years due to our strengthening financial performance.

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 flows as a result of increased water consumption revenue and a continued improvement in debt collection processes. Less interest payments were also incurred due to lower interest rates and the timing of borrowings required.

Our internal financing ratio also improved to that budgeted in the *Corporate Plan* due to our strengthening net operating cash flows while our payments for capital expenditure reduced as a result of the timing of these capital payments. Compared to what was achieved last year, our internal financing ratio decreased due to an additional \$18.2 million of capital expenditure delivered this year.

Compared to the budget our gearing ratio improved due to a \$55.2 million increase in the actual revaluation increment of our assets to that budgeted in the *Corporate Plan*. Compared to the previous year, our gearing ratio also improved as a result of a \$298.9 million increase in our total assets due to the full asset

revaluation increment of \$276.9 million with the remaining increase relating to new capital expenditure.

These indicators should continue to improve in the financial years ahead now we have peaked debt and minimise our reliance on borrowings to fund capital expenditure. We are budgeting to commence repaying borrowings in 2016/17 which will further improve our financial performance and these indicators.

Our current ratio has improved to the budgeted target in the *Corporate Plan* due to our strengthening operating cash flows and improved debt collection processes, which contributed to an increase in cash held at the end of the financial year. Current assets also increased \$3.0 million as a result of recognising land surplus to our future needs as held for sale, and to be sold within the next 12 months. This increase in current assets was slightly offset by an increase in our currently liabilities as a result of recognising our budgeted \$3.5 million loan repayments as a current liability as they will occur within 12 months.

Compared to what was achieved last year, our current ratio decreased due to the increase in current liabilities as a result of recognising the \$3.5 million loan repayment as a current liability and a \$4.8 million increase in payables. This increase in current liabilities offset the \$3.9 million increase in current assets.

Our return of assets is marginally down on last year and to the target in the *Corporate Plan* due to the respective increase in total assets as a result of the asset revaluation, while our earnings before interest and tax are in line with that achieved last year and to our target in the *Corporate Plan*.

Likewise our return on equity ratio remains in line to that achieved last year and to the budgeted target in the *Corporate Plan* due to the changes in net profit and revaluation reserve increasing at a similar rate.

SIGNIFICANT CHANGES OR FACTORS AFFECTING FINANCIAL PERFORMANCE

The total net result for the year was a profit of \$4.1 million compared to the \$3.8 million budgeted, and \$4.9 million achieved last year.

Total revenue increased \$7.4 million from the previous year and \$10.3 million to the *Corporate Plan* budget based on the following significant factors:

1. Water usage charges increased as the local temperatures throughout the year were consistently above our average medium temperature. This meant a warmer and drier spring and a hotter summer, when compared to the previous year and also to the 'medium' outlook assumption in the *Corporate Plan*. As a result, the average water consumption per household increased to 210kL from 194kL last year, with an increase in usage revenue of \$1.7 million, and when compared to the budgeted target of 177kL, usage revenue was higher than budget by \$5.5 million. This higher consumption also meant there was no excess water available for temporary water sales.
2. Coliban Water entered into a \$23.2 million funding agreement with the State of Victoria through the Department of Environment, Land, Water and Planning as the delivery agent to manage the construction, commissioning and operation of the transitional solution for the Bendigo Groundwater Project. Coliban Water recognised Victorian Government grants totaling \$4.6 million which were not anticipated and hence not budgeted for.

3. Compared to the previous year, other income increased by \$2.3 million and by \$2.0 million to budget. The main reasons for this increase is that Coliban Water opportunistically sold native vegetation offsets totaling \$0.9 million to the City of Greater Bendigo for the Bendigo Airport project and the Harcourt Rural Modernisation project. In addition, and as a value added benefit of the Lauriston Reservoir re-vegetation project, the corporation sold the pulp wood from the harvested pine trees for \$0.6 million. Coliban Water also exercised its rights to claim \$0.8 million from the Harcourt project relating to security funds held and recoverable against the contractor for defaulting on contractual obligations and retention funds withheld under the provisions of the contract.

Total expenditure increased \$5.0 million compared to the previous year and was \$6.7 million ahead of the *Corporate Plan* budget.

The main expenditure increase was in the operations, administration and employee costs which was impacted by the following significant factors.

1. Total water inflows to our Southern reservoirs for the year were significantly below the long-term average, which meant we had to source water from our alternative supply at Lake Eppalock. This increased our bulk water transfer costs due to pumping and costs of treatment by \$1.4 million compared to the previous year and \$0.7 million to budget. We also had to purchase an additional 100ML of water from the Wimmera system to meet water demand at a total cost of \$100,000.
2. An increase in operating costs of \$2.0 million to last year and \$4.2 million to budget, resulting from a substantial increase in the volume of works being delivered under the outsourced Operations and Maintenance contract. Additional costs were also incurred by Coliban Water in administering the revised contract workload.
3. An increase in other operating expenses of \$0.4 million relating to the sale of the pine tree harvest.
4. Employee costs increased \$0.6 million compared to last year but was in line with budget due to the increase in the Enterprise Agreement.

Direct depreciation and amortisation also decreased \$1.1 million to the previous year due to the continued improvement in the asset useful lives and condition assessment project. Compared to the *Corporate Plan* budget, depreciation increased \$1.6 million due to the amount of additional assets commissioned for the year.

Due to the specific nature of the Grant income relating to the Bendigo Groundwater Project, all associated costs have been separated and disclosed as Grant expenditure. As this was the first time this category has been used, there was a \$1.3 million cost that was additional to the previous year and to the *Corporate Plan* budget. These costs will continue to be incurred over the next two years.

Due to the favorable interest rates over the year, borrowing costs and finance charges expenditure has decreased compared to previous year (\$0.5 million) and to the budget (\$0.7 million).

Compared to the previous year and to the *Corporate Plan* budget, the net result for the year was significantly affected by the \$2.2 million loss on disposal of assets sold.

SIGNIFICANT CHANGES IN FINANCIAL POSITION – BALANCE SHEET

Compared to last year, Coliban Water's net assets increased by \$197.9 million to \$1,040.8 million, mainly due to the revaluation of all land, and infrastructure assets that occurs every five years. Net assets also increased by \$60.3 million to that budgeted in the *Corporate Plan* due to the increase in the actual revaluation increment.

Total current assets improved on last year by \$3.9 million due to the decision to sell surplus land in Echuca which increased the asset held for sale by \$3.0 million. There was also a \$3.3 million increase in receivables due to the increase in water usage revenue throughout the year which was offset by a \$2.8 million decrease in cash assets which were used for payments to suppliers and employees.

Total current assets significantly increased to the budget in the *Corporate Plan* (\$8.4 million) as a result of the increase in assets held for sale, but also due to the strengthening of cash assets from higher than budgeted water usage revenue throughout the year.

Total non-current assets increased \$295.0 million compared to last year and \$62.6 million to that budgeted in the *Corporate Plan*. The main increase to last year was the asset revaluation increment of \$276.9 million and an increase in new capital expenditure from \$29.2 million to \$47.4 million. Compared to the budget, total non-current assets increase is attributed to the difference between the actual asset revaluation increment and the budgeted estimate.

Total liabilities increased \$101.0 million from last year and \$10.7 million to that budgeted in the *Corporate Plan*, mainly due to the deferred tax liability associated with the increase in the asset revaluation increment.

Total current liabilities increased \$9.2 million from last year due to an increase in payables of \$4.8 million from additional capital expenditure accruals at year end, an increase in employee benefits as a large proportion of existing staff reached more than seven years' service and an increase in current borrowings as a result of recognising our planned \$3.5 million repayment of borrowings as a current liability due to this being planned to occur within 12 months. Compared to the budget in the *Corporate Plan*, total current liabilities also increased due to classification of the \$3.5 million loan repayment as a current liability and an increase in employee benefits of \$1.0 million due to differences in our annual leave and long service leave accrual assumptions. These increases were however offset by a decrease in payables of \$2.0 million.

Compared to last year, total non-current liabilities increased \$91.8 million due to the increase in the net deferred tax liability as a result of the revaluation asset increment recorded at 30 June 2016 and also an increase in total borrowings of \$15.0 million which were required to partially fund new capital expenditure for the year. Compared to that budgeted in the *Corporate Plan*, total liabilities increased \$10.7 million due to a \$22.1 million increase in the net deferred tax liability based on the additional asset revaluation increment achieved, and a \$9.0 million decrease in total borrowings required due to improved operating cash flows that were used to fund capital investment.

Our improvement in total equity compared to last year and the target in the *Corporate Plan* is attributed to the increase in our reserves as a result of the asset revaluation that occurred during the year and to the accumulated funds due to our significantly improved operating performance for the year.

SIGNIFICANT CHANGES IN CASH FLOW

Net cash flows from operating activities significantly increased from last year (\$4.7 million) and to that budgeted in the *Corporate Plan* (\$4.8 million) as a result of a larger increase in cash receipts for the year compared to the increase in cash payments.

Total receipts increased \$8.2 million to that achieved last year and \$19.1 million to the target in the *Corporate Plan* mainly due to higher receipts from service and usages charges as a result of the increased water consumption and the improvement in our debt collection performance and hardship programs. There was also an additional \$1.4 million Government grant received for the Bendigo Groundwater Project to cover expenditure incurred which will continue over the next few years with project implementation.

The increase in total receipts were partially offset by increases in payments to suppliers and employees due to the increase in operating costs and planned operations and maintenance contract renewal costs, increased treatment and pumping costs as a result of the increased water consumption and the Bendigo Groundwater Project expenditure. Total payments to borrowing costs and finance charges were less than last year and budgeted due to the favorable interest rates on new capital expenditure and maturing loans that were re-financed.

Net cash flows from investing activities increased \$17.5 million to that achieved last year due to an increase in new capital expenditure of \$18.2 million for the year, offset by a \$0.7 million increase in proceeds from the sale of land. Compared to the budget in the *Corporate Plan*, net cash flows from investing activities decreased \$3.2 million as a result of \$4.3 million of new capital expenditure being accrued and not paid at year end, offset by a decrease in the proceeds of land sales by \$1.2 million.

Compared to last year, net cash flows from financing activities increased as a result of additional borrowings required to fund the increase in new capital expenditure, but decreased by \$9.0 million to the *Corporate Plan* budget due to less borrowings required as a result of our better-than-planned operating performance.

POST BALANCE DATE EVENTS

There are no post balance date events that materially affect Coliban Water's 2015/16 financial statements.

UNDERSTANDING THE FINANCIAL STATEMENTS

COMPREHENSIVE 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 2016, we made a net profit for the year of \$4.1 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 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. 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 2016, we had a net cash flow from operating activities of \$29.6 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 CERTIFICATE AND AUDITOR GENERAL'S REPORT

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

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STATUTORY CERTIFICATION

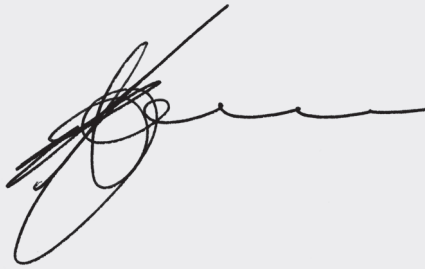
FOR THE YEAR ENDED 30 JUNE 2016

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* and 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 2016 and the financial position of Coliban Region Water Corporation as at 30 June 2016.

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 12 August 2016.



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 2016

	Notes	2016 (\$'000)	2015 (\$'000)
REVENUE			
Service charges	2(a)	67,537	65,899
Usage charges	2(a)	46,517	44,796
Government grants		4,561	26
Interest received		52	83
Contributions and gifted assets	2(a)	11,835	14,566
Other income		3,853	1,599
Total revenue		134,355	126,969
EXPENSES			
Operating and administration expenses	2(b)	43,185	38,558
Grant expenditure		1,300	–
Employee expenses	2(b)	16,207	15,626
Borrowing costs	2(b)	23,765	24,042
Depreciation and amortisation	2(b)	31,637	32,705
Finance charges		6,792	6,980
Environmental contributions	1(vi), 22(c)	3,272	3,272
Total expenses		126,158	121,183
Net result before tax and other economic flows		8,197	5,786
Income tax (expense)/benefit	13(b)	(2,458)	(513)
Net result before other economic flows		5,739	5,273
OTHER ECONOMIC FLOWS INCLUDED IN THE NET RESULT			
Net gain/(loss) on disposal of assets		(2,192)	(414)
Fair value increase/(decrease) in other financial instruments		3	12
Other gains/(losses) from other economic flows		(161)	(86)
Income tax benefit relating to components of other economic flows	13(c)	705	146
Total other economic flows net of tax		(1,645)	(342)
Net result for the year		4,094	4,931
OTHER COMPREHENSIVE INCOME			
Change in asset revaluation reserve	16	276,905	–
Income tax (expense)/income relating to components of other comprehensive income	13(c)	(83,072)	–
Total other comprehensive income for the year		193,833	–
Total comprehensive result for the year		197,927	4,931

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

BALANCE SHEET

AS AT 30 JUNE 2016

	Notes	2016 (\$'000)	2015 (\$'000)
ASSETS			
Current assets			
Cash and cash equivalents	3	6,313	9,134
Receivables	4	24,780	21,486
Other financial assets	5	51	–
Inventories	6	1,419	1,005
Prepayments		588	564
Assets held for sale	7	2,969	–
Total current assets		36,120	32,189
Non-current assets			
Receivables	4	1,010	1,172
Other financial assets	5	–	78
Infrastructure assets, property, plant and equipment	8	1,558,675	1,270,718
Intangible assets	9	67,346	60,052
Total non-current assets		1,627,031	1,332,020
TOTAL ASSETS		1,663,151	1,364,209
LIABILITIES			
Current liabilities			
Payables	10	15,808	10,986
Borrowings	11	9,350	5,512
Employee benefits	12	4,178	3,652
Total current liabilities		29,336	20,150
Non-current liabilities			
Payables	10	409	581
Borrowings	11	463,602	456,620
Net deferred tax	14	128,276	43,451
Employee benefits	12	720	526
Total non-current liabilities		593,007	501,178
TOTAL LIABILITIES		622,343	521,328
NET ASSETS		1,040,808	842,881
EQUITY			
Contributed capital	15	308,429	308,429
Reserves	16	382,801	188,968
Accumulated funds		349,578	345,484
TOTAL EQUITY		1,040,808	842,881
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 2016

	Notes	Contributed Capital (\$'000)	Reserves (\$'000)	Accumulated Funds (\$'000)	Total (\$'000)
Balance at 1 July 2014		308,579	188,968	340,553	838,100
Net result after income tax		–	–	4,931	4,931
Other comprehensive income for the year after tax		–	–	–	–
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
Net result after income tax		–	–	4,094	4,094
Other comprehensive income for the year after tax		–	193,833	–	193,833
Transactions with the State in its capacity as owner:					
Contributed capital transfer	15	–	–	–	–
Balance at 30 June 2016		308,429	382,801	349,578	1,040,808

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 (\$'000)	2015 (\$'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Service and usage charges		114,157	106,977
Other customer revenue		7,337	9,108
Receipts from Government		1,379	26
GST received from the ATO ⁽ⁱ⁾		8,238	6,757
Interest received		52	84
		131,163	122,952
Payments			
Payments to suppliers and employees		(67,912)	(63,918)
Borrowing costs and finance charges		(30,433)	(30,884)
Environmental contributions		(3,272)	(3,272)
		(101,617)	(98,074)
Net cash inflows from operating activities	17	29,546	24,878
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for infrastructure assets, property, plant and equipment		(46,279)	(29,161)
Payments for intangible assets		(1,121)	–
Proceeds from sale of investments		30	–
Proceeds from sale of infrastructure assets, property, plant and equipment		4,183	3,444
Net cash outflows from investing activities		(43,187)	(25,717)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		15,000	9,589
Outflow from contributions of owners		–	(150)
Repayment of finance lease liabilities		(4,180)	(3,856)
Net cash inflows from financing activities		10,820	5,583
Net increase/(decrease) in cash and cash equivalents		(2,821)	4,744
Cash and cash equivalents at the beginning of the financial year		9,134	4,390
Cash and cash equivalents at the end of the financial year	3	6,313	9,134

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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

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 12 August 2016.

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, except for 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 assets, property, plant and equipment, 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; and
- 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 2014/15 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

Coliban Water has adopted the reduced disclosure made available under AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*. The objective of this Standard is to make amendments to AASB 13 *Fair Value Measurement* to relieve not-for-profit public sector entities from certain disclosures applying to assets within the scope of AASB 116 *Property, Plant and Equipment* whose future economic benefits are not primarily dependent on the asset's ability to generate future net cash inflows. Refer to Note 8(d) and 8(e).

(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.

As information became available during the 30 June 2016 asset revaluation, the useful lives of assets were revised, with no material financial impact.

(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. Accrued revenue is made by multiplying the number of days since the last reading by an adjusted reading for an equivalent prior period, further adjusted for current climatic conditions.

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. Accrued revenue 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 Coliban Water 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. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity – 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.

(vi) EXPENSES

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.

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 and amortisation 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.

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

Useful lives used are listed below and include a comparison to the prior year.

Asset	2015-16 Useful Life	2014-15 Useful Life
Buildings and Leasehold Improvements	3 to 50 years	5 to 50 years
Plant and Equipment	1 to 40 years	1 to 40 years
Infrastructure and Leasehold Improvements	2 to 400 years	5 to 400 years
BOOT Schemes Infrastructure	25 to 100 years	25 to 60 years
Intangible Assets (Software)	1 to 10 years	1 to 10 years

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 Victorian budget 2016/17 confirmed the continuation of the levy for another 4 years from 1 July 2016 until 30 June 2020.

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

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 AND OTHER COMPREHENSIVE INCOME

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 (VIU) and fair value less costs to disposal. As Coliban Water is a not-for-profit entity, VIU 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 inflows 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.

Permanent water entitlements

For Coliban Water's permanent water entitlements, the VIU at the cash generating unit (CGU) level has been applied in determining the recoverable amount as at 30 June 2016 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 2016 no impairment of the permanent water entitlements has been recognised for the financial year ended 30 June 2016 (30 June 2015, no impairment recognised).

(viii) CASH AND CASH EQUIVALENTS

Cash and cash equivalents recognised on the Balance Sheet comprise cash on hand, cash at bank and deposits at call which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and readily convertible to known amounts of cash with an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents include bank overdrafts which 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. Debts 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 schemes infrastructure used by Coliban Water in its operations. Items with a cost value in excess of \$1,000 (2014/15: \$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 depreciated over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date:

- building leasehold improvements are depreciated over a 20 year and 3 year period consistent with the terms of the two leases (2014/15: 20 year and 5 year period); and
- infrastructure leasehold improvements are depreciated over a 15 to 40 year period which is the shorter of the expected asset life and the 70 year lease.

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-Financial Physical Assets*. For assets received free of charge, initial fair value is calculated using contract rates with adjustments for internal overhead costs.

In accordance with FRD 103F *Non-Financial 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 systems.

A fair value assessment for infrastructure occurred as at 30 June 2016 and was undertaken with involvement from VGV. Further details of the valuation exercise is provided in Note 8.

For the plant, equipment and motor vehicle 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) exists for these assets, depreciated cost is used to represent fair value.

Revaluations of 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.

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

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

	Permanent Water Entitlements	Software
Useful lives	Indefinite	Finite
Amortisation method used	Not amortised or revalued	1 to 10 years
Internally generated/acquired	Acquired	Both
Impairment test/recoverable amount testing	Annually and where an indicator of impairment exists.	Amortisation method reviewed at each financial year-end; Reviewed annually for indicators of impairment.

Permanent water entitlements

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 it has been determined there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity, therefore the entitlements 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 the CGU level by comparing the assets or CGU's 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) 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*.

(xviii) 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.

(ixx) EMPLOYEE BENEFITS

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

Wages and salaries, annual leave and accrued days off

Liabilities for wages, salaries, annual leave and accrued days off 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

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 LSL 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 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 accordance with FRD 119A *Transfers through Contributed Capital*, the Minister for Water, after consultation with the Minister for Finance, may 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 Comprehensive Operating Statement' 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 2016 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. Both these bad debts and those 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). The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

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 portfolio Minister. Following this consultation a formal determination is made by the Treasurer.

The process to determine the dividend applicable to the 2015/16 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 2016, the following applicable standards and interpretations had been issued but were not mandatory for the financial year ending 30 June 2016. Coliban Water has not and does not intend to adopt these standards early.

Standard/ Interpretation	Summary	Effective date	Effective date for the entity	Estimated impact
AASB 9 <i>Financial Instruments</i>	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.	01/01/18	01/07/18	Based on preliminary assessment, Coliban Water does not have these financial instruments therefore it will not be impacted by AASB 9.
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: <ul style="list-style-type: none"> the change in fair value attributable to changes in credit risk is presented in other comprehensive income; and other fair value changes are presented in the Comprehensive Operating Statement. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in the Comprehensive Operating Statement. 	01/01/18	01/07/18	Based on preliminary assessment, Coliban Water does not have these financial instruments therefore it will not be impacted by AASB 9.
AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements.	01/01/18	01/07/18	Based on preliminary assessment, Coliban Water does not have these financial instruments therefore it will not be impacted by AASB 9.
AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	01/01/18	01/07/18	Based on preliminary assessment, Coliban Water does not have these financial instruments therefore it will not be impacted by AASB 9.
AASB 15 <i>Revenue from Contracts with Customers</i>	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.	01/01/18	01/07/18	Based on preliminary assessment by Coliban Water, the changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Based on a preliminary assessment, there may be a minor on the accounts.
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	Amends the measurement of trade receivables and the recognition of dividends.	01/01/2017 Except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply 1 January 2018.	01/07/17	Coliban Water does not have trade receivables that have a significant financing component, nor an expectation that dividends will be payable, therefore, based on a preliminary assessment, it is not expected that there will be an impact on the financial statements.
AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	01/01/2018	01/07/2018	This amending standard will defer the application period of AASB 15 to the 2018/19 reporting period in accordance with the transition requirements.

Standard/ Interpretation	Summary	Effective date	Effective date for the entity	Estimated impact
AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	<p>This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require:</p> <ul style="list-style-type: none"> • a promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and • for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). 	01/01/18	01/07/18	The assessment has indicated that there will be no significant impact for Coliban Water, other than the impact identified in AASB 15.
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on the Balance Sheet.	01/01/19	01/07/19	Coliban Water has operating leases in place for buildings, vehicles and infrastructure. This change will potentially require these leases to be recognised as assets and liabilities where the term of the lease is more than 12 months, unless the underlying asset is of low value. Based on a preliminary assessment, there may be a limited impact on the accounts.
AASB 2014 4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]</i>	<p>Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to:</p> <ul style="list-style-type: none"> • establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; and • 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	01/07/16	Based on a preliminary assessment by Coliban Water, 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 <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]</i>	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.	01/01/16	01/07/16	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 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]</i>	<p>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:</p> <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. 	01/01/16	01/07/16	Based upon 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.

Standard/ Interpretation	Summary	Effective date	Effective date for the entity	Estimated impact
AASB 2015 1 <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]</i>	Amends the methods of disposal in AASB 5 <i>Non-current assets held for sale</i> and discontinued operations. Amends AASB 7 <i>Financial Instruments</i> by including further guidance on servicing contracts.	01/01/16	01/07/16	The assessment has indicated that when an asset (or disposal group) is reclassified from 'held to sale' to 'held for distribution', or vice versa, the asset does not have to be reinstated in the financial statements. Entities will be required to disclose all types of continuing involvement the entity still has when transferring a financial asset to a third party under conditions which allow it to derecognise the asset. Coliban Water is yet to assess the full impact of this change on the accounts.
AASB 2015 6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]</i>	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.	01/01/16	01/07/16	The amending standard will result in extended disclosures on Coliban Water's key management personnel and the related party transactions. The extended disclosure will have a minor impact on the accounts.
AASB 2016-4 <i>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i>	The standard amends AASB 136 <i>Impairment of Assets</i> to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	01/01/17	01/07/17	The assessment has indicated that there will be minimal impact on Coliban Water accounts. Given the specialised nature and restrictions of Coliban Waters assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 <i>Fair Value Measurement</i> is the same as the depreciated replacement cost concept under AASB 136.

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 2015/16 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 1057 *Application of Australian Accounting Standards*
- 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 2015 2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]*
- AASB 2015 5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128]*
- AASB 2015 9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]*
- AASB 2015 10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*
- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

(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.

For all 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.

NOTE 2: COMPREHENSIVE OPERATING STATEMENT DISCLOSURES

Notes

2016
(\$'000)

2015
(\$'000)

(a) INCOME FROM OPERATING ACTIVITIES

Service charges:

Water service charges	17,923	17,271
Rural water service charges	2,332	2,299
Sewerage service charges	43,504	42,083
Trade waste charges	3,690	4,174
Recycled water service charges	88	72

67,537 **65,899**

Usage charges:

Water usage charges	41,981	37,471
Rural water usage charges	1,522	1,329
Sewerage usage charges	1,310	1,121
Trade waste usage charges	1,038	1,076
Recycled water usage charges	666	559
Temporary water sales	–	3,240

46,517 **44,796**

Contributions and gifted assets:

Developer contributions and gifted assets	8,406	10,694
New customer contributions	3,429	3,872

11,835 **14,566**

(b) EXPENSES FROM OPERATING ACTIVITIES

Operating and administration expenses:

Partnership contract expenses	17,157	15,210
Water purchases	1,927	1,815
General services	6,904	6,175
Electricity	4,157	3,741
BOOT toll service payments	7,335	6,348
Other operating and administration expenses	5,705	5,269

43,185 **38,558**

Employee expenses:

Salaries and wages	12,774	12,471
Annual leave	1,170	1,034
Accrued days off	563	524
Long service leave	108	142
Superannuation	1,592	1,455

19(c)

16,207 **15,626**

Borrowing Costs:

Borrowing Costs – Treasury Corporation Victoria	18,838	19,455
Borrowing Costs – Financial Accommodation Levy	4,927	4,587

23,765 **24,042**

Depreciation:

Buildings and leasehold improvements	415	429
Plant and equipment	680	2,282
Infrastructure and leasehold improvements	25,595	26,377
BOOT schemes infrastructure	3,624	3,617

30,314 **32,705**

Amortisation:

Intangible assets	1,323	–
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1,323 **–**

Total depreciation and amortisation

31,637 **32,705**

NOTE 3: CASH AND CASH EQUIVALENTS

	2016 (\$'000)	2015 (\$'000)
Cash at bank	3,257	9,134
Deposits at call	3,056	—
Total cash and cash equivalents	6,313	9,134

NOTE 4: RECEIVABLES**CURRENT RECEIVABLES****Contractual:**

Rates and charges receivables	7,897	8,630
Sundry customer receivables	4,419	1,150
Accrued revenue	10,622	9,964
Provision for doubtful receivables	(44)	(16)

Statutory:

Amount owing from the Victorian Government	927	907
GST receivables	959	851
	24,780	21,486

NON-CURRENT RECEIVABLES**Contractual:**

Customer receivables	1,010	1,172
	1,010	1,172

Total receivables

25,790 22,658

(a) AGEING ANALYSIS OF RECEIVABLES

The ageing at 30 June 2016 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)	10,989	7,550
1 to 3 months	1,399	1,940
3 to 12 months	855	1,197
More than 12 months	1,010	1,172

Total receivables past due but not impaired

14,253 11,859

As at 30 June 2016, receivables net of provision for doubtful receivables past due (older than 1 month) but not impaired totalled \$3,220,333 (2014/15: \$4,292,654). 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	1,399	1,940
3 to 12 months	811	1,181
More than 12 months	1,010	1,172

Total receivables past due but not impaired

3,220 4,293

(b) PROVISION FOR DOUBTFUL RECEIVABLES

As at 30 June 2016, receivables of Coliban Water with a nominal value of \$44,235 (2014/15: \$16,161) 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	(44)	(16)
More than 12 months	—	—

Total doubtful receivables

(44) (16)

Movement in the doubtful receivables provision is as follows:

Opening provision balance at 1 July	(16)	(80)
Provision recognised during the year	105	214
Receivables written off during the year as uncollectable	(133)	(150)

Closing provision balance at 30 June

(44) (16)

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.

NOTE 5: OTHER FINANCIAL ASSETS

Current other financial assets

Shares in Bendigo Community Telco Limited – fair value

2016
(\$'000)

2015
(\$'000)

51

–

51

–

Non-current other financial assets

Shares in Bendigo Community Telco Limited – fair value

–

78

–

78

Total other financial assets

51

78

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 held 40,000 shares in Bendigo Community Telco Limited at the end of the 2014/15. In 2015/16 15,000 shares were sold. Coliban Water now hold 25,000 shares which are held for trading and listed on the National Stock Exchange of Australia. Their value is reported as the share value at 30 June 2016.

(a) 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

1,419

1,005

Total current inventories

1,419

1,005

NOTE 7: ASSETS HELD FOR SALE

Freehold land

2,969

–

Total current assets held for sale

2,969

–

Fair value measurement hierarchy for assets as at 30 June 2016

	Carrying amount as at 30 June 2016 (\$'000)	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾ (\$'000)	Level 2 ⁽ⁱ⁾ (\$'000)	Level 3 ⁽ⁱ⁾ (\$'000)
2015–2016				
Freehold land held for sale	2,969	–	2,969	–

	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)
2014–2015				
Freehold land held for sale	–	–	–	–

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

Land held for sale is valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales.

NOTE 8: INFRASTRUCTURE ASSETS, PROPERTY, PLANT AND EQUIPMENT

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

	2016 (\$'000)	2015 (\$'000)
Land		
At fair value	37,673	44,660
Buildings		
At fair value	1,681	1,853
Less: accumulated depreciation	–	(369)
	1,681	1,484
Buildings – Leasehold		
At fair value	4,399	4,326
Less: accumulated depreciation	(2,775)	(2,458)
	1,624	1,868
Plant and Equipment		
At fair value	4,737	18,701
Less: accumulated depreciation	(2,271)	(9,181)
	2,466	9,520
Water Infrastructure		
At fair value	396,126	363,826
Less: accumulated depreciation	–	(44,715)
	396,126	319,111
Water Distribution Assets		
At fair value	176,164	140,467
Less: accumulated depreciation	–	(11,604)
	176,164	128,863
Water Distribution Assets – Leasehold		
At fair value	771	–
Less: accumulated depreciation	(220)	–
	551	–
Wastewater Infrastructure		
At fair value	446,707	426,180
Less: accumulated depreciation	–	(43,931)
	446,707	382,249
Recycling Infrastructure		
At fair value	34,215	57,558
Less: accumulated depreciation	–	(5,669)
	34,215	51,889
Rural Infrastructure		
At fair value	138,677	26,763
Less: accumulated depreciation	–	(3,268)
	138,677	23,495
Headworks Infrastructure		
At fair value	160,919	175,589
Less: accumulated depreciation	–	(5,006)
	160,919	170,583
Total Infrastructure Assets	1,353,359	1,076,190
BOOT Schemes Infrastructure		
At fair value	147,125	132,404
Less: accumulated depreciation	–	(38,435)
	147,125	93,969
Works in Progress		
At cost	14,747	43,027
Total Infrastructure assets, property, plant and equipment	1,558,675	1,270,718

(b) MOVEMENTS DURING THE REPORTING PERIOD

2015–2016	Opening WDV at 1 July 2015 (\$'000)	Additions (\$'000)	Disposals / Writeoffs (\$'000)	Transfers in(out) of assets under construction (\$'000)	Transfers between categories (\$'000)	Fair value of assets received free of charge (\$'000)	Depreciation ⁽ⁱ⁾ (\$'000)	Impairments (\$'000)	Revaluation (\$'000)	Closing WDV at 30 June 2016 (\$'000)
Land ⁽ⁱⁱ⁾										
At fair value	44,660	–	(4,689)	495	(2,969)	–	–	(3,777)	3,954	37,673
Buildings										
At fair value	1,484	–	–	15	1,254	–	(99)	–	(973)	1,681
Buildings – Leasehold										
At fair value	1,868	–	–	72	–	–	(316)	–	–	1,624
Plant and Equipment ⁽ⁱⁱⁱ⁾										
At fair value	9,520	–	(75)	1,394	(7,693)	–	(680)	–	–	2,466
Infrastructure ^(iv)										
At fair value	1,076,190	–	(1,511)	83,861	(507)	–	(25,595)	–	220,921	1,353,359
BOOT Schemes										
At fair value	93,969	–	–	–	–	–	(3,624)	–	56,780	147,125
Works in Progress										
At cost	43,027	50,180	–	(85,837)	(1,029)	8,406	–	–	–	14,747
Totals	1,270,718	50,180	(6,275)	–	(10,944)	8,406	(30,314)	(3,777)	280,682	1,558,675

2014–2015	Opening WDV at 1 July 2014 (\$'000)	Additions (\$'000)	Disposals / Writeoffs (\$'000)	Transfers in(out) of assets under construction (\$'000)	Transfers between categories (\$'000)	Fair value of assets received free of charge (\$'000)	Depreciation ⁽ⁱ⁾ (\$'000)	Impairments (\$'000)	Revaluation (\$'000)	Closing WDV at 30 June 2015 (\$'000)
Land										
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 and Equipment										
At fair value	7,824	–	(80)	4,058	–	–	(2,282)	–	–	9,520
Infrastructure ^(iv)										
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

⁽ⁱ⁾ Aggregate depreciation recognised as an expense during the year. Refer to Note 2(b)

⁽ⁱⁱ⁾ Land 'transfers between categories' and 'impairments' reflect land transferred to Assets held for sale. Refer Note 7.

⁽ⁱⁱⁱ⁾ Software assets have been transferred from plant and equipment to intangible assets to better align with the nature of the assets. Refer Note 9.

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

(c) FAIR VALUE MEASUREMENT HIERARCHY FOR ASSETS AS AT 30 JUNE 2016

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.

	Carrying amount as at 30 June 2016 (\$'000)	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾ (\$'000)	Level 2 ⁽ⁱ⁾ (\$'000)	Level 3 ⁽ⁱ⁾ (\$'000)
2015–2016				
Land at fair value				
Specialised	22,262	–	–	22,262
Non-specialised	15,411	–	15,411	–
	37,673	–	15,411	22,262
Buildings at fair value				
Specialised	1,681	–	–	1,681
	1,681	–	–	1,681
Buildings – Leasehold at fair value				
Specialised	1,624	–	–	1,624
	1,624	–	–	1,624
Plant and Equipment at fair value				
Specialised	2,466	–	–	2,466
	2,466	–	–	2,466
Infrastructure at fair value				
Specialised Water Infrastructure	396,126	–	–	396,126
Specialised Water Distribution Assets	176,164	–	–	176,164
Specialised Water Distribution Assets – Leasehold	551	–	–	551
Specialised Wastewater Infrastructure	446,707	–	–	446,707
Specialised Recycling Infrastructure	34,215	–	–	34,215
Specialised Rural Infrastructure	138,677	–	–	138,677
Specialised Headworks Infrastructure	160,919	–	–	160,919
	1,353,359	–	–	1,353,359
BOOT Scheme Infrastructure at fair value				
Specialised	147,125	–	–	147,125
	147,125	–	–	147,125
Total assets at fair value (excluding works in progress)	1,543,928	–	15,411	1,528,517

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

Land was valued at 30 June 2016 on behalf of the Valuer-General Victoria by Egan National Valuers using the market approach which is adjusted by the Community Service Obligation reduction percentage where land is specialised in nature.

Buildings were valued at 30 June 2016 on behalf of the Valuer-General Victoria by Egan National Valuers using the cost approach or depreciated replacement cost method under the key assumption that the buildings are specialised in nature.

Infrastructure plant and equipment were valued at 30 June 2016 by KPMG using the depreciated replacement cost method under the key assumption that the infrastructure assets are specialised in nature.

(c) FAIR VALUE MEASUREMENT HIERARCHY FOR ASSETS AS AT 30 JUNE 2016 (CONTINUED)

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 Water Distribution Assets – Leasehold	—	—	—	—
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

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

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 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 assets.

An independent valuation of Coliban Water's specialised land, specialised buildings and specialised buildings – leasehold was performed by Egan National Valuers on behalf of 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 2016.

Non-specialised land

Non-specialised land is valued using the market approach. Under this valuation method, the land is compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

An independent valuation was performed by independent valuers Egan National Valuers to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the land being valued. From the sales analysed, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2016.

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

(c) FAIR VALUE MEASUREMENT HIERARCHY FOR ASSETS AS AT 30 JUNE 2016 (CONTINUED)

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 KPMG 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 2016.

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.

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 its 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 2016.

(d) RECONCILIATION OF LEVEL 3 AT FAIR VALUE

	Specialised land (\$'000)	Specialised buildings (\$'000)	Specialised buildings – leasehold (\$'000)	Specialised plant and equipment (\$'000)	Specialised infrastructure ⁽ⁱ⁾ (\$'000)	Specialised BOOT Schemes (\$'000)
2015–2016						
Fair Value						
Opening WDV at 1 July 2015	44,660	1,484	1,868	9,520	1,076,190	93,969
Purchases (sales)	(4,195)	15	72	1,319	82,350	–
Transfers between categories	–	1,254	–	(1,228)	(26)	–
Transfers in (out) of level 3	(18,380)	–	–	(6,465)	(481)	–
Gains or losses recognised in net result						
Depreciations	–	(99)	(316)	(680)	(25,595)	(3,624)
Impairment loss	(3,777)	–	–	–	–	–
Subtotal	18,308	2,654	1,624	2,466	1,132,438	90,345
Revaluation	3,954	(973)	–	–	220,921	56,780
Subtotal	3,954	(973)	–	–	220,921	56,780
Closing WDV at 30 June 2016	22,262	1,681	1,624	2,466	1,353,359	147,125

	Specialised land (\$'000)	Specialised buildings (\$'000)	Specialised buildings – leasehold (\$'000)	Specialised plant and equipment (\$'000)	Specialised infrastructure ⁽ⁱ⁾ (\$'000)	Specialised BOOT Schemes (\$'000)
2014–2015						
Fair Value						
Opening WDV at 1 July 2014	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 between categories	–	–	–	–	–	–
Transfers in (out) of level 3	–	–	–	–	–	–
Gains or losses recognised in net result						
Depreciations	–	(82)	(347)	(2,282)	(26,377)	(3,617)
Impairment loss	–	–	–	–	–	–
Closing WDV at 30 June 2015	44,660	1,484	1,868	9,520	1,076,190	93,969

⁽ⁱ⁾ 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	Significant unobservable inputs
Specialised land Land	Market approach	Community Service Obligation (CSO) adjustment ⁰
Specialised buildings Buildings	Depreciated replacement cost	Direct cost per square metre Useful life of specialised assets
Specialised buildings – Leasehold Buildings – Leasehold	Depreciated replacement cost	Direct cost per square metre Useful life of Leasehold Improvements
Plant and Equipment Plant and Equipment	Depreciated replacement cost	Cost per unit Useful life of Plant and Equipment
Water Infrastructure Water Mains	Depreciated replacement cost	Cost per metre Useful life of the Infrastructure
Water Meters	Depreciated replacement cost	Cost per unit Useful life of the infrastructure
Water Treatment Plants	Depreciated replacement cost	Average cost per treatment plant Useful life of the Infrastructure
Wastewater Infrastructure Wastewater Mains	Depreciated replacement cost	Cost per metre Useful life of the Infrastructure
Wastewater Treatment Plants	Depreciated replacement cost	Average cost per treatment plant Useful life of the Infrastructure
Water Distribution Infrastructure Distribution Mains	Depreciated replacement cost	Cost per metre Useful life of the Infrastructure
Distribution Channel	Depreciated replacement cost	Cost per metre Useful life of the Infrastructure
Water Distribution Infrastructure – Leasehold Infrastructure – Leasehold	Depreciated replacement cost	Cost per metre Useful life of Leasehold Improvements
Recycling Infrastructure Recycled Water Mains	Depreciated replacement cost	Cost per metre Useful life of the Infrastructure
Recycled Water Factory	Depreciated replacement cost	Average cost per recycled water factory Useful life of the Infrastructure
Rural Infrastructure Channels	Depreciated replacement cost	Cost per metre Useful life of the Infrastructure
Mains	Depreciated replacement cost	Cost per metre Useful life of the Infrastructure
Headworks Infrastructure Reservoirs & Basins	Depreciated replacement cost	Average cost per Reservoir Useful life of the Infrastructure
BOOT Scheme Infrastructure Treatment Plants	Depreciated replacement cost	Average cost per treatment plant Useful life of the Infrastructure

⁰ CSO adjustments of 20% were applied to reduce the market approach value for Coliban Water's specialised land for Level 3 assets. Refer Note 8(c).

NOTE 9: INTANGIBLE ASSETS

	2016 (\$'000)	2015 (\$'000)
Software		
At cost	13,774	–
Less: accumulated amortisation	(7,796)	–
Works in progress	1,316	–
	7,294	–
Water entitlements	60,052	60,052
Total Intangible assets	67,346	60,052

	Water Entitlements (\$'000)	Software (\$'000) ⁽ⁱ⁾	Intangible Works in Progress (\$'000)	Total (\$'000)
2015–2016				
Opening WDV at 1 July 2015	60,052	–	–	60,052
Additions	–	–	1,121	1,121
Transfers	–	7,301	195	7,496
Disposals	–	–	–	–
Amortisation	–	(1,323)	–	(1,323)
Closing WDV at 30 June 2016	60,052	5,978	1,316	67,346

2014–2015				
Opening WDV at 1 July 2014	60,052	–	–	60,052
Additions	–	–	–	–
Transfers	–	–	–	–
Disposals	–	–	–	–
Amortisation	–	–	–	–
Closing WDV at 30 June 2015	60,052	–	–	60,052

⁽ⁱ⁾ Software assets have been transferred from plant and equipment to intangible assets to better align with the nature of the assets. This does not impact the useful lives of the software assets transferred.

In accordance with AASB 136 *Impairment of Assets*, Coliban Water has reviewed the carrying value of water entitlements at 30 June 2016. 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.

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 Corporate Plan. Cash flows beyond the final year forecast period in the Corporate Plan have been extrapolated using a 2.5% growth rate (2014/15: 2.5% growth rate).

The carrying amount of the intangible asset with an indefinite useful live allocated to each CGU and the significant assumptions used in the calculation of the VIU is as follows:

	Bendigo CGU	Echuca CGU
Permanent water entitlements allocated to the CGU (\$ million)	\$59.63	\$0.42
Pre-tax discount rate (%)	6.63	8.13
Water use per customer (kilolitres)	180	180
Growth rate (%)	2.50	2.50
Headroom (\$ million)	\$124.15	\$16.38

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.

Growth rate: Estimates are based on CPI level price rises.

Water use per customer: Based on historical averages of water usage for customers within the regions covered by the CGUs.

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.

NOTE 10: PAYABLES**CURRENT PAYABLES****Contractual:**

Trade payables		1,554	1,041
Amounts payable to Government and agencies		158	121
Accrued expenses		13,531	9,314
Other payables		549	499

Statutory:

FBT payable		16	11
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**2016
(\$'000)****2015
(\$'000)****Notes****15,808****10,986****NON-CURRENT PAYABLES****Contractual:**

Retention and advance deposits		409	581
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409**581****Total payables****16,217****11,567****(a) MATURITY ANALYSIS OF PAYABLES**

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

1 month		14,299	8,562
2 to 3 months		1,492	2,218
4 to 12 months		328	206
More than 12 months		98	581

16,217**11,567****NOTE 11: BORROWINGS****Current Borrowings**

Loans from Treasury Corporation Victoria		4,832	1,332
Finance lease liabilities – BOOT Schemes	23	4,518	4,180

9,350**5,512****Non-current Borrowings**

Loans from Treasury Corporation Victoria		383,000	371,500
Finance lease liabilities – BOOT Schemes	23	80,602	85,120

463,602**456,620****Total borrowings****472,952****462,132****(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.

NOTE 12: PROVISIONS AND EMPLOYEE BENEFITS

	2016 (\$'000)	2015 (\$'000)
Current provisions		
Employee benefits – annual leave:		
Unconditional and expected to be wholly settled within 12 months	1,245	1,128
Employee benefits – accrued days off, time in lieu and purchased leave:		
Unconditional and expected to be wholly settled within 12 months	154	143
Employee benefits – long service leave:		
Unconditional and expected to be wholly settled within 12 months	222	208
Unconditional and expected to be wholly settled after 12 months	1,974	1,678
	3,595	3,157
On-costs relating to employee benefits:		
Unconditional and expected to be wholly settled within 12 months	258	228
Unconditional and expected to be wholly settled after 12 months	325	267
	583	495
	4,178	3,652
Non-current provisions		
Employee benefits	618	454
On-costs relating to employee benefits	102	72
	720	526
Total provisions and employee benefits	4,898	4,178
 (a) EMPLOYEE BENEFITS AND ON-COSTS		
Current employee benefits		
Annual leave	1,245	1,128
Accrued days off leave	154	143
Long service leave	2,196	1,886
	3,595	3,157
Non-current employee benefits		
Long service leave	618	454
	618	454
	4,213	3,611
Current on-costs	583	495
Non-current on-costs	102	72
	685	567
Total employee benefits and on-costs	4,898	4,178
 Employee numbers at end of financial year	187	190
 The following assumptions were adopted in measuring the present value of long service leave entitlements:		
Weighted average increase in employee costs	4.13%	4.44%
Weighted average discount rates	1.99%	3.03%
Weighted average settlement period	7 years	7 years

NOTE 13: INCOME TAX

	Notes	2016 (\$'000)	2015 (\$'000)
(a) COMPONENTS OF INCOME TAX (EXPENSE)/BENEFIT:			
Current tax	4(a)	(459)	(2,672)
Deferred tax relating to timing differences		(1,296)	2,302
Adjustments for current tax of prior periods	14(a)	2	3
		(1,753)	(367)
Income tax (expense)/benefit is attributable to:			
Loss/(profit) from continuing operations		(2,458)	(513)
Other economic flows included in net result		705	146
Aggregate income tax (expense)/benefit		(1,753)	(367)
Deferred tax (expense)/benefit included in income tax expense comprises:			
(Decrease)/increase in deferred tax assets	14(a)	159	(800)
Decrease/(increase) in deferred tax liabilities	14(b)	(1,455)	3,103
		(1,296)	2,303
(b) PRIMA FACIE TAX PAYABLE			
Net result/(deficit) before tax		8,197	5,786
Prima facie tax calculated at 30% (2014/15: 30%)		(2,459)	(1,736)
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		2	3
Previously recognised tax losses now not recognised to increase current tax expense			
Tax losses not brought to account		–	1,222
Income tax (expense)/benefit attributable to profit		(2,458)	(513)
Coliban Water will not pay income tax for 2015/16. Tax losses have been brought to account.			
(c) INCOME TAX (EXPENSE)/BENEFIT RELATING TO COMPONENTS OF OTHER ECONOMIC FLOWS AND OTHER COMPREHENSIVE INCOME			
Net gain/(loss) on revaluation of infrastructure assets and property	14(b)	(83,072)	–
Net gain/(loss) on disposal of assets		658	124
Fair value increase/(decrease) in other financial assets		47	22
Total income tax benefit/(expense) relating to components of other economic flows and other comprehensive income		(82,367)	146

NOTE 14: NET DEFERRED TAX

	Notes	2016 (\$'000)	2015 (\$'000)
DEFERRED TAX ASSET/(LIABILITY)			
(a) DEFERRED TAX ASSETS			
The balance comprises temporary differences attributable to:			
Amounts recognised in the Comprehensive Operating Statement			
Doubtful receivables		13	5
Book differences in depreciable asset values		2	19
Low value asset pool		8	8
Accruals		2,734	1,528
Employee benefits		1,469	1,253
BOOT Scheme finance leases		25,536	26,790
Tax losses		58,179	58,636
Total deferred tax assets		87,941	88,239
MOVEMENTS			
Opening balance at 1 July		88,239	91,709
Credited/(debited) to the Comprehensive Operating Statement relating to deferred tax assets	13(a)	159	(800)
Credited/(debited) to the Comprehensive Operating Statement relating to tax losses	13(a)	(457)	(2,670)
Closing balance at 30 June		87,941	88,239
Deferred tax assets to be recovered after more than 12 months		83,715	85,426
Deferred tax assets to be recovered within 12 months		4,226	2,813
Ending balance at 30 June		87,941	88,239
(b) DEFERRED TAX LIABILITIES			
The balance comprises temporary differences attributable to:			
Amounts recognised in the Comprehensive Operating Statement			
Interest and other income receivables		164	172
Book differences in depreciable asset values		92,758	107,383
BOOT Scheme assets		40,209	24,118
Other financial assets		14	17
Amounts recognised directly in equity			
Revaluation of infrastructure and property		83,072	–
Total deferred tax liabilities		216,217	131,690
MOVEMENTS			
Opening balance 1 July		131,690	134,793
Credited/(debited) to the Comprehensive Operating Statement	13(a)	1,458	(3,106)
Credited/(debited) to other economic flows	13(a)	(3)	3
Credited/(debited) to other comprehensive income	13(c)	83,072	–
Closing balance at 30 June		216,217	131,690
Deferred tax liabilities to be recovered within 12 months		178	189
Deferred tax liabilities to be recovered after more than 12 months		216,039	131,501
Ending balance at 30 June		216,217	131,690
Total net deferred tax asset/(liability)		(128,276)	(43,451)

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 2016 and therefore a net tax liability has been disclosed in the Balance Sheet.

NOTE 15: CONTRIBUTED CAPITAL

	Notes	2016 (\$'000)	2015 (\$'000)
Opening balance at 1 July		308,429	308,579
Contributions from the Victorian Government ⁽ⁱ⁾		–	(150)
Closing balance at 30 June		308,429	308,429

⁽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 (GWMW) to deliver a point of entry trial at GWMW under this program.

NOTE 16: RESERVES**ASSET REVALUATION RESERVE: LAND**

Opening balance at 1 July		29,122	29,122
Revaluation increment/(decrement) on non-current assets net of tax effect		2,768	–
Impairment losses		(2,644)	–
Closing balance at 30 June		29,246	29,122

ASSET REVALUATION RESERVE: BUILDINGS

Opening balance at 1 July		827	827
Revaluation increment/(decrement) on non-current assets net of tax effect		(681)	–
Closing balance at 30 June		146	827

ASSET REVALUATION RESERVE: INFRASTRUCTURE

Opening balance at 1 July		159,019	159,019
Revaluation increment/(decrement) on non-current assets net of tax effect		194,390	–
Closing balance at 30 June		353,409	159,019

Total reserves		382,801	188,968
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The physical assets revaluation surplus arises on the revaluation of infrastructure (including BOOT Schemes), land and buildings.

NOTE 17: RECONCILIATION OF NET RESULT FOR THE YEAR TO NET CASH INFLOWS FROM OPERATING ACTIVITIES

Net result for the year		4,094	4,931
Add/(less) non-cash movements in net result			
Depreciation and amortisation	2(b)	31,637	32,705
(Profit)/loss on disposal of non-current assets		2,192	414
Fair value (increase)/decrease in other financial assets		(3)	(12)
Payments for fixed assets in payables movement		(3,521)	1,321
Non cash developer contributions & gifted assets		(8,406)	(10,694)
Income tax (expense)/benefit		1,753	367
Movements in assets and liabilities			
Decrease/(increase) in receivables		(3,132)	316
Decrease/(increase) in inventories		(414)	92
Decrease/(increase) in prepayments		(24)	(155)
(Decrease)/increase in payables		4,650	(5,180)
(Decrease)/increase in employee benefits		720	773
Net cash inflows from operating activities		29,546	24,878

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. Lisa Neville MP	Minister for Environment, Climate Change and Water	01 Jul 2015	22 May 2016
The Hon. Lisa Neville MP	Minister for Water	23 May 2016	30 Jun 2016
Andrew Cairns	Director (Chairperson)	01 Jul 2015	30 Jun 2016
April Merrick	Director	01 Jul 2015	30 Jun 2016
David Richardson	Director	01 Jul 2015	30 Jun 2016
William O'Neil	Director	01 Oct 2015	30 Jun 2016
Marika McMahon	Director	01 Oct 2015	30 Jun 2016
Rowan O'Hagan	Director	01 Oct 2015	30 Jun 2016
Robert Cameron	Director	01 Oct 2015	30 Jun 2016
Lucy Roffey	Director	01 Oct 2015	30 Jun 2016
Russell Walker	Director	01 Jul 2015	30 Sep 2015
Rodney Thomson	Director	01 Jul 2015	30 Sep 2015
Linda Veronese	Director	01 Jul 2015	30 Sep 2015
Deborah Hambleton	Director	01 Jul 2015	30 Sep 2015
Jeff Rigby	Managing Director	01 Jul 2015	30 Jun 2016

(b) RESPONSIBLE PERSONS REMUNERATION

The number of Responsible Persons whose remuneration for the year ended 30 June 2016 falls within the following bands are:

Income band (\$)	Total Remuneration	
	2016 No. ⁽ⁱ⁾	2015 No.
0 – 9,999	4	–
20,000 – 29,999	5	–
30,000 – 39,999	2	6
60,000 – 69,999	1	1
260,000 – 269,999	–	1
280,000 – 289,999	1	–
Total Numbers	13	8

⁽ⁱ⁾ The terms of four directors concluded in 2015/16. They were Russell Walker, Rodney Thomson, Linda Veronese and Deborah Hambleton (July 2015 to September 2015). Five new directors commenced in October 2015. They were William O'Neil, Rowan O'Hagan, Marika McMahon, Robert Cameron and Lucy Roffey.

Remuneration of responsible persons

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 2015/16 by Responsible Persons including the Managing Director from Coliban Water in connection with the management of Coliban Water was \$587,712 (2014/15: \$547,230).

Related party transactions

During the financial year ended 30 June 2016, transactions to the value of \$69,214 (2014/15: \$36,668) were made between Coliban Water and the responsible persons related parties. All transactions were made under normal commercial terms.

	2016 (\$'000)	2015 (\$'000)
David Richardson is the Deputy Chair and member of the La Trobe University Regional Advisory Board to which Coliban Water paid La Trobe University two industry based learning scholarships.	32	–
Marika McMahon is a Director of the Bendigo Business Council to which Coliban Water paid for participating in a leadership program and supported the Believe in Bendigo program.	3	1
Lucy Roffey is the Director, Corporate Support of Mount Alexander Shire to which Coliban Water paid general council fees and charges.	13	11
Linda Veronese is a sitting member of the Australian Institute of Company Directors (AICD) Regional Committee to which Coliban Water paid the AICD membership, workshop and course fees for Board Directors.	21	24
	69	37

NOTE 18: RESPONSIBLE PERSONS AND EXECUTIVE OFFICER DISCLOSURES (CONTINUED)

(c) EXECUTIVE OFFICERS' REMUNERATION

The numbers of executive officers (excluding the Managing 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.

The number of executive officers whose remuneration received for the year ended 30 June 2016 falls within the following bands are:

Income Band (\$)	Total Remuneration		Base Remuneration	
	2016 No.	2015 No.	2016 No.	2015 No.
150,000 – 159,999	–	–	–	1
160,000 – 169,999	–	2	1	2
170,000 – 179,999	2	1	2	1
180,000 – 189,999	1	1	1	–
190,000 – 199,999	1	–	1	2
200,000 – 209,999	1	1	1	–
210,000 – 219,999	1	1	–	–
Total Numbers	6	6	6	6
Total Annualised Employee Equivalent (AEE) (i)	5.97	6.00	5.97	6.00
Total Amount	1,147,669	1,108,261	1,091,851	1,056,261

⁽ⁱ⁾ 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.

NOTE 19: SUPERANNUATION

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 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 2016, this was 9.5% required under Superannuation Guarantee (SG) legislation, for 2014/15, this was 9.5%).

The Superannuation Guarantee contribution rate is legislated to progressively increase to 12% by 2025. The Superannuation Guarantee rate will remain at 9.5% for 7 years, increasing to 10% from 1 July 2021, and eventually to 12% from 1 July 2025.

(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.

As at 30 June 2015, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Coliban Water is a contributing employer was 105.8%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

Net investment returns	7.0% pa
Salary information	4.25% pa
Price inflation (CPI)	2.5% pa

Vision Super has advised that the estimated VBI at 30 June 2016 was 102.0%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2015 interim 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 2015 interim actuarial investigation conducted by the Fund Actuary, 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 2016, this rate was 9.5% of members' salaries (9.5% in 2014/2015). This rate will increase in line with any increase to the 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.

(ii) Funding calls

If the Defined Benefit category is in an unsatisfactory financial position, as determined by an actuarial investigation or the Defined Benefit 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%.

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.

2015 interim actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2015 identified the following in the Defined Benefit category of which Coliban Water is a contributing employer:

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

The VBI surplus means that the market value of the 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 2015.

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 30 June 2015 VBI during August 2015.

(c) SUPERANNUATION CONTRIBUTIONS

Contributions by Coliban Water to the various superannuation plans for the financial year ended 30 June 2016 are detailed below:

Scheme	Type of Scheme	Rate	2016 (\$'000)	2015 (\$'000)
Vision Super	Defined Benefits	9.5%-12.5%	39	46
Vision Super	Accumulated Contribution	9.5%	722	662
Emergency Services & State Superannuation	Defined Benefits	9.5%-10.3%	20	29
VicSuper Scheme	Accumulated Contribution	9.5%	92	82
Other Superannuation Funds	Accumulated Contribution	9.5%	655	585
Employee Personal Superannuation Funds	Accumulated Contribution	9.5%	64	51
Total contributions to all funds			1,592	1,455

Coliban Water was not required to pay any unfunded liability payments to Vision Super during 2015/16 (2014/15 \$nil).

There were \$4,303 contributions outstanding and \$nil loans issued from or to the above schemes as at 30 June 2016 (2014/15: \$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 \$81,171.

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 the 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:

2015-2016	Contractual financial assets – loans and receivables (\$'000)	Contractual financial liabilities at amortised cost (\$'000)	Total (\$'000)
CONTRACTUAL FINANCIAL ASSETS			
Cash and deposits	6,313		6,313
Receivables⁽ⁱ⁾			
Rates and charges receivable	13,282	–	13,282
Accrued revenue	10,622	–	10,622
Other financial assets	51	–	51
Total contractual financial assets	30,268	–	30,268
CONTRACTUAL FINANCIAL LIABILITIES			
Payables			
Trade payables ⁽ⁱⁱ⁾	–	15,085	15,085
Amounts payable to government and agencies	–	158	158
Other payables	–	958	958
Borrowings			
Finance lease liabilities	–	85,120	85,120
Loans from TCV	–	387,832	387,832
Total contractual financial liabilities	–	489,153	489,153

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

⁽ⁱⁱ⁾ The total amount disclosed excludes FBT Payable.

2014-2015	Contractual financial assets – loans and receivables (\$'000)	Contractual financial liabilities at amortised cost (\$'000)	Total (\$'000)
CONTRACTUAL FINANCIAL ASSETS			
Cash and Deposits	9,134		9,134
Receivables⁽ⁱ⁾			
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			
Trade payables ⁽ⁱⁱ⁾	–	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

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

⁽ⁱⁱ⁾ The total amount disclosed excludes FBT Payable.

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 25,000 shares in Bendigo Community Telco Limited after selling 15,000 shares in the current financial year. Bendigo Community Telco Limited is listed on the National Stock Exchange of Australia. The shares held by Coliban Water had a reported value at 30 June 2016 of \$51,000 (2014/15: 40,000 shares held at \$78,000) based upon on the 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 between -0.5% and 1.0% in interest rates is reasonable over the next 12 months.

2015-2016	Carrying Amount (\$'000)	Interest Rate Risk			
		-0.5%		+1.0%	
		Result (\$'000)	Equity (\$'000)	Result (\$'000)	Equity (\$'000)
FINANCIAL ASSETS					
Cash and cash equivalents	6,313	(32)	(32)	63	63
Total Financial Assets	6,313	(32)	(32)	63	63
FINANCIAL LIABILITIES					
Borrowings – floating interest rate loans	1,332	7	7	(13)	(13)
Total Financial Liabilities	1,332	7	7	(13)	(13)
Total Increase/(Decrease)		(25)	(25)	50	50

2014-2015	Carrying Amount (\$'000)	Interest Rate Risk			
		-1.0%		+1.0%	
		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

(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 a 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.

2015-2016	Floating Interest Rate (\$'000)	Fixed Interest Rate Maturing						Non-interest Bearing (\$'000)	Total (\$'000)	Weighted Av 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	6,312	—	—	—	—	—	—	1	6,313	0.67%
Receivables (excl. statutory receivables)	—	—	—	—	—	—	—	23,904	23,904	n/a
Other financial assets	—	—	—	—	—	—	—	51	51	n/a
Total Financial Assets	6,312	—	—	—	—	—	—	23,956	30,268	
FINANCIAL LIABILITIES										
Payables (excl. statutory payables)	—	—	—	—	—	—	—	16,201	16,201	n/a
Finance lease liabilities	—	4,518	4,882	5,275	5,727	6,200	58,518	—	85,120	7.77%
Loans from TCV	1,332	3,500	30,000	25,000	30,000	25,000	273,000	—	387,832	4.84%
Total Financial Liabilities	1,332	8,018	34,882	30,275	35,727	31,200	331,518	16,201	489,153	
Net Financial Liabilities	4,980	(8,018)	(34,882)	(30,275)	(35,727)	(31,200)	(331,518)	7,755	(458,885)	

2014-2015	Floating Interest Rate (\$'000)	Fixed Interest Rate Maturing						Non-interest Bearing (\$'000)	Total (\$'000)	Weighted Av 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)	

NOTE 22: COMMITMENTS

	2016 (\$'000)	2015 (\$'000)
(a) CAPITAL EXPENDITURE COMMITMENTS		
The nominal value of capital expenditure commitments including GST outstanding as at 30 June 2016 totalled \$4.3 million (2014/15: \$4.2 million).		
Capital expenditure commitments		
Not later than one year	3,140	3,922
Later than one year and not later than five years	1,155	272
Total capital expenditure commitments	4,295	4,194
(b) OPERATING SERVICE COMMITMENTS		
The nominal value of operating service commitments including GST as at 30 June 2016 totalled \$114.5 million (2014/15: \$118.4 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 with one year remaining. Operating expenditure commitments are due and payable as follows:		
Operating expenditure commitments		
Not later than one year	27,135	19,339
Later than one year and not later than five years	30,048	40,246
Later than five years	57,361	58,763
Total operating expenditure commitments	114,544	118,348
(c) ENVIRONMENTAL CONTRIBUTION LEVY COMMITMENTS		
There were environmental contribution levy commitments as at 30 June 2016 of \$16.8 million (2014/15: \$3.3 million). The purpose of the environmental contribution is set out in the <i>Water Industry (Environmental Contributions) Act 2004</i> , 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	13,504	–
Total environmental contribution levy commitments	16,776	3,272
The environmental contribution levy in the current year totalled \$3.3 million (2014/15: \$3.3 million).		

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 the 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 finance leases

(a) FINANCE LEASE COMMITMENTS

Commitments for minimum lease payments (excluding the GST of \$8.5 million as at 30 June 2016 and \$8.9 million as at 30 June 2015), in relation to finance leases are payable as follows:

Commissioned BOOT Schemes related to finance lease liabilities	Notes	Minimum future lease payments ⁽ⁱ⁾		Present value of minimum future lease payments	
		2016 (\$'000)	2015 (\$'000)	2016 (\$'000)	2015 (\$'000)
Not later than one year		10,971	10,971	4,518	4,180
Later than one year and not later than five years		43,951	43,913	22,084	20,402
Later than five years		76,156	87,164	58,518	64,718
Minimum future lease payment		131,078	142,048	85,120	89,300
Less future interest charges		45,958	52,748	–	–
Present value of minimum lease payments		85,120	89,300	85,120	89,300
Included in the financial statements as:					
Current lease liability	11	–	–	4,518	4,180
Non-current lease liability	11	–	–	80,602	85,120
Total finance lease liabilities – BOOT schemes		–	–	85,120	89,300

⁽ⁱ⁾ 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.

	Nominal		Present Value	
	2016 (\$'000)	2015 (\$'000)	2016 (\$'000)	2015 (\$'000)
Not later than one year	8,016	8,152	7,446	7,573
Later than one year and not later than five years	36,069	34,433	27,842	26,579
Later than five years	74,097	83,750	38,625	42,085
	118,182	126,335	73,917	76,237

NOTE 24: OPERATING LEASE COMMITMENTS

(a) OPERATING LEASE ON HEAD OFFICE BUILDING AND LAKE EPPALOCK PUMPING STATION

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 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 was for a period of five years commencing 1 March 2011. The lease was extended for a further three years commencing March 1 2016.

Coliban Water entered into an operating lease agreement to operate the Lake Eppalock Pump Station. The operating lease is for a period of seventy years commencing 1 July 2000.

Total lease payments over the remaining periods of the leases including GST are expected to be \$1.6 million (2014/15: \$1.4 million).

Operating lease expenditure commitments	2016 (\$'000)	2015 (\$'000)
Not later than one year	393	382
Later than one year and not later than five years	913	776
Later than five years	240	268
	1,545	1,427

(b) OPERATING LEASES ON MOTOR VEHICLES

Coliban Water also has operating leases for motor vehicles. Total lease payments over the remaining periods of the leases including GST are expected to be \$622,234 (2014/15: \$896,406).

Operating lease expenditure commitments	2016 (\$'000)	2015 (\$'000)
Not later than one year	251	273
Later than one year and not later than five years	371	622
Later than five years	—	—
	622	895

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.

Operation and maintenance of pipelines and associated infrastructure:

Principal Activity	Interest ⁽ⁱ⁾	Water Distribution ⁽ⁱⁱ⁾ (\$'000)	Operational Costs ⁽ⁱⁱⁱ⁾ (\$'000)
2015/16			
Waranga Channel to Lake Eppalock to Sandhurst Reservoir	2/3	44,947	2,130

Principal Activity	Interest ⁽ⁱ⁾	Water Distribution ⁽ⁱⁱ⁾ (\$'000)	Operational Costs ⁽ⁱⁱⁱ⁾ (\$'000)
2014/15			
Waranga Channel to Lake Eppalock to Sandhurst Reservoir	2/3	40,300	1,484

⁽ⁱ⁾ Certain administration and operational costs are split 50/50 in line with agreement

⁽ⁱⁱ⁾ Disclosed as Water Distribution Assets – Leasehold.

The comparative 2014/15 year has been restated to \$40.3 million from \$94.992 million as a result of redistributing the 2011 revaluation values that were applied to assets within the Water Distribution category. This included the joint operation assets. The redistribution of the costs has not impacted the overall accounts as the value of the Water Distribution asset class remains the same. Refer Note 8(a).

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

As at 30 June 2016, there were \$nil outstanding liabilities incurred by Coliban Water and the joint operation (as at 30 June 2015, \$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 2016 the amount of unused credit was \$400,000 (2014/15: \$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 2030 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 2016 (2014/15: \$nil).

NOTE 28: AUDITORS REMUNERATION

The fee for auditing the financial statements of Coliban Water excluding GST for 2015/16 has been set at \$86,400 (2014/15: \$84,300) 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

There have been no matters and/or circumstances that 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:

NOTE 30: EX-GRATIA EXPENSES

The total forgiveness or waiver of debt for 2015/16 was \$132,509 (2014/15: \$149,665).

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).



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INDEPENDENT AUDITOR'S REPORT

To the Board Members, Coliban Region Water Corporation

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 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.

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, I and my staff and delegates have complied with all applicable independence requirements of the Australian accounting profession.

Opinion

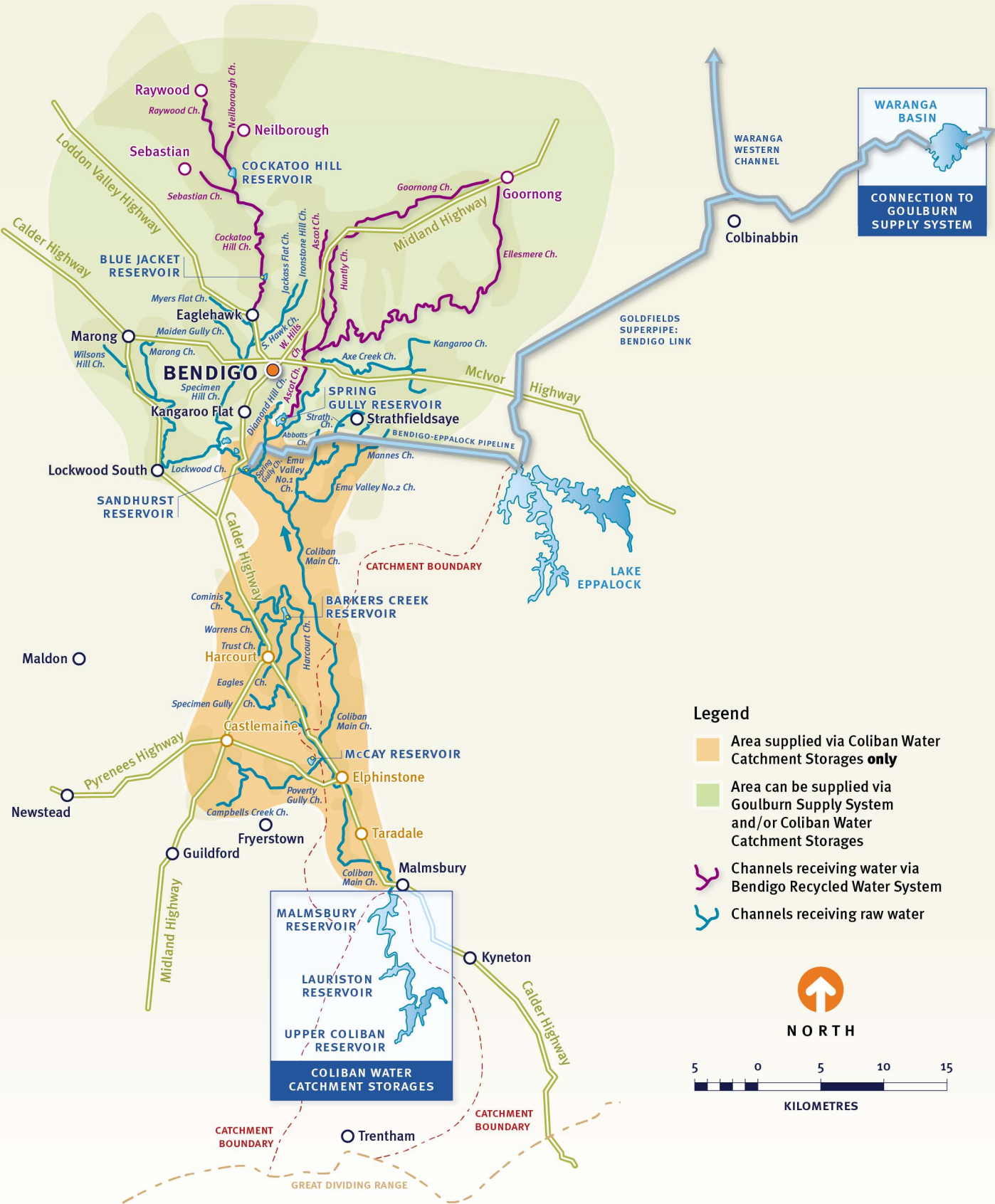
In my opinion, the financial report presents fairly, in all material respects, the financial position of Coliban Region Water Corporation as at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

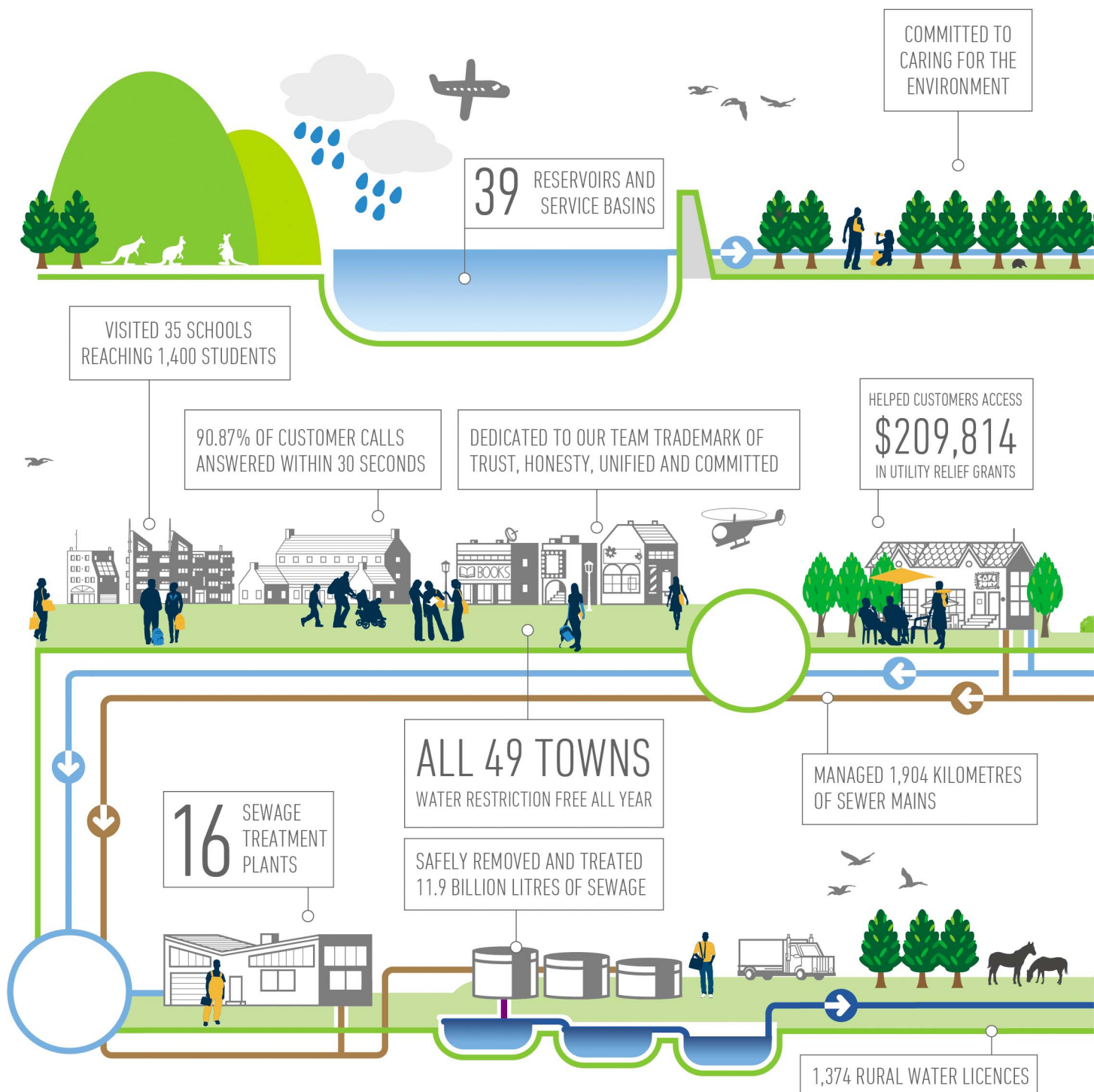
MELBOURNE
18 August 2016



for Dr Peter Frost
Acting Auditor-General

COLIBAN WATER RURAL SYSTEM DIAGRAM





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