

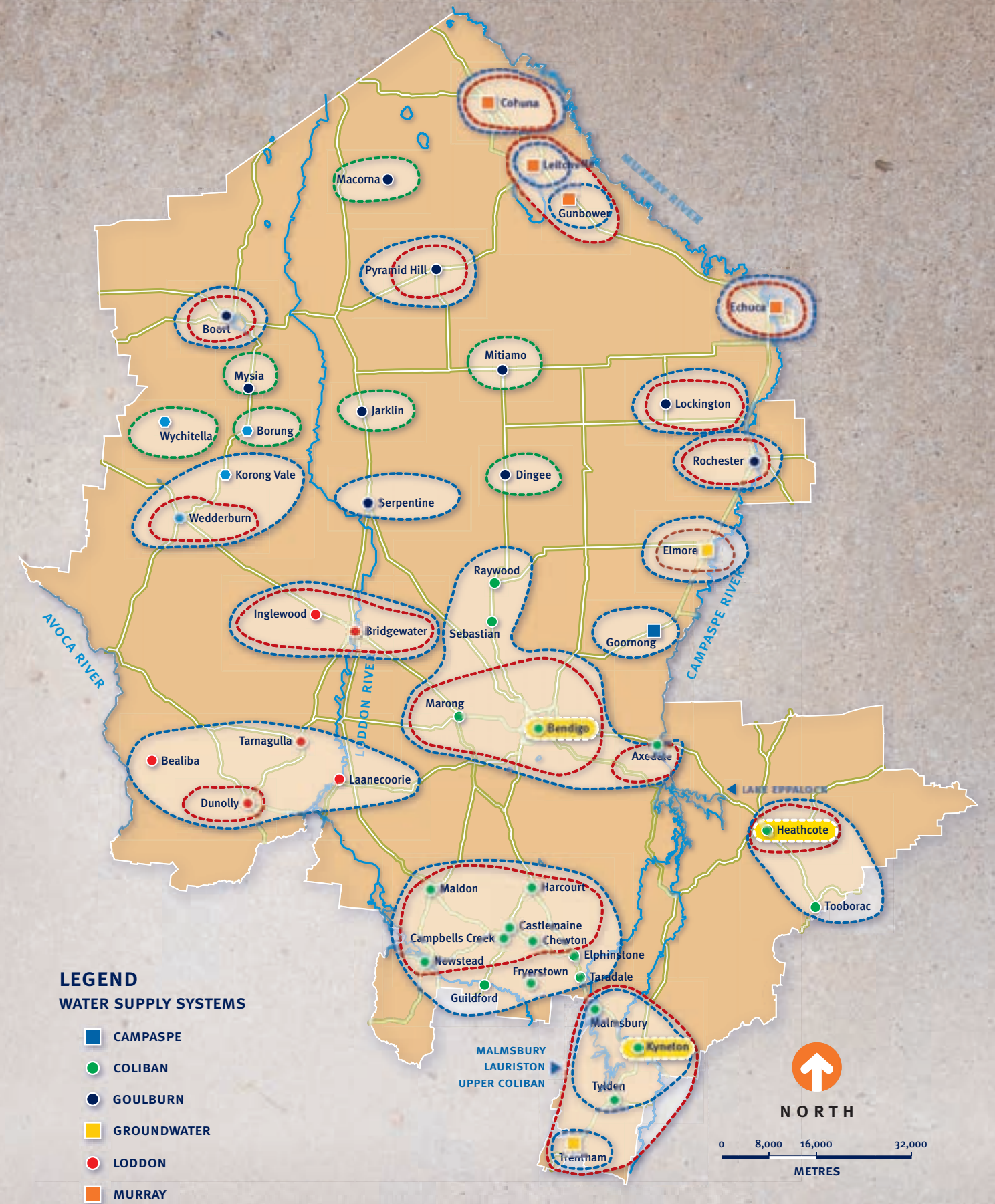


# ANNUAL REPORT 2014

BUILDING A SUSTAINABLE FUTURE







# ABOUT THIS REPORT

## Contents

Coliban Water Service Region Diagram	Inside Cover
Introduction	2
Chairman and Managing Director's Message	3
Our Strategic Direction	4
Customers and Community	6
Water Security	10
Capital Projects	18
Water Quality and Reliability	20
Wastewater System	26
People and Development	29
Environmental Performance	31
Governance and Risk	34
Statutory Performance	39
Performance Report	43
Director's Certification	43
Independent Auditor's Report	47
Disclosure Index	49
Financial Performance Summary	51
Understanding the Financial Statements	55
Financial Statements	56
Independent Auditor's Report	88

This Annual Report describes the programs, initiatives and actions we undertook between 1 July 2013 and 30 June 2014. It reports on our progress in implementing our 2013/14 *Corporate Plan*.

## Vision

To meaningfully contribute to improving living standards in our region.

## Mission

To realise our vision by:

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

## Our profile

Coliban Region Water Authority was established on 1 July 1992 under the *Water Act 1989* as a Regional Urban Water Authority. The Authority became the Coliban Region Water Corporation on 1 July 2007 and operates as Coliban Water. Our shareholder is the Victorian Government. Our responsible Minister for the year was The Hon. Peter Walsh MLA, Minister for Water.

We provide water and wastewater services to a region with a population of over 146,000 people, across 16,500 square kilometres of Central and Northern Victoria. Our service area covers 49 towns in nine separate supply systems, extending from Cohuna and Echuca in the north to Kyneton and Trentham in the south; and from Boort, Wedderburn, Bealiba and Dunolly in the west to Heathcote and Tooborac in the east.

## About the cover

Our 2014 cover highlights the major capital project that commenced during the 2013/14 financial year – the Harcourt Rural Modernisation Project.

This \$40 million project will replace the existing concrete and earthen gravity channel system with a 65 kilometre pressured pipeline for a year round supply to rural customers in the Harcourt region.

The project is expected to be completed in late 2014.

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Photography for cover supplied by:  
Coliban Water and Shooter Photography.

# INTRODUCTION

## Connections

Connections		
	30 June 2014	30 June 2013
Residential	64,195	62,861
Non-residential	6,691	6,618
Rural licences	1,360	1,373

## 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:

- › 2,289 kilometres of water mains (potable and non-potable)\*
- › 46 kilometres of recycled water infrastructure
- › 1,856 kilometres of sewer mains
- › 428 kilometres of rural channels
- › 69 kilometres of main channels
- › 16 water treatment plants + 3 operated by Veolia Water (Bendigo, Castlemaine and Kyneton) as a BOOT partner
- › 15 water reclamation plants + 1 operated by ETE Coliban Pty Ltd (Echuca) as a BOOT partner
- › 34 water reservoirs and service basins + 3 operated by Veolia Water as a BOOT partner
- › 176 wastewater pump stations
- › 76 water pump stations

*\*The variance to 2013 Annual Report figure can be explained through data verification completed during the year and reconciliation between our asset system and GIS.*

Asset values	Net book value (000's)
Land	40,709
Buildings	3,422
Corporate assets	7,824
Water infrastructure	301,017
Water distribution infrastructure	128,413
Sewer infrastructure	378,453
Recycling infrastructure	48,560
Rural	23,323
Headworks	169,420
BOOT <sup>(1)</sup> schemes infrastructure	81,835
Works in progress	78,732
<b>TOTAL</b>	<b>1,261,708</b>

- <sup>1</sup> *Build Own Operate Transfer.  
These assets are owned by our BOOT partners.*

# CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE

This year has been one of achievement for Coliban Water as we transform the water corporation off the back of major changes implemented the year before. These earlier changes encompassed reconfiguring our business model, the re-contracting of core services to a new private sector provider, repatriating functions that were previously outsourced back into the business and restructuring the organisation to align to the new model. Our reported results for 2013/14 demonstrate the wider benefits that are now being delivered through the much needed change.

We achieved stepped improvement in our financial performance and position, with cash flow from operating activities and our net result for the financial year notably stronger compared to previous years, and our total expenses marginally lower than last year. The results reflect our heightened focus on more efficiently and effectively managing our business, enhancing the lifecycle of our asset base and achieving better value and return from market-delivered core services.

The imperative has been to improve our financial sustainability risk rating, as determined independently by the Victorian Auditor-General's Office (VAGO), from our current rating of high risk, which has been a long-standing situation. We look forward to VAGO's rating advice when it reports to the Victorian Parliament in February 2015 and anticipate receiving an improved rating outcome reflective of our latest performance.

Our water resources remained secure throughout the year, and it was the first reporting year where Permanent Water Savings Rules were in place for all urban supplies across our region for an entire year. In July 2013, we announced that rural customers had access to full allocations for the 2013/14 season – the third consecutive year in which we have been able to announce such an allocation.

During the course of the year, we traded temporary water entitlements that were surplus to our planned supply needs, which provided a valuable financial return to the corporation and at the same time enabled buyers to acquire much-needed water through the temporary water market over the summer and early autumn period. At year-end, our water resource position has us well placed moving into next year.

The modernisation of the rural water supply servicing our Harcourt rural customers continues to advance as planned, with implementation anticipated to be completed before the end of 2014.

By 30 June, the pipeline contractor had laid close to 50 per cent of the 19 kilometre back-bone pipeline and 18 per cent of the 46 kilometres of reticulation pipeline.

We completed two major projects at Rochester during the year. The \$8 million upgrade of the town's water treatment plant, including works to protect the facility from future floods ensures the continued year-round supply of high quality drinking water from sources of supply where quality can vary widely throughout the year.

The \$9.5 million Rochester Water Reclamation Plant project replaced the aged treatment facility and upgraded the quality of the recycled water produced onsite from Class C standard to Class B. This higher quality recycled water provides a valuable supplement to the recycled supply from the Campaspe Water Reclamation Project to local irrigators for almost a decade from our Echuca Water Reclamation Plant.

Our independent pricing regulator, the Essential Services Commission (ESC), approved our rural pricing and tariff proposals for the next four years, effective on 1 July 2014. This followed from the decision of the ESC back in June 2013 to only approve rural prices for this financial year, which was proposed at the time by Coliban Water. We then conducted extensive consultation with our rural customers on the separate four year proposal, with much of the feedback incorporated into the final application that was presented to the ESC in early 2014. Rural customers now have pricing certainty, with price increases for the next four years capped at CPI (inflation).

For urban customers, efficiency initiatives pursued during the year will enable us to either reduce or contain our costs from next year and our urban prices will be lower than previously approved by the ESC.

In September 2013, we farewelled David Beard and Jean Sutherland following the completion of their terms as Board Directors. At the same time, we welcomed April Merrick and Deborah Hambleton who were each appointed for a four-year term commencing from 1 October 2013, and Andrew Cairns and Rod Thomson were re-appointed also for four-year terms. In May 2014, we welcomed David Richardson who was appointed as a new Board Director following the resignation of Andrew Skewes in November 2013. We acknowledge and sincerely thank David, Jean and Andrew for their invaluable contribution to the governance of our organisation.

Looking ahead, there remains significant scope to better our reported performance for the year just concluded. We look forward to taking on the challenge of further raising our performance bar, as we focus on our pursuit of, and growing passion for, innovation, optimising our resources and capabilities for improved outcomes, collaborating and engaging with our key stakeholders and partners, all while achieving a proper balance in the delivery of better results.

In accordance with the *Financial Management Act 1994*, we are pleased to attest that Coliban Water's 2013/14 Annual Report is compliant with all statutory reporting requirements.



Jeff Rigby  
Managing Director



Andrew Cairns  
Chairman

# OUR STRATEGIC DIRECTION

Our vision is to meaningfully contribute to the well-being of our region.

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 (KRA).

The table below provides a summary of our strategic outcomes and progress for the year.

Strategic outcome	Short term key deliverables	Progress
<b>KRA 1 Engage with the community and stakeholders to understand and meet their water cycle needs</b>		
<b>Strengthening our stakeholder relationships through engagement and understanding</b> <i>Highly valued products and services</i> <i>Building brand equity</i>	<ul style="list-style-type: none"> <li>Connecting with customers through new channels including <i>Your Town</i> visits across the region</li> <li>Establish our Corporate Identity – who are we and what we stand for as an essential services provider</li> </ul>	Completed, Ongoing Commenced
<b>A trusted monopoly enterprise and economic partner</b> <i>Strong and effective relations with regulators</i>	<ul style="list-style-type: none"> <li>Identify all regulatory bodies, confirm scope of responsibilities and dependencies</li> <li>Survey regulators to establish and measure how they rate us</li> <li>Explore how each party can work together to make regulation of the business easier and more effective to reduce red tape</li> </ul>	Underway  Underway Underway
<b>Our business performance will be underpinned by transparent and effective governance</b> <i>Getting our ‘business as usual’ right</i>	<ul style="list-style-type: none"> <li>Review and improve Information Technology governance for the business</li> </ul>	Completed
<b>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</b>		
<b>Enabling our stakeholders to manage their risks and achieve their goals</b> <i>Stakeholder engagement and corporate leadership</i>	<ul style="list-style-type: none"> <li>Identify and define stakeholders</li> <li>Confirm stakeholder requirements and expectations via a stakeholder survey</li> <li>Clarify responsibilities and accountabilities for stewardship of deliverables to all stakeholders</li> </ul>	Completed Underway  Underway
<b>Maximising benefits through optimal decisions and solutions</b> <i>Triple bottom line, whole of life methods</i> <i>Greater rigour in operational planning, budgeting and procurement</i>	<ul style="list-style-type: none"> <li>Industry wide assessment tools to improve quantitative analysis, cost externalities and identify funding opportunities for whole-of-water cycle initiatives</li> <li>Implement external peer review of business cases</li> <li>Further develop our capital investment prioritisation tool</li> </ul>	Underway  Completed, Ongoing Underway
<b>Enhanced value from our asset base and capital structure</b> <i>Efficient and effective management of asset base and debt portfolio</i>	<ul style="list-style-type: none"> <li>Align our debt repayment profile with the profile of our asset residual lives</li> <li>Implement strategy of debt repayment</li> <li>Identify and prepare plans to dispose of surplus land assets</li> </ul>	Underway  Underway Underway

# OUR STRATEGIC DIRECTION

Strategic outcome	Short term key deliverables	Progress
<b>KRA 3 Ensure improved services, increased standards of living and commercial viability are incorporated into all our financial plans</b>		
Our business success through collaboration and innovation <i>Collaborate and innovate</i>	<ul style="list-style-type: none"> <li>Optimisation of electricity and chemical procurement</li> </ul>	Completed
Focussing on our 'Customer of the Future' and intergenerational equity <i>Breaking even on the bottom line within five years</i> <i>Long term pricing for intergenerational equity</i> <i>Rural rationalisation and establish areas for primary production</i>	<ul style="list-style-type: none"> <li>Rural customer engagement targeted to each rural channel system as part of system reconfigurations</li> <li>Introduce Earnings Improvement Program (EIP)</li> <li>Develop ten year price modelling based on scenarios</li> <li>Completion of Harcourt Rural Modernisation Project</li> </ul>	Underway  Phase 1 completed Underway Underway, due end of 2014
Engaging regulators to achieve better business outcomes <i>Regulation that value adds</i>	<ul style="list-style-type: none"> <li>Determine the cost of regulation</li> <li>Set effective regulatory objectives</li> </ul>	Completed Completed
<b>KRA 4 Ensure our sustainability and actively contribute to regional sustainability</b>		
Partnering in economic and regional development to grow our business and our region <i>Supporting and servicing urban, rural and regional development</i> <i>Integrated water cycle management and water substitution opportunities</i>	<ul style="list-style-type: none"> <li>Engage with all levels of government on economic development opportunities, including the Harcourt Rural Modernisation Project</li> <li>Promote and support storm, rain and mine water initiatives throughout region, within whole-of-water cycle framework</li> <li>Consider integrated servicing and infrastructure planning for new land development</li> <li>Where feasible develop water resource policy and economic pricing model for substitute water products as part of the regional strategy development</li> </ul>	Ongoing  Ongoing  Underway  Phase 1 completed
Flexible use of fit for purpose recycled water <i>Recycled water for the environment and to augment supplies</i>	<ul style="list-style-type: none"> <li>Ensure Environment Protection Authority (EPA) Licences and health regulations enable maximum flexibility in the future use of recycled water and its value to the environment is accepted by regulatory bodies</li> <li>Support community, political and water industry debate on Indirect Potable Reuse (IPR). Note that this is not part of current government policy</li> <li>Develop a contingency plan for supplementing Bendigo's drinking water supply as a future response to a severe drought event</li> </ul>	Ongoing  Ongoing  Underway
Effectively managing our critical risks <i>Business continuity and recovery</i>	<ul style="list-style-type: none"> <li>Development of revised Risk Management Framework</li> <li>Enhance risk reporting for Management and the Board</li> <li>Review and update IT Disaster Plan</li> <li>Implementation of Fatal Risk Control Protocols across the business</li> <li>Bypass plans developed to enable continuity of supply in the event of major incidents for all major supply systems</li> <li>Hand back and hand over plans developed for all major outsourcing contracts</li> <li>Pre work completed for pipeline connection of Bendigo and southern townships</li> <li>Principles-based arrangement in place with all Lake Eppalock water entitlement holders and the storage operator to optimise future water supply outcomes</li> </ul>	Completed Completed Completed Underway  Completed Underway Underway Ongoing



# CUSTOMERS AND COMMUNITY

Understanding our customers and strengthening our stakeholder relationships is at the core of our focus in customers and community.

## Customer Support

### Grade of Service

We achieved our Essential Services Commission (ESC) Grade of Service target to answer 90 per cent of calls to our 1300 363 200 number in 30 seconds during business hours.

Our end of year result was 90.32 per cent. It is the first time we have achieved the target since the target was increased from 85 per cent to 90 per cent in 2011. In 2011 our result was 88.85 per cent, in 2012 it was 83.34 per cent, and in 2013 our result was 85.9 per cent.

A total of 84,754 calls were recorded for the year. This is a 20 per cent increase in call volume (on average) since 2011.

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

In total the team handled 126,724 contacts for the year compared to 105,212 in the previous year. This includes telephone, email and over-the-counter contact.

### Customer service benchmarking

We participate in Customer Service Benchmarking Australia which benchmarks our Customer Contact Centre against other water corporations and utilities. It includes a series of calls over three months into our contact centre to assess our performance.

This year we ranked fifth out of 22 water corporations compared to sixth last year and eighth the previous year. Our performance continues to outperform the Water and Energy Sector averages, particularly in the areas of customer's overall experience, average connect time and greeting quality.

Our overall customer satisfaction score rose 12 points from 158 last year to 170, which again out performs the Water and Energy Sector averages of 159 and 135 respectively. We use the benchmarking report to identify opportunities for improvement.

### 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 80 complaints were made to EWOV compared to 65 last year. Ten of these were referred for higher level investigation, a 17 per cent reduction on the previous financial year. In addition one enquiry was noted for Coliban Water.

Issues taken to EWOV were predominantly water use volumes (17 cases) and billing charges (39 cases). Other matters raised included rural operational issues and customer's disputing their responsibility relating to private extensions and minor trade waste.

EWOV referred the equivalent of 1.2 complaints for every 1,000 customer to us for action during 2013/14, compared to the ESC's target of two per 1,000 customers. As a percentage of total water industry cases, we remain below EWOV's target of an equivalent portion of case share to our customer base share (10 per cent).

We believe cost of living pressures are a key factor for the increased billing related enquiries, with 27 complaints centred predominantly on access charges.

2013/14	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Enquiry	–	–	–	–	–	–	–	–	1	–	–	–
Unassisted Referral (UR)	–	1	–	1	3	1	1	3	1	1	1	–
Assisted Referral (AR)	4	4	5	9	4	2	2	6	4	3	7	3
Investigations	–	–	2	1	–	–	–	–	4	1	–	2
Real time resolutions	–	–	–	–	–	1	–	–	2	–	–	–



# CUSTOMERS AND COMMUNITY

## 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 625 enquiries referred for further review and investigation – two less than last year.

Cost of living pressure was stated as a continued predominant driver for complex enquiries, with consumption related queries accounting for 35 per cent of issues raised during the year. Operational issues accounted for a further 32 per cent of all complex enquiries – with sewer overflows, intrusions and blockages, together with water leaks, water quality and water pressures as the predominant customer triggers. Revenue related issues accounted for a further 28 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 five PWSR breach reports during the year. All were investigated and no action taken.

Investigation summary 2013/14	Number
Consumption	217
Revenue (Billing, Meters, Tariffs)	176
Operational issues, site restoration, compensation claims and sewer intrusions	200
EWOV cases	27
PWSR offender investigation	5
Penalty infringement notices issued	0
Restrictors applied for breach of water restrictions	0
<b>TOTAL ACTIONS</b>	<b>625</b>

## Management of social and economic impacts

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

This year we processed 12,866 payment arrangements compared to 11,192 last year. Customers experiencing payment difficulties are offered a payment arrangement. A high percentage of customers use payment arrangements for payment convenience. We have commenced a project to update all payment arrangements for customers whose payment amount is not covering their level of debt.

We reviewed and updated our Urban Customer Charter this year. It is based on the Essential Services Commission (ESC) Customer Service Code Urban Water Businesses. It provides our standards and conditions of service and supply. We also have a Rural Customer Charter and a Trade Waste Customer Charter. All our charters are available on request or from our website.

## 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 \$283.90 per year, or if a household is billed for only a water or sewerage service, the concession is capped at \$141.95 per year.

This year the concession increased by \$6.90. We have approximately 20,800 customers in our region who are eligible for this payment.

Utility Relief Grants support eligible concession card holders who are unable to pay their account due to a temporary financial crisis (within last 12 months). Over the past 12 months we have had a focus on actively providing information to eligible customers with regard to the Utility Relief Grant which has seen the total amount granted increase by \$24,536 over the past 12 months.

Concessions and rebates	2013/14	2012/13	2011/12
Not for profit rebates	\$367,185	\$336,196	\$360,047
Pension concession	\$5,009,105	\$4,732,892	\$4,440,380
Utility relief grant	\$64,792	\$40,256	\$34,054
Water concession: life support machines/haemodialysis	\$360	\$596	\$793
Hardship relief grant scheme	\$8,295	\$29,176	\$30,820

# CUSTOMERS AND COMMUNITY

## Community inclusiveness

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

We offer telephone interpreter and text telephone (TTY) services to assist non-English speaking and speech and hearing impaired customers.

## Living Victoria Rebates

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

Over the past year we have had 475 approved applications totalling \$193,287 in rebates for the financial year. This amount was made up of 403 Home & Garden rebates totalling \$66,260 and 72 Small Business rebates totalling \$127,027.

## Rural pricing review

Following feedback we received from rural customers during our *Water Plan 2013–2018* consultation in 2012/13, we wanted to understand the view of the broader rural customer base in relation to the structure of rural tariffs.

In late 2013 we asked our rural customers to participate in a telephone survey with an independent market researcher. A quarter of our customers took part, with two key changes identified that helped to finalise our proposal to the Essential Services Commission (ESC) for rural tariffs from 1 July 2014.

Harcourt rural customers were not included in the survey as prices for the new modernised Harcourt rural system were finalised during the planning phase for the Harcourt Rural Modernisation Project.

## Standpipes and water carters

In 2013/14 we had 1,217 private and commercial water carters registered for potable water carting and 38 registered for recycled water carting. These permits allow customers to take water from various standpipes within our region. Coliban Water directly controls 14 of these standpipes.

A total of 146.6 megalitres was taken from the Coliban Water managed standpipes (including recycled water standpipes) for the year. This was lower than the previous year total of 200.5 megalitres, most likely driven by cooler November to January temperatures with increased rainfall in February.

## Community Relations and Communication

### Customer and community committees

In addition to working with our customer committees we take every opportunity to meet and work with local interest groups including town progress associations. Our committees and involvement with community groups helps us understand and learn more about the towns and communities where we provide services.

Our committees:

- Harcourt Water Services Committee which met in person twice this year and has been kept informed about progress of the Harcourt Rural Modernisation Project.
- Cockatoo Hill Rural Reference Group met in person once this year. Rural reconfiguration of the Cockatoo Hill rural system is of interest to this group.
- Rural Customer Advisory Group which met in person twice this year. The focus was on rural tariffs and effective engagement of rural customers in conversations about what our future rural system looks like.

### Your Town community visits program

Our *Your Town* community visits program continued this year, providing our customers an opportunity to meet with our Customer Support Team – engaging face-to-face to learn more about our customers, understand issues at a local level and to proactively respond to customer enquiries.

By the end of June we had visited 15 towns across our region and met with over 200 customers.

This initiative will continue for 2014/15.

### Capital projects

We develop community relations programs for our capital projects. This includes mapping all stakeholders in the project. Our largest community relations projects for the year include the Harcourt Rural Modernisation Project and the Pine Safety Removal Project at Lauriston and Malmsbury reservoirs.

### Harcourt Rural Modernisation Project

Our most complex engagement program this year has been for the Harcourt Rural Modernisation Project. The project will connect approximately 160 landowners to a new rural piped system in the agricultural area of Harcourt. The new pipeline network will replace an historic open channel system that currently supplies the area.

Landowner engagement has been significant with 118 easements on private property. Construction commenced in March 2014 and, prior to any construction activity on private land, we have met with each landowner to discuss and address any concerns.

We need to ensure all customers are ready for connection to the new system when it is complete and to keep the community informed about the project, particularly for things like traffic management on local roads.

# CUSTOMERS AND COMMUNITY

## **Pine Safety Removal Project**

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

We will be removing the trees that pose the greatest risk in stages over the coming years and revegetate using plants local to the area.

During the year we removed the pine trees surrounding the recreation areas at Lauriston and Malmsbury Reservoirs. Customers and community were kept informed of the removal works taking place, with closure to these areas and traffic management in place whilst these works were underway.

These areas are now re-opened to the public with revegetation works set to commence in early 2014/15.

## **Indigenous consultation**

### **Harcourt Rural Modernisation Project**

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

A total of nine sites of Aboriginal cultural heritage significance required salvage excavations to be undertaken by the Cultural Heritage Advisor and Dja Dja Wurrung members, to recover and protect heritage material prior to construction. These works were completed, with more than 1,200 artefacts now to be analysed and catalogued before being returned to the ground at the end of construction.

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

### **Land Use Activity Agreement (LUAA)**

Under the requirements outlined in the LUAA, we advised the Dja Dja Wurrung Corporation of a new powered trash grate to be installed on the Coliban Main Channel. The Dja Dja Wurrung Corporation completed an Aboriginal Cultural Heritage assessment on 2 June 2014 at the site.

The assessment did not find any items of significance, nor did they place any conditions upon the construction of the works.

## **Information and education**

We have continued our approach to communicate directly with our customers, whilst developing our presence online through a number of platforms – including our website.

Information is provided to our customers via post, online, publications and with traditional media outlets.

Our website traffic is largely driven around customer account information, projects and latest news. We are looking at improvements to our content functionality in the coming year, with a broader customer content driven focus going forward.

## **School and community education**

We have a dedicated role within our business to continue our commitment to school and community education programs and initiatives.

We continue to deliver educational based programs around our core business functions of water and wastewater treatment and delivery, with specifically developed activities that cater from early childhood to tertiary groups.

# WATER SECURITY

## Water supply systems

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

Our three Coliban River catchment storages (Upper Coliban, Lauriston and Malmsbury), located near Kyneton, started the year at 46,900 megalitres (67 per cent of capacity), reaching a maximum of 71,038 megalitres on 3 October 2013. The storages then slowly decreased to 46,150 megalitres (66 per cent of capacity) on 16 May 2014 but increased slightly to close the year at 47,728 megalitres (67 per cent of capacity).

Our share of Lake Eppalock at the start of the financial year was 46,114 megalitres (84 per cent of full capacity) and at 30 June 2013 was 49,926 megalitres (91 per cent of full capacity).

During the year inflows exceeded storage capacity and we consequently spilled water from both our Coliban River catchment storages (13,418 megalitres) and from our share of Lake Eppalock (1,955 megalitres). In addition, we spilled 8,546 megalitres from our spillable water accounts attached to our Murray supply system.

We reached our predetermined trigger level in our catchment storages and ceased the transfer of water to Bendigo, using our share of water stored in Lake Eppalock as the alternate source to supply the Bendigo system. For the year, we pumped a total of 855 megalitres from Lake Eppalock. In addition 200 megalitres of water was pumped from the Waranga Channel at Colbinabbin on behalf of Central Highlands Water in order to refresh the water in the pipe.

During 2013/14 we have actively reviewed our method for forecasting demand on a system by system basis. We have also established four volumetric triggers for our major storages in order to better manage the balance of the raw water supply between our northern and southern systems based on annual inflow.

## Water storage volumes

	As at 30 June 2013 Megalitres (ML)	As at 30 June 2014 Megalitres (ML)	% full 30 June 2014
<b>Storage volume in our region</b>			
Coliban System Northern – Sandhurst Reservoir	2,072	1,505	58%
Coliban System Northern – Caledonia Reservoir	119	174	81%
Coliban System Northern – Lake Eppalock (Coliban Water share)	46,114	49,926	91%
Coliban Rural Northern – Spring Gully Reservoir (recycled water)	539	702	42%
Coliban System Southern – Upper Coliban Reservoir	27,886	25,810	68%
Coliban System Southern – Lauriston Reservoir	14,890	15,780	80%
Coliban System Southern – Malmsbury Reservoir	4,124	6,138	51%
Coliban System Southern – McCay Reservoir	1,216	1,184	87%
Coliban System Southern – Barkers Creek Reservoir (rural)	1,410	0	0%
Groundwater – Trentham storages	60	69	82%
<b>Total</b>	<b>98,430</b>	<b>101,288</b>	<b>77%</b>
<b>Available water in other systems</b>			
Campaspe System Bulk Entitlement – held in Lake Eppalock	332	331	n/a
Campaspe System Water Shares – held in Lake Eppalock	3,075	260	n/a
Coliban System Northern Water Shares – held in Lake Eildon	23,666	3,475	n/a
Goulburn System Bulk Entitlement – held in Lake Eildon	1,164	881	n/a
Loddon System Bulk Entitlement – held in Loddon storages	390	390	n/a
Murray System Bulk Entitlement (and share) – held in Murray River storages	9,302	250	n/a
Wimmera System Bulk Entitlement – held in Grampians storages	326	297	n/a
<b>Total</b>	<b>38,255</b>	<b>5,884</b>	<b>n/a</b>
<b>TOTAL</b>	<b>136,225</b>	<b>107,172</b>	<b>n/a</b>

### Water storage volume notes:

- The volume of water held in our storages at 30 June 2014 is 101,288 megalitres which is 2,858 megalitres more than water held in storage at the end of June 2013. The amount stored in the Coliban catchment storages was 828 megalitres higher largely due to several months of good inflows in late winter and early spring.
- 94 per cent of our total water resource of 107,172 megalitres, is held in our storages, including our share of Lake Eppalock. The remaining 5,884 megalitres is held in storages controlled by Goulburn-Murray Water (G-MW) and Grampians Wimmera Mallee Water. Some of this water is at risk of spill in 2014/15 should any of these storages fill and overflow or pre-releases are made by the G-MW Resource Manager.

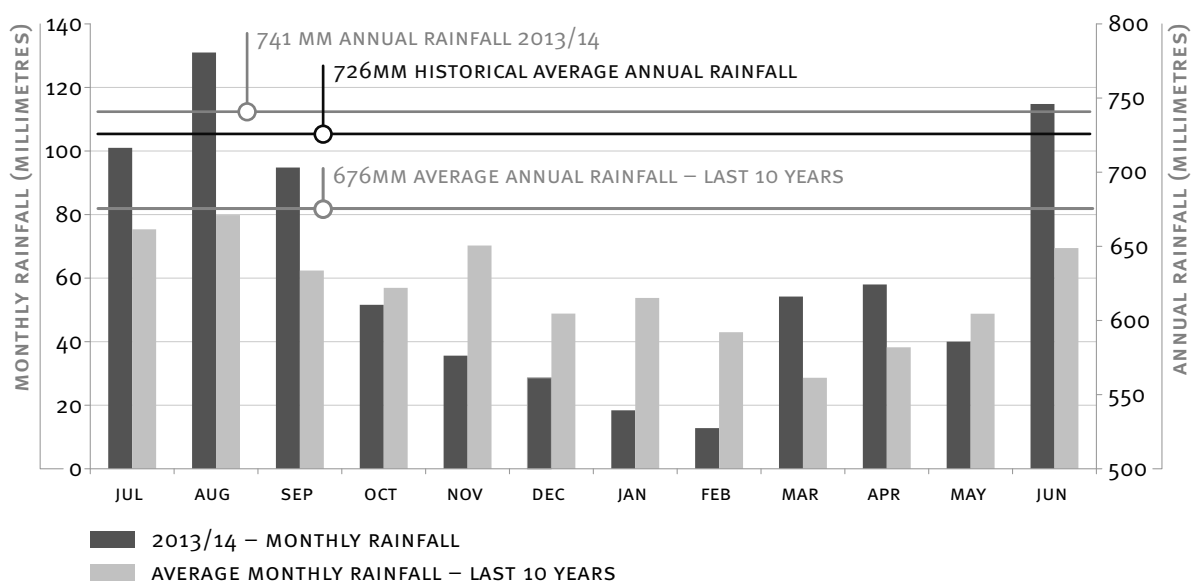


# WATER SECURITY

## Rainfall and water inflows

We received 741 millimetres of rainfall at Malsbury Reservoir for the year. This is 10 per cent more than the 10-year average of 676 millimetres and two per cent more than the long-term historical average of 726 millimetres. We received above average rainfall in July, August and September 2013; and March, April and June 2014.

MALMSBURY RESERVOIR MONTHLY RAINFALL 2013/14

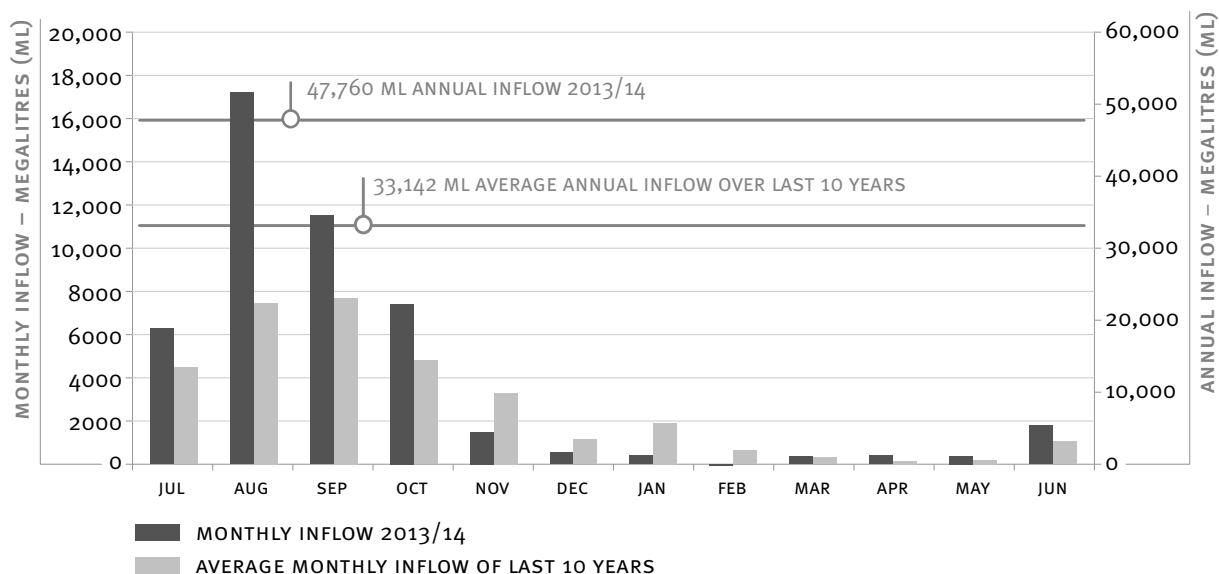


We received 100 per cent of our water allocations across our region from our bulk water suppliers, with the exception of Grampians Wimmera Mallee Water where we received 82 per cent.

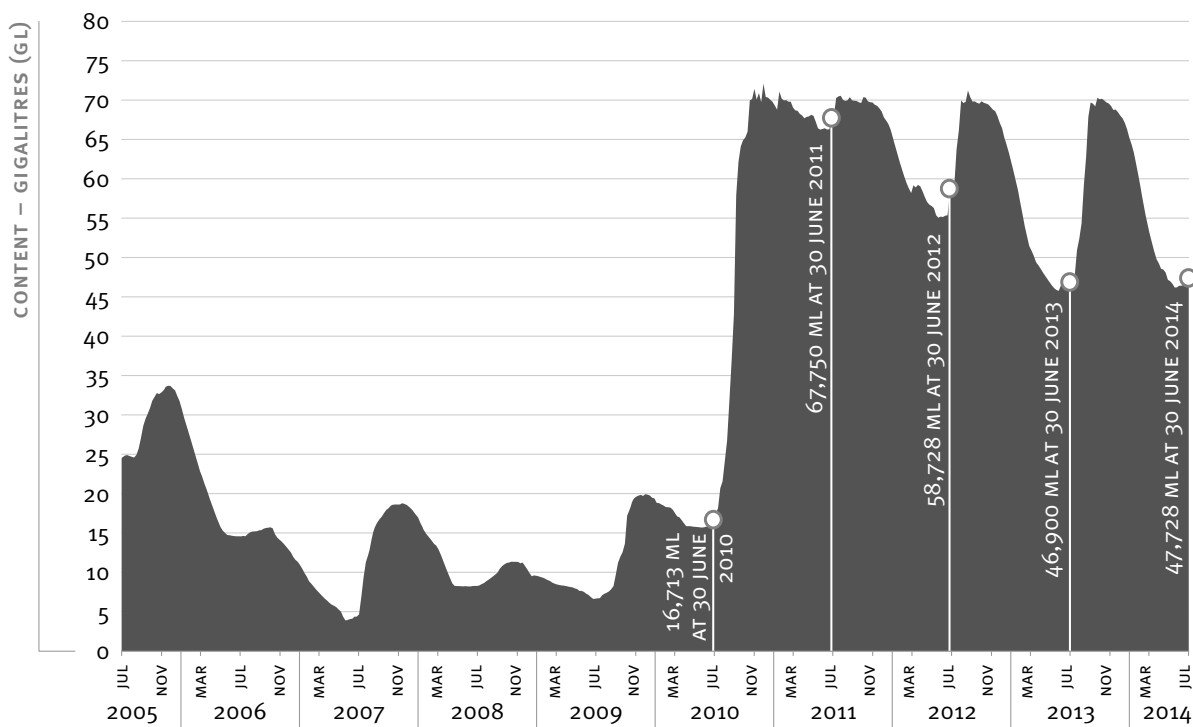
Our catchment storages received good inflows of 47,760 megalitres (85 per cent of the median of 56,152 megalitres) following an average spring. Summer was dry in our region with 886 megalitres inflows and below the long-term summer median of 2,082 megalitres. Autumn and winter, received 1,145 and 25,292 megalitres of inflows respectively. Our storage levels, together with our carryover water and the predictions for allocations from our bulk suppliers, places our water resources across our region in a good position for the coming year.

# WATER SECURITY

## COLIBAN HEADWORKS STORAGES > MONTHLY INFLOW 2013/14



## COLIBAN STORAGE CONTENTS > UPPER COLIBAN, LAURISTON & MALMSBURY RESERVOIRS



# WATER SECURITY

## Bulk Water Entitlements

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

### THE VOLUMES TAKEN DURING 2013/14 WERE AS FOLLOWS:

Supply system	Source of supply	Bulk Entitlement volume Megalitres	Bulk Entitlement allocation Megalitres	Balance 1 July 2013 Megalitres	Raw water volume taken Megalitres	Balance 30 June 2014 Megalitres	Reporting requirements in accordance with Bulk Entitlement (BE) clause
<b>Campaspe</b>	<b>Campaspe River</b>						
<b>Bulk Entitlement reference: Bulk Entitlement (Axedale, Goornong &amp; part Rochester) Conversion Order 1999</b>							
Axedale & Goornong		215	215	204	55	204	12.1(b) – Annual volume taken – 55 megalitres 12.1(c) – Any credits granted – Nil 12.1(d) – Metering program – Nil
Rochester		134	134	127	0	127	12.1(e) – Temporary or permanent transfer of all or part of BE – Nil 12.1(f) – Period of restriction – Nil 12.1(g) & (h) – Any amendment to BE, or new BE for Axedale, Goornong & Rochester – Nil 12.1(i) – Any failure to comply with BE – Nil 12.1(j) – Difficulties in complying – Nil
<b>Coliban</b>	<b>Coliban River, Campaspe River</b>						
<b>Bulk Entitlement reference: Bulk Entitlement (Campaspe System – Coliban Water) Conversion Order 1999</b>							
Bendigo area, Castlemaine area, Kyneton area, Heathcote area & Coliban Rural	Coliban River Reservoirs: Upper Coliban, Malmesbury & Lauriston and Lake Eppalock	50,260	N/A	N/A	24,817	N/A	18.1(f) – Annual volume taken – See Notes 1, 2 & 3 18.1(g) – Annual evaporation loss – 7,703 megalitres 18.1(h) – Internal spill in Lake Eppalock to G-MW share – 1,955 megalitres 18.1(i) – Passing flow compliance record – see Note 4 18.1(j) – Any credits granted – Nil 18.1(k) – Temporary or permanent transfer of bulk entitlement – Nil 18.1(l) – Bulk entitlement or licence transferred to CW – Nil 18.1(m) – Period of restriction – Nil 18.1(n) – Alteration to primary entitlements – Nil 18.1(o) – Transfer of primary entitlements – Nil 18.1(p) – Annual volume supplied to primary entitlements – 24,817 megalitres 18.1(q) – Any amendment to bulk entitlement – Nil 18.1(r) – Any new bulk entitlement – Nil 18.1(s) – Implementation of environmental and metering programs – Nil – See Note 5 regarding metering 18.1(t) – Any failure to comply with BE – Nil 18.1(u) – Difficulties in complying – Nil 18.1(v) – Passing flows less than specified – Nil
<b>Goulburn</b>	<b>Waranga Western Channel</b>						
<b>Bulk Entitlement (Goulburn Channel System – Coliban Water) Order 2012</b>							
Boort Dingee Jarklin Lockington Macoma Mitiamo Mysia Pyramid Hill Rochester Serpentine		2,420	2,420	1,164	1,762	881	15.1(b) – Annual volume taken – 1,762 megalitres 15.1(c) – Volume from other locations – Nil 15.1(d) – Any credit granted – Nil 15.1(e) – Metering program – Nil – See Note 5. Bulk meters managed by G-MW 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
<b>Groundwater</b>	<b>Groundwater Licence</b>						
Elmore	Bore	284	284	N/A	124	N/A	
<b>Bulk Entitlement reference: Bulk Entitlement (Trentham) Conversion Order 2012</b>							
Trentham	Spring Water	120	120	NA	109	NA	12.1(b) – Annual volume taken – 109 megalitres 12.1(c) – Average annual amount taken over three years – 102 megalitres
	Bore	48	48	NA	20	NA	12.1(e) – Metering program – see Note 5 12.1(f) – Transfer or assignment of allocation – Nil 12.1(g) – Any amendments of transfers with respect to Order – Nil 12.1(h) – Any failure to comply with Order – Nil 12.1(i) – Any difficulties complying with Order – Nil

# WATER SECURITY

## Bulk Water Entitlements continued

Supply system	Source of supply	Bulk Entitlement volume Megalitres	Bulk Entitlement allocation Megalitres	Balance 1 July 2013 Megalitres	Raw water volume taken Megalitres	Balance 30 June 2014 Megalitres	Reporting requirements in accordance with Bulk Entitlement (BE) clause
<b>Loddon</b>	<b>Loddon River</b>						
<b>Bulk Entitlement (Loddon System- Coliban Water) Conversion Order 2005</b>							
Bridgewater & Inglewood, Laanecoorie, Dunolly, Bealiba & Tarnagulla		820	820	390	391	390	13.1(b) – Annual volume taken – 391 megalitres 13.1(c) – Any credits granted – Nil 13.1(d) – Metering program – Nil – See Note 5. Bulk meters managed by G-MW 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 13.1(i) – Any failure to comply with BE – Nil 13.1(j) – Difficulties in complying – Nil
<b>Wimmera</b>	<b>Wimmera Channel</b>						
<b>Bulk Entitlement (Wimmera and Glenelg Rivers – Coliban Water) Order 2010</b>							
Korong Vale & Wedderburn, Borung, Wychitella		300	244	326	171	297	13.1(b) – Annual volume taken – 171 megalitres 13.1(c) – Amount and location of water taken from other than specified point – Nil 13.1(e) – Metering program – Nil – See Note 5. Bulk meters managed by G-MW 13.1(f) – Temporary or permanent transfer of all or part of BE – Nil 13.1(g) – Any BE or other entitlement transferred to Coliban Water under this order – Nil 13.1(h) – Any amendment to BE – 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
<b>Murray</b>	<b>Murray River</b>						
<b>Bulk Entitlement (River Murray – Coliban Water) Conversion Order 1999</b>							
Cohuna, Echuca, Gunbower, Leitchville		6,285	6,285	9,113	4,268	224	20.1(b) – Annual volume taken – 4,268 megalitres 20.1(c) – New off-take points – Nil 20.1(d) – Water returned – Nil at any stage of the specified points 20.1(e) – Metering program – Nil – See Note 5. Bulk meters managed by G-MW 20.1(f) – Temporary or permanent transfer of all or part of BE – Nil 20.1(g) – Any BE or other entitlement transferred to supply primary entitlements under this order – Nil 20.1(h) – Any amendment to BE – 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
<b>Goulburn</b>	<b>Waranga Western Channel</b>						
Coliban System Northern	Water Shares High Reliability	22,801	22,801	23,666	20,191	3,475	Allocation purchase – 0 megalitres
	Water Shares Low Reliability	2,861	0				Allocation trade – 51,149.6 megalitres [5,000 megalitres were traded in Murray Zone]
<b>Campaspe</b>	<b>Lake Eppalock</b>						
Coliban System Northern	Water Shares High Reliability	2,591	2,591	3,075	2,815	260	Allocation purchase – 0 megalitres
	Water Shares Low Reliability	646	297				Allocation trade – 5,890 megalitres
<b>Murray</b>	<b>Murray River</b>						
Cohuna, Echuca, Gunbower, Leitchville	Water Shares High Reliability	55	55	190	164	26	Allocation purchase – 0 megalitres
	Water Shares						Allocation trade – 0 megalitres
	Low Reliability	24	0				Previously unreported

### Notes:

- 23,042 megalitres discharged from Malsbury Reservoir to Coliban Main Channel.
- 834 megalitres discharged from Lauriston Reservoir to Kyneton system.
- 941 megalitres from Lake Eppalock to Bendigo pipeline and Heathcote.
- Malsbury Passing Flows including natural spilling 14,907 megalitres. Malsbury Passing Flows account balance is 140 megalitres as at 30/06/2014. Flows in the Coliban River are recorded daily and provided weekly to the North Central Catchment Management Authority (NCCMA).

At the request of the NCCMA the minimum passing flow has been varied to 4 megalitres per day. The rationale is to accumulate environmental reserves to provide for larger 'fresher' flows during dry periods. G-MW, as storage manager for Lake Eppalock, are responsible for meeting the passing flow requirements on the Campaspe River downstream of Lake Eppalock.

5. Field validation being finalised prior to submitting the bulk metering program for Coliban Water Systems.



# WATER SECURITY

## Water allocation

A total of 855 megalitres of water stored in Lake Eppalock was used to supply our customers in Bendigo, Heathcote and the Coliban rural system. Water in our Coliban catchment reservoirs was used to supply our customers in Castlemaine and Kyneton areas (Coliban System Southern) and a 100 per cent allocation was made to Coliban Water rural network customers. Announcements on rural allocation are made in early July each year to help rural customers better plan for future rural seasons.

### SOURCES OF WATER

2013/14	Megalitres
Direct river extractions	3,638
Groundwater	253
Draw from dams/reservoirs	24,731
Channel supplies	2,681
<b>TOTAL</b>	<b>31,303</b>

### Water purchases

There was no purchase or sale of permanent water entitlement during 2013/14. During the year, 52,140 megalitres of Goulburn and Campaspe system allocation was sold on the water market.

## Sustainable water use

We are continuing to manage for sustainable water use across our region. Monitoring of rural channel efficiencies continued throughout our rural water delivery season, with this information to be used to prioritise future works to reduce losses and maximise the efficiency of the channel network. The Harcourt Rural Modernisation Project is proceeding as part of this broader rural services efficiency program.

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.

Even with the hot and dry summer this year, water demand across all regions indicates our customers are continuing to implement good water management practices.

Our water resources were managed consistent with the water security outlook and operational plans to ensure as little water as possible was lost to evaporation and water was held in appropriate storages for future years. Likewise, our bulk water accounts with external water storage managers were managed to ensure the long term sustainability of our water supplies.

## Water restrictions

At the start of the 2013/14 all towns in our region were on Permanent Water Saving Rules. This was still the case at the end of the reporting period.

# WATER SECURITY

## Rural usage

Our rural customers had 100 per cent allocation for the 2013/14 season.

Channel name	Number rural licences	Base entitlement (Megalitres)	Number licences supplied	Volume delivered (Megalitres)	Notes
Abbotts	98	383.0	73	184	
Ascot	38	717.8	23	412	Supplied recycled water
Axe Creek	76	437.1	50	143	
Campbells Creek	1	6.1	1	5	
Cockatoo Hill	29	106.7	19	56	Supplied recycled water
Coliban Main	143	6,082.5	80	386	
Cominis	8	51.9	5	12	
Diamond Hill	13	65.3	8	29	
Eagles	18	76.9	12	32	
Ellesmere	40	145.6	33	111	Supplied recycled water
Emu No 1 > Eppalock	14	81.6	14	54	
Emu No 2 > Eppalock	17	140.6	12	54	
Emu Valley No. 1 > Coliban	81	364.6	64	178	
Emu Valley No. 2 > Coliban	64	388.1	49	117	
Eppalock Pipeline	75	812.5	63	315	
Gaol Hill	Nil	Nil	Nil	Nil	Channel closed
Goornong	15	352.2	9	99	Supplied recycled water
Harcourt	87	1,459.6	44	763	
Huntly	2	21.6	1	1	Supplied recycled water
Ironstone	7	14.6	5	5	
Jackass Flat	2	2.0	1	1	
Kangaroo	3	43.2	0	0	
Lauriston Reservoir	5	10.0	5	10	
Lockwood	125	617.9	90	181	
Maiden Gully	42	360.5	30	161	
Malmsbury Reservoir	2	4.0	2	4	
Mannes	13	100.9	7	15	
Marong	31	279.2	22	157	
Myers Flat	17	222.9	12	53	
Neilborough	10	31.5	9	28	Supplied recycled water
Poverty Gully	15	34.2	2	8	
Ranters	Nil	Nil	Nil	Nil	Channel closed
Raywood	59	306.5	48	199	Supplied recycled water
Sebastian	7	59.7	7	19	Supplied recycled water
South Lockwood Pipeline	46	401.3	40	100	
Sparrowhawk	1	5.3	1	2	
Speciman Gully	13	167.0	7	82	
Speciman Hill	34	307.6	19	52	
Spring Gully	33	163.3	25	81	
Strathfieldsaye	2	5.0	2	2	
Trust	8	85.9	5	18	
Warrens	27	312.0	13	153	
White Hills	7	258.7	5	195	Supplied recycled water
Wilsons Hill	32	254.9	32	101	
<b>TOTAL</b>	<b>1,360</b>	<b>15,741.8</b>	<b>949</b>	<b>4,578</b>	

# WATER SECURITY

## Water sources

Sources	Number of customers supplied	Supplied volume (Megalitres)
Raw	795	3,458.59
Recycled	154	1,119.41

## 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
163	1,548.8	26	191.1	60	320.7

## Recycled water production and usage

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

### Axedale

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

### Bendigo

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

The Bendigo recycled water scheme can use 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 the Environment Protection Authority.

The water is available via the recycled water pipeline, two standpipes in Bendigo and some rural channels. The pipeline water is used for sporting facilities, parks and gardens, primary schools, rural customers, car washing, road works and commercial customers for dust suppression.

### Boort

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

### Castlemaine

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

### Dunolly

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

### Echuca

Echuca Water Reclamation Plant produces Class B recycled water which is supplied to local irrigators.

### Heathcote

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

### Kyneton

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

### Wedderburn

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

Water Reclamation Plant	Recycled water usage volume (Megalitres)	
	2013/14	2012/13
Axedale	7.3	14
Bendigo		
Class A	0	0
Class B and C	1,633.6	1,671
Boort	21.5	9
Bridgewater	0	0
Castlemaine	81.8	118
Cohuna	0	0
Dunolly	11.3	15
Echuca	811.3	1,017
Elmore	0	0
Gunbower	0	0
Heathcote	104.7	146
Kyneton	277.4	339
Lockington	0	0
Pyramid Hill	0	9
Rochester	0	0
Wedderburn	6.8	8
<b>TOTAL</b>	<b>2,955.7</b>	<b>3,346</b>

## 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.

We renewed all public open space and industrial Class A reuse agreements early in the year.

# CAPITAL PROJECTS

This year was the first year of our five year capital works program – *Water Plan 2013–2018*, with our project teams delivering \$38.04 million of works.

The capital works program balances Coliban Water's three principal objectives: to be a successful business, to protect the environment, and to protect public health. The program addresses the customer, regulatory, environmental, social and technological responsibilities. It is also designed to:

- Support the implementation of the Strategic Plan
- Deliver the outcomes in *Water Plan 2013–2018*
- Support ongoing compliance with the regulators and corporate licences
- Support asset planning frameworks

CAPITAL EXPENDITURE SUMMARY TABLE

Program	2013/14	
	Expenditure (\$,000)	% of total
Administration	2,995	7.9%
Headworks	741	1.9%
Operations Support	1,552	4.1%
Raw Water Transfer	229	0.6%
Recycled Water	1,622	4.3%
Rural	11,117	29.2%
Sewer Collection	10,446	27.5%
Sewer Treatment	598	1.6%
Water Reticulation	3,232	8.5%
Water Treatment	5,511	14.5%
<b>Total</b>	<b>38,043</b>	<b>100.0%</b>
Non-portfolio projects	3,335	–
<b>TOTAL</b>	<b>41,378</b>	<b>–</b>

## Key capital expenditure projects

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

Project name	Location	Program	Total project budget (\$)	Spent in 2013/14 (\$,000)	Start	Completion target
<b>Harcourt Rural Modernisation Project</b>	Harcourt	Rural	40.2 million	10,952	Apr 2009	Nov 2014
<b>Description:</b> Construction of 65 kilometres of rural pipeline throughout the Harcourt area to replace the aged gravity channel system. Works undertaken this year include: <ul style="list-style-type: none"> <li>• Easement acquisition process</li> <li>• Pipe and pump delivery</li> <li>• Pipeline, pump stations and balancing storage tanks construction commenced.</li> </ul>						
<b>Chemical system upgrade</b>	Various sites across region	Water Treatment	14.1 million	3,595	May 2005	Completed June 2014
<b>Description:</b> Involves upgrades to 13 water treatment plants across our region to ensure that the chemical systems meet the current standards and improve chemical handling and dosing controls. Works at Serpentine, Rochester, Cohuna, Echuca, Elmore, Korong Vale, Boort, Trentham, Lockington, Heathcote, Pyramid Hill, Laanecoorie and Bridgewater have been completed.						
<b>Echuca and Cohuna Water Treatment Plant improvements</b>	Echuca and Cohuna	Water Treatment	13.5 million	31	Jun 2012	Aug 2017
<b>Description:</b> Involves upgrades to activated carbon dosing system to remove taste and odour compounds caused by Blue-Green Algae in raw water supply. Detailed investigation has commenced.						
<b>Rochester Water Reclamation Plant Upgrade</b>	Rochester	Sewer Treatment	9.5 million	7,434	Jun 2011	Completed June 2014
<b>Description:</b> Upgrade of Rochester Water Reclamation Plant to comply with Environmental Protection Authority (EPA) Licence requirements. Membrane filtration technology has been installed and treatment processes updated on site to deliver Class B water for irrigation use. Works completed within this financial year and plant is now operational.						
<b>Echuca West land development</b>	Echuca	Administration	4.0 million	1,288	Aug 2013	Oct 2014
<b>Description:</b> To provide the water and sewerage services to allow the sale of land that was part of the former Echuca Water Reclamation Plant site to the Victorian Department of Education. Construction of services has commenced.						
<b>Rochester Water Treatment Plant upgrade</b>	Rochester	Water Treatment	8.0 million	1,040	Feb 2011	Completed Aug 2013
<b>Description:</b> Upgrade of treatment plant to cope with changing raw water quality and construct flood mitigation infrastructure. Construction and commissioning has been completed, with plant now operational.						



# CAPITAL PROJECTS

Project name	Location	Program	Total project budget (\$)	Spent in 2013/14 (\$,000)	Start	Completion target
<b>Leitchville Water Treatment Plant Upgrade</b>	Leitchville	Water Treatment	7.4 million	321	May 2010	Completed May 2014
<b>Description:</b> Involves upgrades to the Leitchville Water Treatment Plant in order to address process gaps and OH&S risks on the site. The upgrade includes the replacement of the existing sand filtration with membrane filtration and Ultra Violet treatment. A new ground level storage tank and an elevated storage tank installed to assist with water pressure. Some delays experienced in finalising designs and approvals needed for upgrade. Plant now commissioned and operating.						
<b>Gunbower Water Treatment Plant Upgrade</b>	Gunbower	Water Treatment	4.4 million	165	Feb 2010	Completed April 2014
<b>Description:</b> Involves upgrading the Gunbower Water Treatment Plant to provide a more reliable and robust treatment process, providing the plant with greater ability to manage fluctuating raw water quality. Project experienced delays as a result of necessary power upgrades and changes to the onsite backwash water management system. Plant now commissioned and operating.						
<b>Bendigo sewer pump stations – wet weather storages</b>	Bendigo	Sewer Collection	5.9 million	30	Feb 2012	June 2017
<b>Description:</b> Construct wet weather storages at various sewer pump station sites in Marong, Huntly and Epsom to improve system capacity in wet weather events. Detailed investigation commenced and works will be staged over four years.						
<b>Huntly North sewer rising main</b>	Bendigo	Sewer Collection	4.2 million	180	Dec 2012	Jun 2016
<b>Description:</b> Design and construct rising main from Huntly North to Epsom sewer pump stations (Allen St) for delivery to the reclamation plant to accommodate capacity increases due to future growth. Detailed design and easement acquisition commenced.						
<b>Allen Street Sewer Pump Station upgrade – Huntly</b>	Bendigo	Sewer Collection	2.5 million	360	Aug 2012	Jan 2016
<b>Description:</b> Upgrade of pump station and rising main to the water reclamation plant to improve system and capacity for future growth. Detail design completed and easement acquisition commenced.						
<b>Echuca sewer network augmentation</b>	Echuca	Sewer Collection	2.0 million	62	Jul 2012	Mar 2016
<b>Description:</b> Upgrade of sewer main between pump stations one and eleven due to growth and poor asset condition. Construction of bypass at sewer pump station eleven to reduce environmental issues in flood events. Detailed design commenced.						
<b>Pine Safety Removal Project</b>	Malmsbury	Headworks	1.9 million	510	Jul 2010	Dec 2016
<b>Description:</b> Removal of aged pine trees from recreation areas at catchment storages for safety reasons. Native revegetation of areas to follow. Works to be staged over three years instead of the initially planned two years. Revegetation at Lauriston and Malmsbury Reservoirs in recreation areas about to commence.						
<b>Spring Gully sewerage network augmentation</b>	Bendigo	Sewer Collection	1.4 million	11	Feb 2014	Sept 2014
<b>Description:</b> Upgrade of sewer main to improve system capacity and reduce environmental issues in flood events. Works originally included in the Bendigo sewer pump stations wet weather storages project. Contract awarded and construction to commence July 2014.						
<b>Water main renewals program</b>	Various townships across region	Water Reticulation	1.3 million	1,239	Jul 2013	Completed Jun 2014
<b>Description:</b> An annual program of water main renewals is undertaken to ensure security of supply to customers and reduce water losses from bursts and leaking mains. The annual program of works was delivered.						
<b>Crusoe Road water main replacement</b>	Bendigo – Kangaroo Flat	Water Reticulation	1.0 million	334	Feb 2012	Completed Aug 2013
<b>Description:</b> Replacement of 2.3 kilometres of water main along Crusoe Road, Kangaroo Flat to improve efficiency of the system due to network configuration changes and also ensure customer supply security.						
<b>Sewer main renewals program</b>	Various townships across region	Sewer Collection	0.8 million	763	Jul 2013	Completed Jun 2014
<b>Description:</b> An annual program of sewer main renewals is undertaken to improve operational efficiencies and reduce blockages and overflows to the environment. The annual program of works was delivered.						
<b>Bendigo Water Treatment Plant – sludge management improvement</b>	Bendigo	Water Treatment	0.5 million	22	Jul 2009	Completed Jun 2014
<b>Description:</b> Upgrade of sludge management facilities to enable treatment of more turbid water from the Waranga Western Channel and allow greater water treatment plant output. Reliance on this water source has reduced since drought has broken. Project essentially has been cancelled as other long term options are being investigated under an alternative project.						

# WATER QUALITY AND RELIABILITY

We provide water to 70,886 properties in our region and with our partners we operate 19 water treatment plants.

## Customer service objectives – water reticulation

There are 14 service standards that are reported to the Essential Services Commission within our Customer Charter.

These service standards relate to the number and duration of supply interruptions, the response time to attend to pipeline bursts and leaks, and the amount of unaccounted for water.

Compliance was achieved with 11 of the standards.

The following three targets were exceeded:

- › Average time to respond to bursts and leaks (priority one)
- › Unplanned water supply interruptions restored in five hours
- › Average interruption duration (unplanned)

This was caused by premature, repeated failure of a number of ageing water mains (that have since been replaced) and a small number of significant bursts in outlying areas within our region – taking extended time to respond to and repair. Average interruption duration was exceeded due to one event in Spring Gully (Bendigo) when a trunk isolation valve was accidentally closed.

## Safe Drinking Water Act 2003

Our Water Quality Performance and Regulation (WQP&R) Team was established in mid-2013 to lead our quality improvement and risk management program. The major projects for the group during the year was the full review of our Drinking Water Quality Risk Management Plan and associated operational procedures, a review of water treatment plant performance and compliance with control plans, and relationship development and engagement with our new operational partner.

In February 2014 we successfully completed a regulatory audit, under the *Safe Drinking Water Act 2003*, of our Drinking Water Quality Risk Management Plan, as required by the Department of Health (DoH). The audit finding was ‘complaint with opportunities for improvement’.

We are reviewing the identified opportunities for improvement and looking to incorporate the outcomes of the review into the next update of our Drinking Water Quality Risk Management Plan, and associated internal processes, prior to our next regulatory audit.

We currently have two open undertakings with the DoH, under section 30 of the *Safe Drinking Water Act 2003*, with the identified deliverables progressing as scheduled. The first undertaking, which deals with the improved management of our drinking water supply systems in order to minimise *E. coli* detections, is due for completion by 31 December 2014. The second undertaking, which deals with improved risk management processes and procedures, has a completion date of 31 December 2015.

A range of actions relating to the *E. coli* undertaking are in the process of being implemented with the major component, the installation of permanent booster chlorinators in high risk water supply systems, on schedule to be completed in late 2014.

On 12 April 2014 we issued a precautionary boil water notice for the township of Malmsbury following the return of water samples indicating the presence of *E. coli* in the Malmsbury water supply system. We believe the source of the contamination was water from heavy rain leaking into Malmsbury Tank, via holes in the roof. While we repaired the roof, we bypassed the tank and supplied the township directly from the Kyneton Water Treatment Plant, with the tank being brought back on line only once we were satisfied that the repairs had been effective and water quality tests were compliant. The boil water notice was lifted on 16 April 2014.

# WATER QUALITY AND RELIABILITY

## Water quality

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

Boorong, Dingee, Jarklin, Macorna, Mitiamo, Mysia and Wychitella were supplied with non-potable water during 2013/14.

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

Notes to water quality table:

- 1) Two separate weekly E. coli samples returned positive results in the Elmore water sampling locality, resulting in non compliance with the E. coli water quality standard listed in Schedule 2 of the Safe Drinking Water Regulations 2005. Both detections were investigated, flushing of the system was initiated, and resampling undertaken. In both cases the resampling results were found to be free of E. coli.
- 2) The Malmsbury water sampling locality was compliant with the E. coli water quality standard listed in Schedule 2 of the Safe Drinking Water Regulations 2005 as there was only one instance of E. coli being detected in a regulatory sample. In response to detections of E. coli in non-regulatory samples a precautionary boil water notice was issued.
- 3) The Bealiba water sampling locality recorded one monthly sample that exceeded the trihalomethanes water quality standard listed in Schedule 2 of the Safe Drinking Water Regulations 2005; however all other monthly samples for the year complied with the standard.
- 4) A single sample from the Tooborac water sampling locality returned an elevated concentration of lead. Follow-up investigations identified that location of the sample was a vacant block of land, and the issue was isolated to this block.

# WATER QUALITY AND RELIABILITY

## Water main renewal

We replaced approximately five kilometres of water mains across 18 sites in our region as part of our on-going water mains renewal program, at a cost of \$1.3 million.

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

## Chemical Systems Upgrade Project

During the year we completed the \$14 million Chemical Systems Upgrade Project (CSUP) which involved replacing ageing chemical storage and dosing facilities across 13 sites in our region. These sites included Echuca, Rochester, Cohuna, Pyramid Hill, Boort, Heathcote, Elmore, Serpentine, Lockington, Bridgewater, Laanecoorie, Korong Vale and Trentham Water Treatment Plants.

These sites all now have fully automated chemical dosing facilities which has improved the reliability of the treatment processes in place at each plant and achieved compliance with current OH&S standards.

## Routine water mains cleaning programs

During the year we undertook a number of programs across our region to conduct water mains cleaning– including air scouring, flushing and swabbing.

These routine maintenance works ensures the drinking water we supply to customers continues to meet the standards in place and also assist in protecting the integrity of the water main network.

# WATER QUALITY AND RELIABILITY

## Water treatment process

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

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

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

Please refer to our website [www.coliban.com.au](http://www.coliban.com.au) for further information on our treatment process and added substances.

# WATER QUALITY AND RELIABILITY

## WATER, WASTEWATER AND CUSTOMER NUMBERS BY SYSTEM

Water Supply System	Wastewater Residential	Wastewater Non Residential	Wastewater Total	Recycled water reuse volume	Water consumption Residential		Water consumption Non residential		Water consumption Total		Average annual consumption (3 year Average)	Consumption compared to 3 yr average	Weekly residential potable water consumption	Non-revenue water <sup>1)</sup>
	Number	Number	Number	Megalitres	Number	Megalitres	Number	Megalitres	Number	Megalitres	Megalitres	%	Kilolitres	Megalitres
Campaspe														
Goormong	N/A	N/A	N/A	N/A	144	27	27	7	171	35	35	-2.1%	3.6	2
Total	0	0	0	0	144	27	27	7	171	35	35	-2%	3.6	2
Coliban Northern														
Axedale	106	10	116	7	112	21	17	4	129	25	23	6.7%	3.6	Note 2
Bendigo <sup>(5)</sup>	38,574	3,099	41,673	1,634	40,867	7,586	3,313	2,749	44,180	10,335	9,777	5.4%	3.6	987
Heathcote	724	103	827	105	1,041	137	129	74	1,170	212	205	3.1%	2.5	55
Raywood	N/A	N/A	N/A	N/A	78	16	15	3	93	19	17	10.2%	3.9	Note 2
Sebastian	N/A	N/A	N/A	N/A	67	15	6	10	73	26	17	32.7%	4.4	Note 2
Tooborac	N/A	N/A	N/A	N/A	46	8	6	2	52	10	10	0.7%	3.4	Note 3
Total	39,404	3,212	42,616	1,746	42,211	7,784	3,486	2,842	45,697	10,626	10,049	5%	3.5	1,042
Coliban Southern														
Castlemaine <sup>(10)</sup>	4,300	380	4,680	82	5,404	844	460	640	5,864	1,484	1,484	0%	3.0	252
Elphinstone	N/A	N/A	N/A	N/A	78	12	7	4	85	17	17	1%	3.0	Note 4
Kyneton	2,213	368	2,581	277	2,409	379	418	309	2,827	688	657	4%	3.0	64
Maldon	623	85	708	N/A	858	123	115	61	973	184	167	10%	2.8	Note 4
Malmsbury	247	22	269	N/A	277	37	24	18	301	55	55	1%	2.6	Note 5
Newstead	280	31	311	N/A	321	48	39	9	360	57	54	4%	2.9	Note 4
Taradale	N/A	N/A	N/A	N/A	129	21	11	1	140	22	22	-1%	3.1	Note 4
Tylden	132	9	141	N/A	112	17	11	10	123	27	23	17%	3.0	Note 5
Total	7,795	895	8,690	359	9,588	1,482	1,085	1,052	10,673	2,534	2,478	2%	3.0	316
Goulburn														
Boort	379	72	451	22	393	96	92	30	485	126	118	6%	4.7	28
Dingee	N/A	N/A	N/A	N/A	29	5	11	3	40	8	8	10%	3.4	15
Jarclin	N/A	N/A	N/A	N/A	6	1	2	0	8	1	2	-40%	3.0	0
Lockington	184	25	209	0	189	34	31	10	220	44	42	3%	3.5	15
Macorna	N/A	N/A	N/A	N/A	8	1	2	0	10	1	1	15%	1.7	1
Mitiamo	N/A	N/A	N/A	N/A	41	7	9	4	50	11	10	9%	3.4	6
Mysia	N/A	N/A	N/A	N/A	8	0	1	0	9	0	1	-34%	1.0	2
Pyramid Hill	246	36	282	0	255	50	49	30	304	80	75	5%	3.7	12
Rochester	1,202	143	1,345	0	1,327	372	176	654	1,503	1,026	1,060	-3%	5.4	62
Serpentine	N/A	N/A	N/A	N/A	63	12	21	4	84	16	16	-1%	3.7	5
Total	2,011	276	2,287	22	2,319	578	394	735	2,713	1,313	1,333	-2%	4.8	146
Groundwater														
Elmore	334	46	380	0	372	69	66	37	438	106	107	0%	3.6	17
Trentham	446	60	506	N/A	499	64	63	16	562	80	74	7%	2.5	22
Total	780	106	886	0	871	133	129	53	1,000	186	181	3%	2.9	39
Loddon														
Bealiba	N/A	N/A	N/A	N/A	76	10	11	4	87	13	13	5%	2.4	Note 7
Bridgewater	168	27	195	0	189	24	33	27	222	51	43	16%	2.5	87
Dunolly	330	52	382	11	393	50	59	13	452	63	60	5%	2.4	Note 7
Inglewood	317	34	351	N/A	392	56	42	28	434	84	77	9%	2.8	Note 6
Laanecoorie	N/A	N/A	N/A	N/A	36	5	4	1	40	6	5	7%	2.6	18
Tarnagulla	N/A	N/A	N/A	N/A	106	10	13	3	119	13	12	10%	1.9	Note 7
Total	815	113	928	11	1,192	156	162	75	1,354	231	210	9%	2.5	104
Murray														
Cohuna	950	132	1,082	N/A	1,065	290	355	249	1,420	540	547	-1%	5.2	139
Echuca	5,702	782	6,484	811	5,925	1,605	830	1,219	6,755	2,824	2,707	4%	5.2	320
Gunbower	144	22	166	N/A	144	34	31	13	175	47	45	5%	4.6	7
Leitchville	142	30	172	N/A	155	43	118	121	273	164	165	-1%	5.3	37
Total	6,938	966	7,904	811	7,289	1,973	1,334	1,602	8,623	3,574	3,463	3%	5.2	504
Wimmera														
Borong	N/A	N/A	N/A	N/A	19	3	3	0	22	3	3	14%	3.2	0
Korong Vale	N/A	N/A	N/A	N/A	113	15	8	2	121	17	16	9%	2.6	38
Wedderburn	384	54	438	7	438	67	60	25	498	92	82	12%	2.9	Note 8
Wychitella	N/A	N/A	N/A	N/A	11	2	3	1	14	2	2	22%	3.0	1
Total	384	54	438	7	581	87	74	28	655	115	102	12%	2.9	39
GRAND TOTAL	58,127	5,622	63,749	2,956	64,195	12,219	6,691	6,394	70,886	18,613	17,852	4%	3.7	2,193

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

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

# WATER QUALITY AND RELIABILITY

## Non-revenue water

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

Non-revenue water for 2013/14 was calculated to be 2,193 megalitres (10.4 per cent). The Essential Services Commission target of less than or equal to 15 per cent non-revenue water was achieved.

## Major non-residential water users

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

### MAJOR NON-RESIDENTIAL CUSTOMERS BY VOLUME RANGE

Usage range – megalitres per year (ML)	Number of customers
Equal to or greater than 200 ML and less than 300 ML	3
Equal to or greater than 300 ML and less than 400 ML	1
Equal to or greater than 400 ML and less than 500 ML	1
Equal to or greater than 500 ML and less than 750 ML	1
Equal to or greater than 750 ML and less than 1,000 ML	0
Greater than 1,000 ML	0
<b>TOTAL</b>	<b>6</b>

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



# WASTEWATER SYSTEM

We provide wastewater services to 63,749 properties in our region and with our partners we operate 16 water reclamation plants.

## Water reclamation – sewerage influent and treated effluent volumes

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

The following volumes were treated and discharged during 2013/14

Town	Sewerage influent Megalitres (ML)	Total effluent discharged Megalitres (ML)	Effluent discharged to waterways Megalitres (ML)	Effluent discharged for reuse Megalitres (ML)
Axedale	14.9	7.3	0	7.3
Bendigo	7,385.7	5,811.5	4,177.9	1,633.6
Boort	86.5	21.5	0	21.5
Bridgewater	66.3	0.0	0	0
Castlemaine	1,098.2	1,209.7	1,127.9	81.8
Cohuna	247.1	0.0	0	0
Dunolly	35.7	11.3	0	11.3
Echuca	1,995.8	811.3	0	811.3
Elmore	40.2	0.0	0	0
Gunbower	48.3	0.0	0	0
Heathcote	184.2	118.7	14*	104.7
Kyneton	663.3	751.7	474.3**	277.4
Lockington	18.9	0.0	0	0
Pyramid Hill	42.0	0.0	0	0
Rochester	240.3	0.0	0	0
Wedderburn	29.3	6.8	0	6.8
<b>TOTAL</b>	<b>12,196.7</b>	<b>8,749.8</b>	<b>5,794.2</b>	<b>2,955.7</b>

\* includes 14 megalitres discharged under an emergency discharge (s 30A) approved by the Environment Protection Authority (EPA)

\*\* includes 473 megalitres discharged to Snipes Creek under s30A and 0.5 megalitres spilled from storage lagoon on site.

The \$9.5 million upgrade of the Rochester Water Reclamation Plant was completed and operational in June 2014. This project replaced a lagoon system and now has membrane filtration technology in place to produce higher quality recycled water for irrigation reuse in the area.

We need to continually desludge wastewater treatment plant lagoons to improve each plants operational efficiency. We have commenced desludging works at the Cohuna Water Reclamation Plant lagoons and once dried, the biosolids will be safely reused over the coming financial year via application to farming land under Environment Protection Authority (EPA) approvals.

## 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 two service standards.

These service standards are discussed below.

	Service standard	Actual
Sewerage blockages (per 100 kilometres)	53	62.14
Average time to attend sewer spills and blockages (minutes)	30	34.58
Average time to rectify a sewer blockage (minutes)	80	100.1
Spills contained within five hours (per cent)	99%	99%
Customers receiving more than three sewer blockages in the year (number)	2	1

# WASTEWATER SYSTEM

## Sewer blockages

We assumed greater control of contract management arrangements for sewer blockage performance at the start of 2013/14 with the commencement of our new private contractor arrangements.

As a result we have invested greater resources into sewer blockage prevention programs and initiatives. This included:

- › Continuing our blockage prevention program (Stop the Block) – completing around 1,500 preventative sewer cleaning tasks. We also reviewed our modelling program used to proactively target potential blockages in our networks.
- › We targeted blockage prone areas in Long Gully, Spring Gully and Kennington Reservoir areas using CCTV and mains cleaning
- › We trialed use of chemical treatment methods to inhibit root growth in the Long Gully and Ironbark sewer mains. We will expand on this program in coming years.

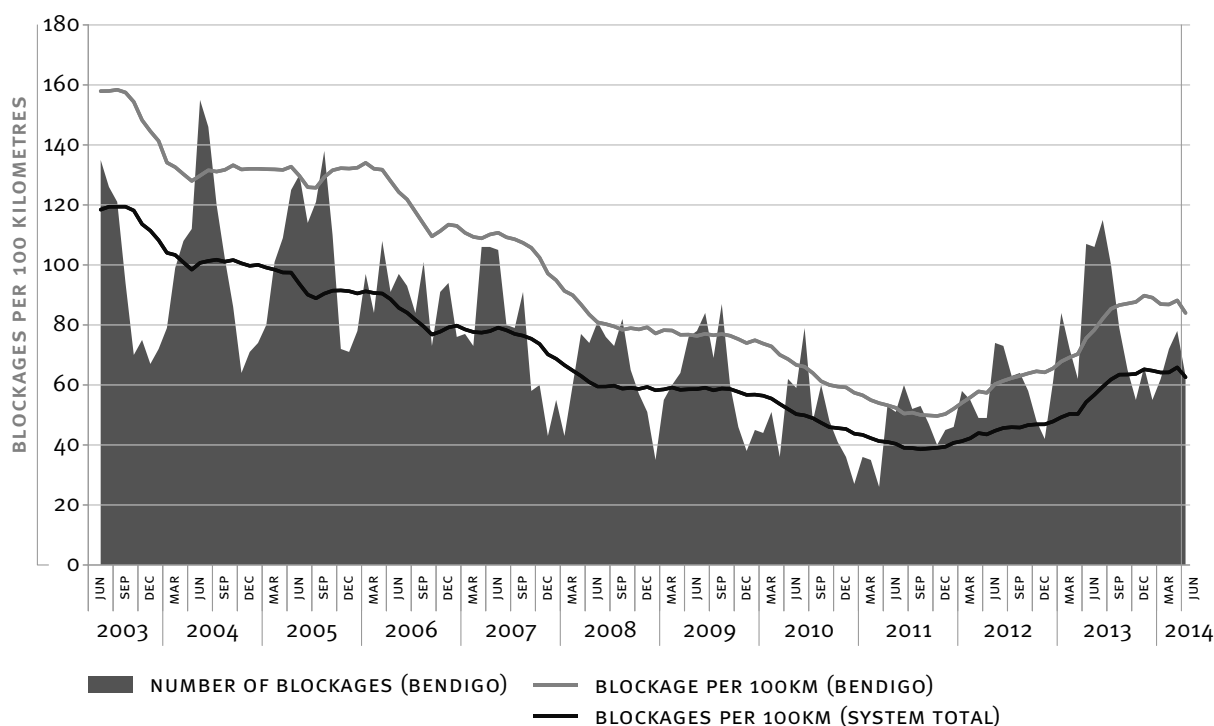
Our blockage rates increased through the year, however we are well placed to improve our performance during 2014/15.

## 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.

We have renewed approximately 0.25 per cent of our sewer mains during the year – approximately 4,500 meters across our region.

**BLOCKAGE RATE CHART (BLOCKAGES PER 100 KILOMETRES) 2013/14**



# WASTEWATER SYSTEM

## Odour management

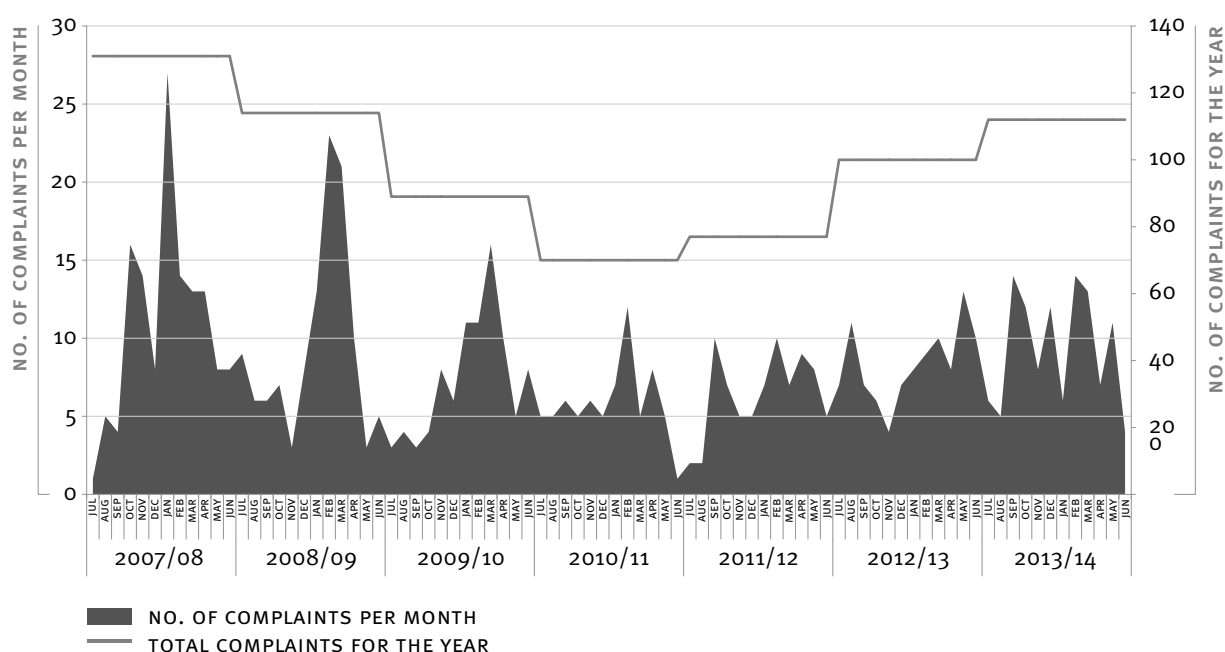
We received a slightly higher number of odour complaints compared to last year, however upon investigation of more than 60 per cent of complaints found that the odours were either caused from issues in private connections or we were unable to verify during the follow up inspection – compared to 36 per cent last year. The majority of the complaints caused by our sewer network were due to blockages.

We continued to operate our existing odour control facilities and monitor odours at critical sites in our catchments.

We also found opportunities to reduce odours at sites in East Bendigo and Castlemaine and reduce overall chemical consumption for odour control purposes.

We are also improving our understanding of the impacts of corrosive sewer gases on our network to improve long-term asset management.

### ODOUR MANAGEMENT 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:

- Prepared renewed agreements with our major trade waste customers that will enable improved control of discharges into our system. We are currently working through the details of these agreements with these customers.
- Improved our trade waste monitoring program. This has provided us with greater understanding of inputs into our system and provides our customers with more timely information to help them to improve performance and reduce trade waste costs.

## Sewer access chambers (manholes) safety

Across our region we have over 30,000 sewer manholes. In 2012/13 we started a program to give a greater focus on the safety and integrity of our sewer access chamber covers (or manhole covers).

A total of 2,700 manholes were identified as being in high trafficable, high risk areas. Inspections commenced in April 2013 and were completed in 2013/14. Any remedial works were actioned at the time it was identified. This program will continue across our network.

# PEOPLE AND DEVELOPMENT

## Building our capability

We have continued our ongoing commitment to our people. Our alignment of employee capability and professional development with our trademark behaviors, has enabled us to:

- › Be focussed on what we need to achieve and how to achieve results
- › Implement an organisation wide Employee Wellbeing Program
- › Focus on individual professional development

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

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

Highlights during the year have included:

- › A reconfiguration of our organisational structure to enhance our focus on water quality and the implementation of the new Operations and Maintenance Contract Model.
- › Our staff turnover continues to decrease from 11 per cent in 2011/12 to seven per cent in 2012/13 to six in 2013/14. 66 per cent of departing employees were taking up other roles within the Water Industry.
- › The insourcing of a range of training programs to provide customisation and to achieve greater time and cost efficiencies.
- › We continue to focus on workplace behaviour training for all staff to raise awareness and provide training on appropriate ways to work together effectively and productively.

## Additional roles created

Our business was reconfigured during 2013/14 to enhance our focus on water quality and the implementation of the new Operations and Maintenance Contract Model. This created an additional 17 positions at Coliban Water which were filled during the year.

## EMPLOYEE STATISTICS

Employees	2013/14	2012/13
Executive Officers	7	7
Senior Managers	19	18
Office-based staff	137	126
Field staff	25	19
<b>TOTAL</b>	<b>188</b>	<b>170</b>
Full-time	166	148
Part time	19	17
Casual	3	5
<b>TOTAL</b>	<b>188</b>	<b>170</b>
Full-time equivalent	182.1	164.98
Male	126	112
Female	62	58
<b>TOTAL</b>	<b>188</b>	<b>170</b>

Our corporate structure can be found on page 37.

## 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

In October 2011 we implemented a new three year Enterprise Agreement which through the commitment of the business and our staff has delivered improved business performance against Government and industry benchmarks through productivity based Key Performance Indicators (KPI's) during 2013/14.

Our Employee Consultative Committee which includes representatives from staff and management, has a charter to oversee the implementation of the Enterprise Agreement. This committee has been instrumental in promoting, overseeing and encouraging our workforce to achieve the performance and productivity KPI's captured in the agreement.

A key target for 2013/14 has continued to be a decrease in the use of paper and electricity within the business. The committee has also been working collaboratively with employees across the business to manage leave balances and ensure that our people maintain their well-being without impacting on the productivity of the business.

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

## Employee training and development

### PROFESSIONAL DEVELOPMENT ACTIVITIES

	2013/14	2012/13
Total training hours	5,891	5,598
Total training investment	\$429,957	\$409,116

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.

# PEOPLE AND DEVELOPMENT

## 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 274 people throughout the region.

## Our business partners

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

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

We also manage two public private partnerships:

### › 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.

### › ETE Coliban Pty Ltd (ETEC)

ETEC is an operating entity controlled by the Water Infrastructure Group (WI Group) and owned by Pentair Incorporated. ETEC owns and operates the Echuca Water Reclamation Plant 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.

# ENVIRONMENTAL PERFORMANCE

**W**e are committed to being an active leader in environmental performance across our region. We engage with local environmental stakeholders including the North Central Catchment Management Authority (NCCMA), Goulburn-Murray Water, the Department of Environment and Primary Industries (DEPI), Environment Protection Authority (EPA), Parks Victoria and the nine local government areas covering the region in which we operate.

Our certified Environmental Management System supports us 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.

Key initiatives for the year:

- › Holistic review of energy management
- › Promotion and support of Whole-of-Water-Cycle Management initiatives in the region.
- › Consultation on the *Draft Drinking Water Storage and Land Management Plan* for our three Coliban River storages
- › Biological monitoring of waterways impacted by water discharges from our Bendigo, Castlemaine and Kyneton Water Reclamation Plants.

## Energy management

Over the last three years we have been strengthening our approach to energy management in the business. This strategic approach encompasses procurement, demand-side management, energy efficiency initiatives and industry partnerships.

## Whole-of-Water-Cycle Management

We are actively supporting Victorian Government policy on Whole-of-Water-Cycle Management (WoWCM), being implemented through the DEPI and the Office of Living Victoria.

At the project level, we are continuing to support the Echuca-Moama Sustainable Water Group, financially (\$5,000) and in-kind, in its work to integrate concepts for water cycle planning for Echuca-Moama. We are contributing at a regional level to water and land management initiatives that impact WoWC planning.

## Biodiversity

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

During the year we updated our register of threatened flora and fauna, which now includes 25 plant and 27 fauna species. We contributed records of flora and fauna on our sites to the Victorian Biodiversity Atlas.

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

## Land and catchment management

We manage land across our catchments and operational area to protect water quality in storages, enhance river health, as well as meet biodiversity, fire hazard and pest management obligations.

During 2013/14, our land and catchment group continued with pest plant management programs around Malmsbury, Lauriston and Upper Coliban storages as well as Barkers Creek and Trentham reservoirs. These programs were extended to channel networks which had previously been managed by contractors. Pest plant management activities focus not only on invasive weeds such as gorse and blackberries that impact on our adjoining landowners but also on aquatic weeds such as nut-grass and umbrella sedge which can restrict flow to customers on the channel systems.

We have also continued to implement fuel reduction works and inspections of potentially hazardous trees to minimise risks to adjacent landowners and public areas across our land assets.

Our Pine Safety Removal Project commenced in February 2014 with removal of the pine stands at our recreational areas at Lauriston and Malmsbury Reservoirs. Removal of the pines was successfully undertaken with minimal environmental impact, particularly in relation to water quality and the trees to be retained within the stands. The site is currently being landscaped according to Council endorsed designs, with planting to begin in spring 2014. Planning for the removal and revegetation of the remaining pine stands at all three Coliban River storages has also commenced.

During the year we also released for community comment a *Draft Drinking Water Storage and Land Management Plan* for our three Coliban River storages. The primary focus of the plan is to reduce risks to source water quality in the storages through improved management of activities on land we own or manage immediately adjacent to the storages. Comments received on the plan will be considered prior to release of the final document in 2014/15. Implementation of fencing incentives under the plan has already commenced.

Complementing this project was our involvement in a joint project with the NCCMA, consistent with the Victorian Waterway Management Strategy, to limit the risk to source water quality of stock accessing waterways upstream of drinking water offtakes on the three Coliban River storages. This project exceeded its goals through the delivery of 6.4 kilometres of fencing and three off-stream watering points.

# ENVIRONMENTAL PERFORMANCE

## Catchment planning and protection

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

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

Our responses provide support to applications for use and development of land in open (privately owned) catchments with conditions to ensure no negative impact on quality and quantity of water to the environment. On occasion we have also objected to the issuing of a planning permit where we consider there is potential for adverse impacts to the catchment health and water quality.

In 2013/14 we have engaged with local governments in the revision of Municipal Strategic Statements and planning controls (zones and overlay) and development of their Domestic Wastewater Management Plans (DWMP). This engagement has involved participation on steering committees, consultation meetings and providing of submissions to the content of revised planning documents. Particular attention has been provided to input into draft DWMP's.

## Environmental compliance

We have achieved an increase in compliance to our Environment Protection Authority (EPA) Licence in 2013/14. This includes compliance to odour requirements and allowable discharge volumes from the Bendigo Water Reclamation Plant (WRP), which have historically affected performance.

The EPA approved a licence amendment of allowable discharge volumes from Bendigo WRP. These changes reflect current climatic conditions and do not pose an increased risk to the receiving waterway or its downstream users.

Heavy rainfall and plant capacities led to difficulties in managing treated water storage volumes at Kyneton and Heathcote WRP's. Under section 30A of the *Environmental Protection Act 1970*, EPA Victoria approved emergency discharges from Kyneton WRP and Heathcote WRP. A Preventative Action Plan (PAP) has been implemented into our ongoing operations to minimise the likelihood of emergency discharges from these facilities. Investigations and project works will be completed during *Water Plan 2013–2018* in line with the PAP.

Our Annual Performance Statement for 2013/14 will state four non-conformances to one requirement.

The EPA served Coliban Water with a Penalty Infringement Notice (PIN) regarding the overflow from Kyneton WRP Lagoon 4 to Snipes Creek on 18 July 2013. The overflow was controlled through overflow infrastructure designed to protect the integrity of embankments from high water levels. There were no significant impacts to the receiving environment as a result of the overflow.

The EPA issued a Pollution Abatement Notice (PAN) for Cohuna WRP. The Cohuna PAN was served to investigate and protect the integrity of outer embankments. Works have progressed in order to comply with requirements of the PAN including rabbit control and maintenance of downstream batters.

Rochester WRP PAN's served in 2012/13 were revoked by the EPA in 2013/14 upon compliance being achieved.

The EPA was notified of 43 environmentally significant spills from our sewer catchment systems in during the year. 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.

The most significant incident was a one megalitre sewer spill in North Bendigo. A follow up report commissioned by Coliban Water found that legacy environmental impacts associated with the spill were considered to be quite low.

Requirement	Location	Date	Description
LI_G1	Kyneton WRP	18.07.2013	Discharge via overflow from Kyneton WRP Lagoon 4
LI_G1	Kyneton WRP	31.07.2013	EPA approved section 30A emergency discharge
LI_G1	Heathcote WRP	28.08.2013	EPA approved section 30A emergency discharge
LI_G1	Kyneton WRP	26.09.2013	Breach of approved 30A daily discharge volume requirement



# ENVIRONMENTAL PERFORMANCE

## Energy use and greenhouse gas emissions

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 and other stages of sewerage treatment and supply
- › 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 Scope 2 emissions were as follows:

	Total tonnes CO <sub>2</sub> equivalent					
	2013/14 (MJ/ML)	2013/14	2012/13	2011/12	2010/11	2009/10
Sewerage treatment and supply	4,908.9	19,625.0	20,148.0	20,985.3	21,420.7	18,854.0
Water treatment and supply	1,499.4	10,407.4	6,778.6	10,480.1	9,626.6	30,745.7
Depots and offices	–	662.2	797.4	622.7	641	584.5
Transport	–	932.0	1,045.8	1,036.8	985.7	1,049.8
<b>TOTAL</b>	<b>N/A</b>	<b>31,626.6</b>	<b>28,769.8</b>	<b>33,124.9</b>	<b>32,674</b>	<b>51,234</b>

Our business activities generated approximately 31,626.6 tonnes of CO<sub>2</sub> equivalent emissions relating to our electricity and vehicle usage. This includes electricity used for our BOOT schemes for Bendigo, Castlemaine and Kyneton Water Treatment Plants.

Wastewater treatment Scope 1 (direct) emissions – these are calculated and reported through the National Greenhouse Emissions Reporting Scheme annually in October and are expected to be in the order of 4,000 tonnes of CO<sub>2</sub> equivalent.

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

## Corporate water consumption

At our Bendigo head office, we consumed 4.41 kilolitres per year per Full-Time Equivalent (FTE) staff member working, or 226L/m<sup>2</sup> in terms of floor area.

Head office water consumption	2013/14	2012/13	2011/12
Total water consumption (kilolitres)	802	668	1,127
Full-time equivalent (FTE) staff	182	165	143
Volume per FTE (kilolitres)	4.41	4.05	7.88

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

# GOVERNANCE AND RISK

**A**s a public sector organisation, it is important that we promote and instil a culture of openness, transparency and good governance. The safety and wellbeing of our staff and our communities remains our number one priority.

## Board responsibilities

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

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

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

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

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

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

In the past year, Deborah Hambleton, April Merrick and David Richardson were appointed as Non-Executive Directors of the Board. We also farewelled Directors David Beard, Jean Sutherland and Andrew Skewes.

## Board Directors as at 30 June 2014

### Andrew Cairns

#### CHAIRMAN

*BEng (Electrical), AFAIM, MAICD.*

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

Andrew is Head of Customer Led Connections for Bendigo and Adelaide Bank Ltd and 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 and Strategic Payment Services.

### Jeff Rigby

#### MANAGING DIRECTOR

*BEng (Civil), MEngSc, MBA, CPEng, MIEAust, GAICD, ACIS*

Appointed by the Board and commenced at Coliban Water in December 2011. Mr Rigby has 30 years of experience in the water industry, including 13 years in executive management roles. He was the Managing Director of Grampians Wimmera Mallee Water from 2007 until joining Coliban Water.

Jeff is currently a member and past chairman of the Loddon Mallee Regional Council for Adult, Community and Futher Education (ACFE) and a former member and past Chariman of the Grampians Regional Council for ACFE (2009–2011). He has previously been a member and Chairman of the Board of regionally-based, not-for-profit disability service organisations (1999–2009).

### Russell A Walker

#### DEPUTY CHAIRMAN

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

Appointed to the Board on 1 July 2010. Mr Walker has extensive experience in both the not-for-profit and public sectors. He was a former Assistant Auditor General for Victoria, a Commissioner on the Victorian Commission of Audit, and has undertaken a number of consultancies, including for the Victorian Parliament's Public Accounts and Estimates Committee.

Russell is President of Guide Dogs Victoria, Board member of Royal Guide Dogs Australia and Macedon Ranges Health, and former Chair of a Western Bulldogs Football Club fundraising group. Mr Walker has a Diploma of Business Accounting, Graduate Diploma in Government Accounting, Member of AICD and Fellow of CPA Australia.

### Rodney Thomson

*BEng (Mech), Grad Dip Bus. Admin. GAICD*

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

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

# GOVERNANCE AND RISK

## **Linda Veronese**

*BComm (Melb) CPA CMIIA GAICD*

Appointed to the Board on 1 October 2012, Ms Veronese is the Head of Group Assurance at the Bendigo and Adelaide Bank with a strong background in public and private sector risk management, compliance and auditing. Linda previously held positions with the Victorian Auditor General Office (including two years as a Director) and the Department of Transport. She is a member of CPA, certified member of the Institute of Internal Audit (CMIIA) and member of the Institute's Audit and Risk Committee and a member of the Bendigo Regional Committee of the AICD.

## **Deborah Hambleton**

*BA, Bachelor of Laws (Hons)*

Appointed to the Board on 1 October 2013, Ms Hambleton is a part time legal consultant at Bendigo and Adelaide Bank and previously Group General Counsel. She has held a number of senior roles including at Deutsche Bank, ASX and Arthur Robinson and Hedderwicks. Ms Hambleton is a non-executive director of Kyneton District Health Service and a member of a number of professional committees, including Law Council and Governance Institute.

## **April Merrick**

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

Appointed to the Board on 1 October 2013, Ms Merrick is the Executive Officer of Bjarne K Dahl Trust (2011 – current). April has an extensive background working as a scientist through to management roles in the agricultural and Natural Resource Management sectors. She is a the Treasurer for Connecting Country (2012 – current) and a Trustee for Live & Learn Environmental Education (2013 – current) and is a Community Grants Assessor for the Australian Government Agriculture and Landcare Grants Assessment Panels (2011 – 2015). She was a member of the Winton Wetlands Committee of Management (2012 – 2014).

April has a Bachelor of Agricultural Science (Honours) and a Post Graduate Certificate in Climate Change for Primary Industries.

## **David Richardson**

*BA, MBA, GAICD*

Appointed to the Board in May 2014, Mr Richardson is the Chief Executive Officer of Strategem, a Bendigo and Melbourne based Accounting, Advisory and Wealth Management Company. David has extensive experience in a wide number of executive management roles and has worked for the Department of Primary Industries and the University of Melbourne.

David has been Chairman of the Victorian Employers' Chamber of Commerce & Industry, Small Business Council and is a member of the VECCI Executive Council. He has also been Chairman of the Bendigo Professional Services Group for the City of Greater Bendigo and Vice Chair of La Trobe University Bendigo Regional Advisory Board.

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



**FROM LEFT TO RIGHT:** Deborah Hambleton, Rodney Thomson, Linda Veronese, Russell Walker, Andrew Cairns, Jeff Rigby (Managing Director), April Merrick and David Richardson.

# GOVERNANCE AND RISK

## Committees of the Board

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

### Audit and Risk Committee

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

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

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

### Sustainability Committee

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

- › sustainability strategy
- › long-term regional development
- › environmental performance
- › capital portfolio

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

### Remuneration Committee

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

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

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

## Board and committee meetings

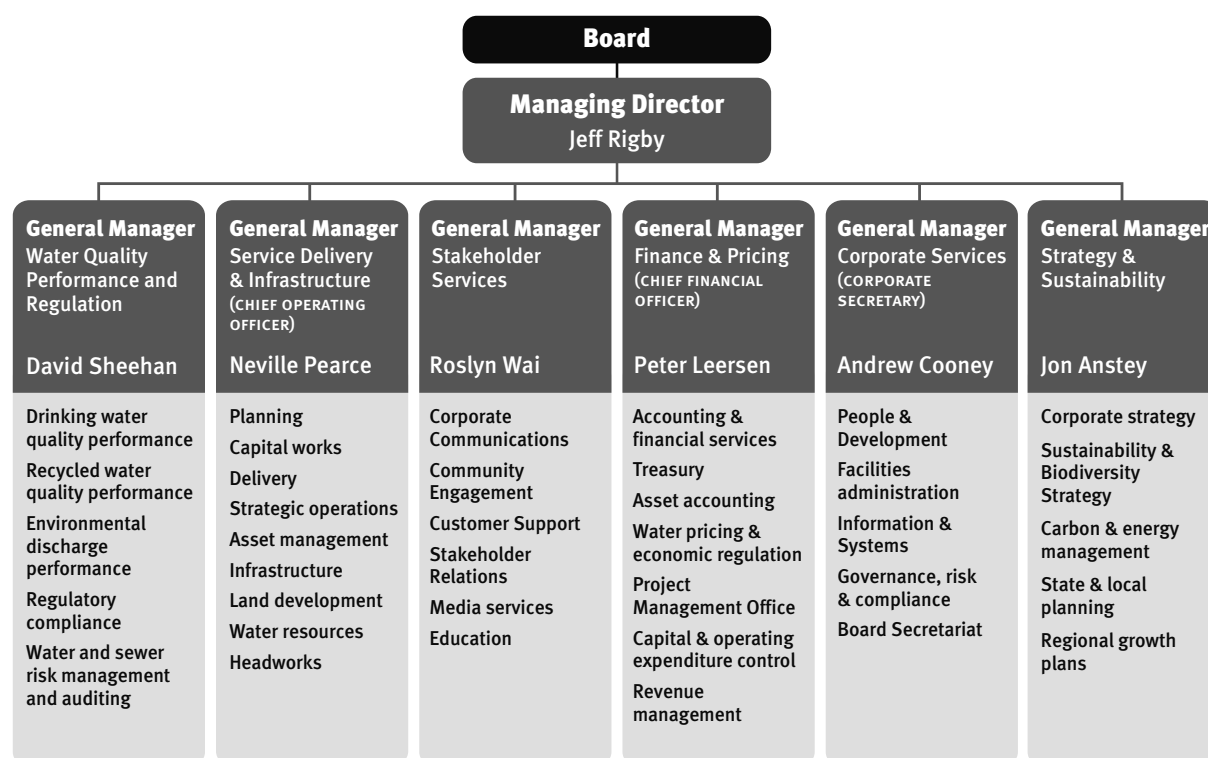
The number of meetings of the Board of Directors and Committees of the Board held during the year ended 30 June 2014 and the number of meetings attended by each Director were:

Director	Board of Directors		Audit & Risk Committee		Sustainability Committee		Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Andrew Cairns	13	11	—	—	—	—	4	4
David Beard	4	3	—	—	1	1	—	—
Andrew Skewes	6	5	3	3	—	—	3	2
Russell Walker	13	13	8	8	—	—	4	4
Jean Sutherland	4	3	3	2	1	1	1	0
Rod Thomson	13	13	—	—	4	4	4	4
Linda Veronese	13	12	5	5	—	—	4	4
Jeff Rigby	13	12	—	—	—	—	—	—
April Merrick	9	8	—	—	3	3	3	3
Deborah Hambleton	9	9	—	—	3	3	3	2
David Richardson	1	1	—	—	—	—	—	—

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

# GOVERNANCE AND RISK

## Corporate structure



## Risk management statement

I, Andrew Cairns certify that Coliban Water has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard AS/NZS ISO 3100–2009 and an internal control system is in place that enables the Executive to understand, manage and satisfactorily control risk exposures.

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

**Andrew Cairns**  
CHAIRMAN

Date: 15 August 2014

## Our Emergency Management System

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

The AIIMS structure is commonly used by all Victorian emergency response agencies to provide a common framework for managing all types of hazards.

At a local level we actively participate in all nine municipal council meetings across our region to build community resilience in the event of an emergency, through discussing and addressing vulnerabilities and operational interdependencies.

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

Testing our policies, procedures and training of staff is important to validate our preparedness. In September 2013, we conducted a multi-agency exercise to test our response preparedness to a potential Code Red scenario.

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

# GOVERNANCE AND RISK

## Occupational Health & Safety (OH&S)

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

### OH&S Culture

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

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

### OH&S Committee

As part of our OH&S objectives and targets, we held four OH&S committee meetings and 27 Toolbox meetings within our nine designated work groups. We achieved 100 per cent staff attendance at these meetings.

Three new OH&S representatives joined the OH&S Committee during the year.

### External audit – OH&S management system

In May 2014 NCS International conducted an onsite assessment of some of our management systems.

No non-conformances were identified and we were awarded continuing certification to:

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

### Hazard reporting

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

Some activities implemented during the year were:

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

### Health and well-being assessments

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

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

## OH&S PERFORMANCE MEASUREMENT AND REPORTING

	2013/14	2012/13	2011/12	2010/11	2009/10
Incidents reported to Coliban Water <sup>1</sup>	60	29	29	43	49
Worksafe reportable incidents <sup>1</sup>	2	0	0	5	1
Workers compensation claims <sup>2</sup>	1	2	1	1	0
Injuries resulting in days lost <sup>2</sup>	2	1	1	2	2
Lost time due to injuries (days) <sup>2</sup>	81	30	137	75	5
Lost time injury frequency rate <sup>3</sup>	3.7	4.9	4.8	12.93	13.29
Average lost time rate <sup>4</sup>	40.5	9.39	103	37.5	2.5

Notes to OH&S performance measurement and reporting table:

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

# STATUTORY PERFORMANCE

## Freedom of Information (FOI)

The *Freedom of Information Act 1982* allows public access to documents held by government entities. All requests must be in writing to the Authorised Officer at Coliban Water, PO Box 2770 Bendigo DC 3554, or via email at [foi@coliban.com.au](mailto:foi@coliban.com.au) and accompanied by a fee of \$26.50.

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

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

During 2013/14 we received one FOI application which was assessed, processed and responded to in accordance with the Act.

## Competition Policy

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

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

We continue to monitor developments in National Competition Policy.

## Taxation

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

## External Financing

Under the *Borrowing and Investment Powers Act 1987*, we may only source debt funding from Treasury Corporation Victoria and we are subject to a Financial Accommodation Levy (FAL). As a Victorian Government Agency, our borrowings carry an implicit State Government guarantee that commands lower borrowing prices in financial markets. To offset this advantage, a FAL is levied on all borrowings, using a formula based on business credit ratings, to ensure we do not obtain an unfair advantage when compared against the private sector.

## Performance Benchmarking

We participate in annual performance benchmarking studies through:

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

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

## Membership of Industry Associations

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

We are active members of the following groups:

- › Water Services Association of Australia (WSAA)
- › Victorian Water Industry Association (VWIA)
- › Institute of Water Administration (IWA)
- › International Water Association (IWA)
- › Australian Water Association (AWA)
- › Water Services Sector Group (WSSG)
- › Australian National Committee on Large Dams (ANCOLD)
- › Water Industry Operators Association of Australia (WIOA)
- › Australian Institute of Management (AIM)
- › Australian Institute of Project Management (AIPM)
- › Australian Institute of Company Directors (AICD).

## Information Privacy Act 2000

The *Information Privacy Act 2000* regulates the responsible collection and handling of personal information in the Victorian Public Sector. Our employees understand the importance of privacy and what is required to comply with our Privacy Policy and the Act.

## Building Act 1993

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

## Government advertising expenditure

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



# STATUTORY PERFORMANCE

## Protected Disclosure Act 2012

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

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

For further information contact:

### Andrew Cooney

Corporate Secretary – Coliban Water PO Box 2770 Bendigo VIC 3554  
Phone: 1300 363 200  
Website: [www.coliban.com.au](http://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](http://www.ibac.vic.gov.au)

## Major consultancies

The definition of consultancy was updated effective from July 1 2013. Consequently, disclosures on the 2013/14 consultancy expenditure cannot be compared with previous years disclosures.

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 2013/14 we engaged 42 consultants with a value over \$10,000. The total cost, excluding GST, incurred during this period for major capital consultancies was \$2,054,900 and major operational consultancies was \$639,949.

### Operational

Details of individual consultants		Start date	End date	Total approved project fee (Exc GST) ('000)	Expenditure (Exc GST) ('000)	Future expenditure (Exc GST) ('000)
Consultant	Purpose of consultancy					
37 South Pty Ltd	Telemetry infrastructure review	1/07/2013	30/06/2014	15.95	15.95	–
Beca Pty Ltd	Project management & engineering services	1/07/2012	15/01/2016	129.16	129.16	–
DJ O'Brien & Associates Pty Ltd	Contract transition management	1/07/2013	30/06/2014	31.41	31.41	–
EnergyAdvice Pty Ltd	Energy advice	1/07/2013	30/06/2014	49.50	49.50	–
Environmental Systems & Service Pty Ltd	Victorian Water Seismicity Project	1/07/2013	30/06/2014	15.07	15.07	–
ESRI Australia Pty Ltd	GIS support	1/07/2013	30/06/2014	14.70	14.70	–
Grant Thornton Australia Ltd	Income tax review	1/07/2013	30/06/2014	15.34	15.34	–
Insync Surveys Pty Ltd	Rural customer research surveys	1/07/2013	30/06/2014	16.20	16.20	–
Leading Teams Australia Pty Ltd	Ongoing performance improvement program	1/07/2013	30/06/2014	66.50	66.50	–
Obviate Pty Ltd	SCADA engineering support & call outs	1/07/2013	30/06/2014	23.67	23.67	–
PBJ & Associates	Technical advice	1/07/2013	30/06/2014	32.21	32.21	–
RPS Aquaterra Pty Ltd	Regional report – GMW partnership	1/07/2013	30/06/2014	25.00	25.00	–
SCD Tech Pty Ltd ATF Dunne Family Trust	SCADA engineering support	1/07/2013	30/06/2014	47.85	47.85	–
Schneider Electric Australia	SCADA support	1/07/2013	30/06/2014	38.46	38.46	–
SMEC Australia Pty Ltd	Dam safety surveillance	1/07/2013	30/06/2014	62.12	62.12	–
Thiess Services Pty Ltd	Inflow monitoring	1/07/2013	30/06/2014	10.40	10.40	–
Thinking Windows Pty Ltd	Technical support in upgrading Aquarate functionality to implement tariff reform	1/07/2013	30/06/2014	18.91	18.91	–
Treasury Corporation of Victoria	Treasury advisory fees	1/07/2013	30/06/2014	12.50	12.50	–
Workwell Consulting Pty Ltd	Board performance review	1/07/2013	30/06/2014	15.00	15.00	–
				639.95	639.95	–

# STATUTORY PERFORMANCE

## Capital

Details of individual consultants		Start date	End date	Total approved project fee (Exc GST) ('000)	Expenditure (Exc GST) ('000)	Future expenditure (Exc GST) ('000)
Consultant	Purpose of consultancy					
37 South Pty Ltd	SCADA telemetry upgrade	1/07/2013	30/06/2014	54.67	54.67	–
AFS & Associates Pty Ltd	Financial assessments and advice	1/07/2013	30/06/2014	13.05	13.05	–
Beca Pty Ltd	Project management and engineering services	1/07/2012	15/01/2016	1,038.31	933.84	213.16
Charter Keck Cramer	Harcourt rural modernisation project compulsory acquisition	1/07/2013	30/06/2014	18.56	18.56	–
Country Wide Valuers	Harcourt project valuations	1/07/2013	30/06/2014	29.15	29.15	–
Ernst & Young	BOOT contracts advice	1/07/2013	30/06/2014	58.85	58.85	–
ESRI Australia Pty Ltd	Support in upgrading GIS functionality	1/07/2013	30/06/2014	17.50	17.50	–
GHD Pty Ltd	Environmental audit service	1/07/2013	30/06/2014	16.60	16.60	–
Hay Property Services Pty Ltd	Harcourt project valuations	1/07/2013	30/06/2014	226.44	226.44	–
Infor Global Solutions (ANZ) Pty Ltd	Technical support for Hansen Asset Management System	1/07/2013	30/06/2014	37.47	37.47	–
IPMO Pty Ltd	Project Server Implementation	1/07/2013	30/06/2014	75.65	75.65	–
Linktech Solutions Pty Ltd	Document management system advice	1/07/2013	30/06/2014	11.80	11.80	–
Peter J Ramsay & Associates	Environmental auditor for brine lagoon	1/07/2013	30/06/2014	13.63	13.63	–
Rennick & Gaynor Solicitors	Harcourt rural modernisation project compulsory acquisition	1/07/2013	30/06/2014	15.69	15.69	–
Robertson Hyetts Solicitors	Harcourt rural modernisation project compulsory acquisition	1/07/2013	30/06/2014	13.68	13.68	–
Rural Finance Corporation of Victoria	Harcourt rural modernisation project compulsory acquisition	1/07/2013	30/06/2014	80.00	80.00	–
SCD Tech Pty Ltd ATF Dunne Family Trust	SCADA upgrade and support	1/07/2013	30/06/2014	76.53	76.53	–
Sinclair Knight Merz Pty Ltd	Harcourt rural reconfiguration project	1/07/2013	30/06/2014	86.53	86.53	–
SJ Street & Associates Pty Ltd	Design, review and inspection services	1/07/2013	30/06/2014	50.52	50.52	–
SMEC Australia Pty Ltd	Environmental supervision services	1/07/2013	30/06/2014	60.33	60.33	–
Spiire Australia Pty Ltd	Design and project management of the Echuca West Land development	1/04/2013	1/10/2014	65.66	63.67	0.85
	Detailed design Sawmill Rd sewer pump station and temporary rising main	2/09/2013	31/07/2014	143.56	71.64	10.26
Taylors Development Strategists Pty Ltd	Property surveys	1/07/2013	30/06/2014	10.95	10.95	–
Treetec	Arboricultural assessment and site supervision	1/07/2013	30/06/2014	18.15	18.15	–
				2,233.28	2,054.90	224.27

## Minor consultancies

During the year there were 62 minor consultancies at a cost of less than \$10,000 each. The total cost of these minor consultancies was \$400,984 (excluding GST).

## Disclosure of major contracts

One major contract greater than \$10 million was entered into during the year ending 30 June 2014. This contract relates to the construction of pipeline and pump stations for the Harcourt Rural Modernisation project. This contract is due for completion in late 2014.

Another major contract greater than \$10 million was entered into at the end of 2012/13 and became active on 1 July 2013. This contract related to Operational and Maintenance Services for our treatment plants and networks until 2017.

# STATUTORY PERFORMANCE

## Victorian Industry Participation Policy (VIPP)

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

Five projects with VIPP commitments were completed during the year.

Contract details	Value of contract (\$ exc. GST)	Project completion	Full Time Equivalent (FTE) jobs achieved			FTE apprenticeships / traineeships achieved			Local content achieved (%)
			Existing (retained)	New (created)	TOTAL	Existing (retained)	New (created)	TOTAL	
Design and construction of Huntly and Maiden Gully water mains	\$ 1,241,743	21/05/2014	VIPP provisions were not followed as the imported content would not have exceeded \$1 million (tendered in 2010).						
Gunbower Water Treatment Plant Upgrade	\$ 3,156,270	30/04/2014	VIPP provisions were not followed as the VIPP evaluation would not have changed the tender.						
Design and construction of the Leitchville Water Treatment Plant Upgrade	\$ 4,654,648	5/05/2014	6	–	6	2	–	2	95%
Design and construction of oxygen injection systems for Maldon and Newstead sewage pressure mains	\$ 1,211,361	22/08/2013	VIPP provisions were not followed as the VIPP evaluation would not have changed the tender decision.						
Design and construction of Chemical System Upgrade Project: Lockington, Pyramid Hill and Heathcote Water Treatment Plants	\$ 2,566,264	13/12/2013	24	2	26	2	–	2	85%

Six new projects with VIPP commitments commenced during the year

Contract details	Value of contract (\$ exc. GST)	Project completion	Full Time Equivalent (FTE) jobs committed			FTE apprenticeships / traineeships committed			Local content committed (%)
			Existing (retained)	New (created)	TOTAL	Existing (retained)	New (created)	TOTAL	
Harcourt Rural Modernisation Project – supply of pipe and fittings	\$ 3,804,785	1/10/2017	60	3	63	–	–	–	20.3%
Design and construction of chemical system upgrade project – Laanacoorie and Bridgewater Water Treatment Plants	\$ 1,597,233	30/08/2015	3	–	3	–	–	–	89.9%
Harcourt Rural Modernisation Project – construction of two megalitre balance tank	\$ 1,106,177	9/07/2015	6	–	6	–	–	–	75.2%
Echuca West land development	\$ 2,381,577	28/07/2014	40	6	46	–	–	–	100.0%
Harcourt Rural Modernisation Project – construction of pipeline and pump stations	\$ 10,381,675	11/11/2016	15	10	25	–	–	–	97.0%
Bendigo Water Treatment Plant process upgrade	\$ 5,413,295	19/07/2015	8	1	9	–	–	–	80.3%

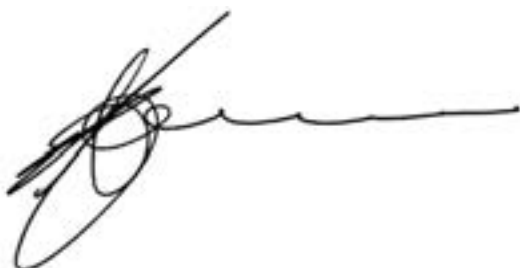
## Directors Certification

In our opinion, the accompanying Performance Report of Coliban Region Water Corporation for the year ended 30 June 2014 is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2013/14 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 the 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 15th day of August, 2014 on behalf of the Board.



**Andrew Cairns**

Chairman  
Coliban Region Water Corporation



**Jeff Rigby**

Managing Director  
Coliban Region Water Corporation

# PERFORMANCE REPORT FOR THE REPORTING PERIOD ENDED 30 JUNE 2014

## Financial Performance Indicators

KPI No.	Key Performance Indicator	2012/13 Result	2013/14 Result	2013/14 Target	Variance to prior year (%)	Notes	Variance to target (%)	Notes
F1	<b>Cash Interest Cover</b> Net operating cash flows before net interest and tax / net interest payments	1.09	1.72	1.26	58.0%	1a	36.8%	1b
F2	<b>Gearing Ratio</b> Total debt (including finance leases) / total assets * 100	32.2%	33.3%	35.1%	3.4%		(5.2%)	
F3	<b>Internal Financing Ratio</b> Net operating cash flow less dividends / net capital expenditure * 100	7.3%	49.7%	15.2%	578.4%	2a	226.1%	2b
F4	<b>Current Ratio</b> Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	1.35	1.25	1.33	(7.6%)		(6.1%)	
F5	<b>Return on Assets</b> Earnings before net interest and tax / average assets * 100	0.6%	1.9%	0.8%	232.8%	3a	145.4%	3b
F6	<b>Return on Equity</b> Net profit after tax / average total equity * 100	(1.8%)	(0.6%)	(1.8%)	(68.4%)	4a	(68.1%)	4b
F7	<b>EBITA Margin</b> Earnings before interest, tax, depreciation and amortisation / total revenue * 100	43.5%	50.6%	45.8%	16.3%	5a	10.6%	5b

Note: The underlying data to support the indicators for the 2012/13 result now reflect the Prior Period Adjustments shown in Note 1(xxx) of the 2013/14 financial statements.

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

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1a The cash interest cover improved to that achieved last year due to improved operating cash flows as a result of increased fixed charges, water consumption, temporary water sales and improvements in debt collection processes. Less interest payments were also incurred to that achieved last year due to the rephasing of the capital delivery program.</p> <p>1b Compared to that budgeted our cash interest cover has also favourably exceeded the target due to the strengthening cashflows and less reliance on borrowings to fund capital works. The indicator displays a favourable trend that is budgeted to continue improving.</p> <p>2a Our internal financing ratio continues to improve on what was achieved last year due to our operating cash flows increasing \$18.4 million while our net capital expenditure only increased \$7.3 million.</p> <p>2b Compared to that budgeted our internal financing ratio also continues to improve due to the strengthening cashflows and less reliance on borrowings to fund capital works. Our net operating cashflows improved by \$13.0 million while our net capital expenditure</p> | <p>decreased by \$9.8 million due to the rephasing of the capital delivery plan which resulted in a favourable trend.</p> <p>3a The improvement to our net result to that achieved last year has slightly increased our return on assets ratio. Our earnings before net interest and tax increased \$17.8 million due to increased revenue from water consumption and temporary water sales while our expenditure decreased as a result of implementing a new operations and maintenance contract and a reduction to finance charges and depreciation.</p> <p>3b Compared to that budgeted our return on assets improvement is a result of a \$14.9 million increase in our earnings before net interest and tax as a result of increased revenue and decreased expenditure. This improvement demonstrates our continual focus on financial sustainability.</p> <p>4a Our return on equity improvement is a result of a \$10.4 million increase in our net profit after tax to that achieved last year as revenue increased due to higher water consumption and temporary water sales while expenditure relating to operations and maintenance decreased.</p> <p>4b Compared to the budget our return on equity improved substantially by \$9.6</p> | <p>million as measured by our net profit after tax. This indicator continues to disclose a favourable trend and reinforces our focus on financial sustainability. Note that the target set in the 2013/14 Corporate Plan did not take into account tax. The target displayed above has been restored to be consistent with the Key Performance Indicator.</p> <p>5a Our EBITA margin continues to outperform that achieved last year as a result of an increase in total earnings before interest, tax and depreciation of \$15.6 million due to increased revenue from water consumption and temporary water sales and a decrease in operations and maintenance contract costs.</p> <p>5b Our total earnings before net interest, tax and depreciation improved \$9.4 million to the budget due to an increase in revenue from water consumption and temporary water sales while our expenditure decreased as a result of implementing a new operations and maintenance contract. Note that the target set in the 2013/14 Corporate Plan was calculated after interest and depreciation. The target displayed above has been restated to be consistent with the Key Performance Indicator.</p> |
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# PERFORMANCE REPORT FOR THE REPORTING PERIOD ENDED 30 JUNE 2014

## Water and Sewerage Service Performance Indicators

KPI No.	Key Performance Indicator	2012/13 Result	2013/14 Result	2013/14 Target	Variance to prior year (%)	Notes	Variance to target (%)	Notes
WS1	<b>Unplanned water supply interruptions</b> No. of customers receiving five unplanned interruptions in the year / total number of water (domestic and non-domestic) customers * 100	0.00	0.00	0.01	0.0%		(100.0%)	6b
WS2	<b>Interruption time</b> Average duration of unplanned water supply interruptions (minutes)	114	162	120	42.6%	6a	35.4%	7b
WS3	<b>Restoration of unplanned water supply</b> Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions * 100	97.5	95.9	98	(1.6%)		(2.1%)	
SS1	<b>Containment of sewer spills</b> Sewer spills from reticulation and branch sewers contained within five hours / total sewer spills from reticulation and branch sewers * 100	100	99	99	(0.5%)		0.0%	
SS2	<b>Sewer spill interruptions</b> Number of residential sewerage customers affected by sewerage interruptions restored within five hours	0.99	0.98	0.99	(0.7%)		(0.6%)	

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

- 6a The increase in the average duration of unplanned water supply interruptions to that achieved last year is due to a single burst on a large main where 1,151 customers lost supply for 375 minutes. If this event is excluded, our average customer interruption is 102 minutes. We investigated this abnormal event with a view to conducting additional maintenance on the related pipeline to prevent reoccurrences.
- 6b The reason for the favourable variance is that there were no customers in our region that had received more than five unplanned water supply interruptions during the year.
- 7b Compared to that budgeted the average duration of unplanned water supply interruptions has increased 42 minutes due to the single burst on a large main where 1,151 customers lost supply for 375 minutes.  
To prevent reoccurrences we will be conducting additional maintenance on the related pipeline.

# PERFORMANCE REPORT FOR THE REPORTING PERIOD ENDED 30 JUNE 2014

## Customer Responsiveness Performance Indicators

KPI No.	Key Performance Indicator	2012/13 Result	2013/14 Result	2013/14 Target	Variance to prior year (%)	Notes	Variance to target (%)	Notes
CR1	Water quality complaints No. of complaints per 100 customers	0.30	0.30	0.48	0.4%		(37.4%)	8b
CR2	Sewerage service quality complaints No. of complaints per 100 customers	0.00	0.01	0.01	0.0%		0.0%	
CR3	Sewer odour complaints No. of complaints per 100 customers	0.20	0.17	0.18	(12.2%)	7a	(4.4%)	
CR4	Billing complaints No. of complaints per 100 customers	0.02	0.04	0.04	100.0%	8a	0.0%	

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

- 7a Sewer odour complaints decreased to that achieved last year as a result of proactive and targeted odour mitigation works.
- 8a Despite meeting our budgeted target for 2013/14, total billing complaints increased to that achieved last year from 0.02 to 0.04 per 100 customers (an increase from 14 to 25 actual billing complaints) as a result of the business implementing a new tariff structure approved by the Essential Services Commission as part of *Water Plan 2013–2018* effective 1 July 2013.
- 8b Compared to that budgeted we achieved less water quality complaints per 100 customers which was aided by no flood events and a renewed focus on water quality in our towns along the Murray River.

## Environmental Performance Indicators

KPI No.	Key Performance Indicator	2012/13 Result	2013/14 Result	2013/14 Target	Variance to prior year (%)	Notes	Variance to target (%)	Notes
E1	Effluent re-use volume (end use) Percentage recycled for each category	41%	34%	42%	(17.3%)	9a	(19.6%)	9b
E2	Total net CO <sub>2</sub> emissions Net tonnes CO <sub>2</sub> equivalent	28,770	31,627	32,913	9.9%	10a	(3.9%)	

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

- 9a Our recycled water re-use percentage was lower than that achieved last year due to a year of higher winter flows (increasing our volumes) and lower demand from irrigators.
- 9b Compared to that budgeted our recycled water re-use percentage is lower due to high winter flows into the waste water treatment plants and lower demands from irrigators to use recycled water.
- 10a The variance to the previous year result is due to the 2012/13 result not including the related emissions from the BOOT operated water treatment plants in Bendigo, Castlemaine and Kyneton and the wastewater treatment plant in Echuca which are now reflected in the current year figures.



# INDEPENDENT AUDITOR'S REPORT



Victorian Auditor-General's Office

Level 24, 35 Collins Street  
Melbourne VIC 3000

Telephone 61 3 8601 7000

Facsimile 61 3 8601 7010

Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au)

Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Coliban Region Water Corporation

#### *The Performance Report*

The accompanying performance report for the year ended 30 June 2014 of Coliban Region Water Corporation which comprises the performance report, the related notes and the directors 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 in accordance with 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 performance report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

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

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

## **Independent Auditor's Report (continued)**

### *Independence*

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

### *Opinion*

In my opinion, the performance report of the Coliban Region Water Corporation in respect of the 30 June 2014 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Performance Report*

This auditor's report relates to the performance report of the Coliban Region Water Corporation for the year ended 30 June 2014 included both in the Coliban Region Water Corporation's annual report and on the website. The Board Members of the Coliban Region Water Corporation are responsible for the integrity of the Coliban Region Water Corporation's website. I have not been engaged to report on the integrity of the Coliban Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the performance report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited performance report to confirm the information contained in the website version of the performance report.

MELBOURNE  
21 August 2014

  
John Doyle  
Auditor-General

# DISCLOSURE INDEX

Report of Operations		
Legislation	Requirement	Page number
<b>Charter and purpose</b>		
FRD 22E	Manner of establishment and the relevant Ministers	1
FRD 22E	Objectives, functions, powers and duties	1
FRD 22E	Nature and range of services provided	2
FRD 22E	Employment data and conduct principles	29, 30
<b>Management and structure</b>		
FRD 22E	Organisational structure	37
FRD 22E	Names of Board Members, audit committee membership and Board committees	34–36
<b>Financial and other information</b>		
FRD 8B	Consistency of budget and departmental reporting	
FRD 10	Disclosure index	49–50
FRD 11A	Disclosure of ex-gratia payments	87
FRD 12A	Disclosure of major contracts	41
FRD 14	Public sector super schemes	82–83
FRD 21B	Responsible person and executive officer disclosures	80–81
FRD22E	Significant achievements for the reporting period	3
FRD 22E	Operational and budgetary objectives and performance against objectives	4–87
FRD 22E	Occupational Health and Safety policy	38
FRD 22E	Summary of the financial results for the year	51–54
FRD 22E	Significant changes in financial position for the year	53
FRD 22E	Major changes or factors affecting performance	52
FRD 22E	Subsequent events	87
FRD 22E	Details of consultancies over \$10,000	40–41
FRD 22E	Details of consultancies under \$10,000	41
FRD 22E	Application and operation of the <i>Freedom of Information Act 1982</i>	39
FRD 22E	Compliance with building and maintenance provisions of the <i>Building Act 1993</i>	39
FRD 22E	Application and operation of the <i>Protected Disclosure Act 2012</i>	40
FRD 22E	Statement of availability of other information	50
FRD 22E	Statement on National Competition Policy	39
FRD 22E	Summary of environmental performance	31–33
FRD 22E	Government advertising expenditure	39
FRD 22E	Standard disclosure in Report of Operations	50
FRD 24C	Office-based environmental data	33
FRD 25B	Victorian Industry Participation Policy disclosures	42
FRD 27C	Presentation and reporting of performance information	43–46
FRD 29	Workforce data disclosures	29
FRD30A	Standard requirements for the design and print of the annual report	1 to 88
SD 4.5.5	Risk management compliance attestation	37
<b>Ministerial Reporting Directions</b>		
MRD 01	Performance reporting	43–46
MRD 02	Reporting on water consumption and drought response	10–17, 23–24, 33
MRD 03	Environmental and social sustainability reporting	7, 10–17, 31–33
MRD 04	Disclosure of information on bulk entitlements, transfers of water entitlements, allocations and licences, irrigation water usage and licence requirements	13–17
MRD 05	Annual reporting on non-residential major water users	25
<b>Financial statements required under Part 7 of the FMA</b>		
SD4.2 (a)	Statement of changes in equity	59
SD4.2 (b)	Comprehensive operating statement	57
SD4.2 (b)	Balance sheet	58
SD4.2 (b)	Cash flow statement	60
SD4.2 (b)	Notes to the financial statements	61–87

# DISCLOSURE INDEX CONTINUED

## Financial Statements

Legislation	Requirement	Page number
<b>Other requirements under Standing Directions 4.2</b>		
SD4.2 (c)	Compliance with Australian Accounting Standards and other authoritative pronouncements	56, 61
SD4.2 (c)	Compliance with Ministerial Directions	61
SD4.2 (c)	Accountable officer attestation	56
SD4.2 (d)	Rounding of amounts	56
SD4.2 (e)	Audit committee	36
SD4.2 (f)	Compliance with Model Financial Report	56
SD4.2 (g)	General information requirements	50
SD4.2 (j)	Sign off requirements	43, 56
<b>Other disclosures as required by FRDs in notes to the financial statements</b>		
FRD 03A	Accounting for dividends	66
FRD 07A	Early adoption of authoritative accounting pronouncements	61
FRD 17A	Long service leave wage inflation and discount rates	65, 78
FRD 19	Private provision of public infrastructure	64, 86
FRD 20A	Accounting for state motor vehicle lease arrangements prior 1 February 2004	N/A
FRD 21B	Responsible person and executive officer disclosures	80–81
FRD26A	Accounting for VicFleet Motor vehicle lease arrangements on or after 1 February 2004	N/A
FRD 100	Financial Reporting Directions – Framework	43–88
FRD 101	First-time adoption	61–62
FRD 102	Inventories	64
FRD 103E	Non current physical assets	64
FRD 104	Foreign currency	61
FRD 105A	Borrowing costs	65
FRD 106	Impairment of assets	63
FRD 107A	Investment properties	N/A
FRD 109	Intangible assets	64
FRD 110	Cash flow statements	60, 80
FRD 112D	Defined benefit superannuation obligations	82–83
FRD 113	Investment in subsidiaries, jointly controlled entities and associates	68, 87
FRD 114A	Financial instruments – general government entities and public non financial corporations	85
FRD 115	Non current physical assets – first time adoption	N/A
FRD 119	Contribution by owners	79
FRD 119A	Transfer through contributed capital	79
FRD 120H	Accounting and reporting pronouncements applicable for 2013/14 reporting period	67–68

## Legislation

<i>Borrowing and Investment Powers Act 1987</i>	39	<i>Freedom of Information Act 1982</i>	39, 50
<i>Water Act 1989</i>	1, 2, 7	<i>Environment Protection Act 1970</i>	32
<i>Safe Drinking Water Act 2003</i>	20	<i>Financial Management Act 1994</i>	3, 43, 48, 56, 61, 88, back cover
<i>Multicultural Victoria Act 2004</i>	8–9	<i>Protected Disclosures Act 2012</i>	40
<i>Copyright Act 1968</i>	1, cover	<i>Information Privacy Act 2000</i>	39
<i>Public Authorities Dividend Act 1983</i>	53	<i>Victorian Industry Participation Policy Act 2003</i>	42
<i>Building Act 1993</i>	39	<i>Income Tax Assessment Act 1997</i>	39
<i>Counter Terrorism (Community Protection) Act 2003</i>	37	<i>Water Industry (Environmental Contributions) Act 2004</i>	63, 86
<i>Water Industry Act 1994</i>	63	<i>Aboriginal Heritage Act 2006</i>	9
<i>Constitution Act 1975</i>	48, back cover	<i>Audit Act 1994</i>	47, 88

## 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](http://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 22E is held at the Corporation's office and is available to the relevant Minister, Member of Parliament or the public on request, subject to the provisions of the *Freedom of Information Act 1982*.

# FINANCIAL PERFORMANCE SUMMARY

## Financial summary

Financial result	Plan 2013/14 (\$'000)	Actual 2013/14 (\$'000)	Actual 2012/13 (\$'000)	Actual 2011/12 (\$'000)	Actual 2010/11 (\$'000)	Actual 2009/10 (\$'000)
<b>Revenue</b>						
Service charges	56,724	61,185	49,362	46,897	42,746	37,741
Usage charges	37,926	40,909	36,183	34,056	25,875	21,377
Developer contributions & capital works	10,980	11,880	11,367	9,847	6,603	3,705
Other	1,478	1,449	1,440	2,519	856	959
Interest	61	74	63	54	26	30
<b>Total Revenue</b>	<b>107,169</b>	<b>115,497</b>	<b>98,415</b>	<b>93,373</b>	<b>76,106</b>	<b>63,812</b>
<b>Expenses</b>						
Operations	42,726	42,632	43,084	38,854	33,613	35,375
Administration	11,979	11,023	10,382	11,593	11,540	10,771
Direct Depreciation	38,656	33,141	35,295	32,697	26,241	23,073
Finance Charges	30,930	29,753	29,107	27,082	24,469	21,042
Environmental Contribution	3,272	3,272	2,031	2,031	2,031	2,031
<b>Total Expenditure</b>	<b>127,564</b>	<b>119,821</b>	<b>119,899</b>	<b>112,257</b>	<b>97,894</b>	<b>92,292</b>
<b>Net Result before tax</b>	<b>(20,394)</b>	<b>(4,324)</b>	<b>(21,484)</b>	<b>(18,884)</b>	<b>(21,788)</b>	<b>(28,480)</b>
<b>Net Result for the year</b>	<b>(14,276)</b>	<b>(4,700)</b>	<b>(15,087)</b>	<b>(13,126)</b>	<b>(16,922)</b>	<b>(20,683)</b>
<b>Assets</b>						
Total Current Assets	26,634	28,423	25,847	23,247	21,537	15,840
Total Non-Current Assets	1,332,772	1,323,061	1,307,404	1,307,724	1,285,653	1,026,660
<b>Total Assets</b>	<b>1,359,406</b>	<b>1,351,484</b>	<b>1,333,251</b>	<b>1,330,971</b>	<b>1,307,190</b>	<b>1,042,500</b>
<b>Liabilities</b>						
Total Current Liabilities	19,979	23,090	20,541	20,380	26,460	40,407
Total Non-Current Liabilities	538,192	490,294	469,910	446,197	408,375	293,716
<b>Total Liabilities</b>	<b>558,171</b>	<b>513,384</b>	<b>490,451</b>	<b>466,577</b>	<b>434,835</b>	<b>334,123</b>
<b>Total Net Assets</b>	<b>801,235</b>	<b>838,100</b>	<b>842,800</b>	<b>864,394</b>	<b>872,355</b>	<b>708,377</b>
Net Cash Flows from operations	7,919	20,942	2,550	2,721	2,466	(3,728)
Payments for property, plant and equipment	(51,967)	(42,138)	(34,807)	(43,441)	(37,555)	(32,999)

Performance Indicator	Plan 2013/14	Actual 2013/14	Actual 2012/13	Actual 2011/12	Actual 2010/11	Actual 2009/10
Internal Financing Ratio	15.2%	49.7%	7.3%	6.3%	6.6%	(11.3%)
Gearing Ratio	35.1%	33.3%	32.2%	29.7%	27.2%	30.5%
Interest Cover (EBIT)	0.5	0.5	0.4	0.3	0.1	(0.4)
Interest Cover (Cash)	1.3	1.7	1.1	1.1	1.1	0.7
Return on Assets	0.8%	1.9%	0.6%	0.6%	0.2%	(0.7%)
Return on Equity	(1.8%)	(0.6%)	(1.8%)	(4.4%)	(2.8%)	(4.0%)

## Major changes or factors affecting performance

There was a stepped improvement in financial performance and position this year as the actions from the Board's financial viability strategy, which was implemented at the commencement of the year, delivered better-than-planned results.

The increase of \$8.3 million in total revenue from the previous year is the major factor improving our performance. Increases in operating revenue from service and usage charges were the primary reason for revenue growth compared to *Corporate Plan* and were in line with the ESC's 2013 water price determination. Water usage revenue increased \$3.0 million as average water consumption per household of 190 kilolitres per household was 25 kilolitres higher than budgeted. Revenue from service charges also increased \$4.5 million as a result of the tariff reform approved by the ESC and implemented on 1 July 2013. The higher revenue from fixed service charges better aligns to the expenditure profile and provides a more evenly distributed cash flow throughout the year.

Developer contributions and gifted assets continued to increase from *Corporate Plan* (\$0.9 million or 8.2 per cent) due to the sustained level of development occurring in Bendigo and Echuca. It is anticipated that the new hospital that is presently under construction in Bendigo will, when built, increase development in future years.

Total expenditure decreased \$7.7 million or 6.1 per cent compared to *Corporate Plan*. Total operations expenditure was slightly under *Corporate Plan* expenditure as we implemented the new business model which is expected to further strengthen our operational expenditure efficiency from 2014/15 onwards.

Administration costs also decreased \$1.0 million or 8.0 per cent to *Corporate Plan* as we reconfigured our core business functions, supported by a re-aligned corporate structure, to implement our new outsourced services contract for operations and maintenance.

The changes have ensured we are:

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

Depreciation expense has decreased \$5.5 million or 14.3 per cent following an extensive review of asset useful lives for below-ground water and sewer assets and the re-phasing of capital expenditure.

Financing charges have also decreased \$1.2 million as a result of market interest rates falling over the financial year and lower than planned borrowings over the course of the year with the re-phasing of key capital projects.

	Plan 2013/14 (\$'000)	% Change Act – Plan	Actual 2013/14 (\$'000)	% Change 2013/14 – 2012/13	Actual 2012/13 (\$'000)	Actual 2011/12 (\$'000)
Total Revenue	96,189	7.7%	103,617	19.0%	87,048	83,526
Total Expenditure	127,564	(6.1%)	119,821	(0.1%)	119,899	112,257
<b>Net Profit before developer income</b>	<b>(31,375)</b>	<b>(48.4%)</b>	<b>(16,204)</b>	<b>(50.7%)</b>	<b>(32,851)</b>	<b>(28,731)</b>
Developer contributions & capital works	10,980	8.2%	11,880	4.5%	11,367	9,847
<b>Net Profit before Tax</b>	<b>(20,394)</b>	<b>78.8%</b>	<b>(4,324)</b>	<b>(79.9%)</b>	<b>(21,484)</b>	<b>(18,884)</b>
<b>Net Result for the year</b>	<b>(14,276)</b>	<b>67.1%</b>	<b>(4,700)</b>	<b>(68.8%)</b>	<b>(15,087)</b>	<b>(13,126)</b>

## Significant changes in financial position

Total cash assets continued to improve, with operating cash flows increasing significantly during the year. The higher than budgeted water usage revenue, temporary water sales and reduction in payments to suppliers increased cash flows from operating activities by \$9.8 million to *Corporate Plan*.

We are continuing with our major capital works program with up to \$179 million to be allocated to capital projects over our five year *Water Plan 2013–18*. New borrowings from Treasury Corporation Victoria totaling \$22.6 million was required to finance assets during 2013/14, with debt budgeted to peak in 2016/17.

There has been an increase in total assets due to the implementation of our capital works program.

Our internal financing ratio has improved to 49.7 per cent while our gearing ratio decreased due to the stronger operating cashflow throughout the year. Our interest cover (cash) also improved as our cash flows strengthened compared to *Corporate Plan* and last year.

All the performance indicators are improving due to the business transformation and tariff reforms implemented on 1 July 2013.

## Shareholder dividend

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

No shareholder dividend was paid for 2013/14.

## The Water Plan

As the monopoly supplier of reticulated water and sewerage across our service region, our prices are subject to economic regulation by the Essential Services Commission (ESC). In September 2012, we proposed prices in our *Water Plan 2013–2018*. The ESC then assessed these against pricing principles in the Water Industry Regulatory Order (WIRO).

In June 2013, the ESC determined that prices to apply throughout the 2013–18 regulatory period would be largely as proposed in our *Water Plan*, with tariff changes, which were fully supported by the economic regulator, based on the principles of:

1. Fairness – similar price for similar service;
2. Simplicity – easy to understand tariffs across our region; and
3. Financial balance – prices to enable a financially sustainable corporation, while promoting community interests and regional development.

During 2013/14, we applied to restructure tariffs for our rural services. After undertaking extensive customer engagement, we proposed a new 'single shared outlet' channel access tariff. This revenue neutral measure was supported by customers and endorsed by the ESC without amendment. This new tariff will commence from 1 July 2014.

## Post balance date events

On 18 January 2014, the Victorian Coalition Government announced the Fairer Water Bills (FWB) initiative. The objective of this major reform is to lower household water bills by Water Corporations 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 FWB savings to customers through urban tariffs that are lower than those approved by the Essential Services Commission.

## Outlook 2014/15

Total revenue for 2014/15 is projected to be \$117.2 million, total expenses \$125.7 million – including \$29.7 million to service debt – with a total net result (deficit) after notional tax of \$5.9 million.

The projected increase in total revenue of \$1.7 million in 2014/15 is due to the approved tariffs in the ESC Final Determination which incorporates FWB efficiency outcomes, with water usage expected to remain around 165kl per household through to 2018.

The average household's total water and sewer bill in Bendigo (based on 155 kilolitres per annum) will increase on average 3.7 per cent or \$43 in 2014/15. This increase is offset by decreases in temporary water sales compared to 2013/14, leading to a minimal increase in total revenue next year. Developer contributions and gifted assets will increase throughout the year due to regional growth in Bendigo with the construction of the new hospital.

The increase in total expenditure in 2014/15 is due to higher depreciation charges (\$1.7 million) from the intensive capital works program and higher financing costs (\$3.2 million) for the borrowings to fund the program. We will rely on borrowings from Treasury Corporation Victoria to fund the capital works program which will see a decrease in the financial accommodation levy charge from 279 basis points for 2013/14 to 210 basis points next year. The Environmental Contribution Levy charge will remain at \$3.3 million per annum for the next two years.

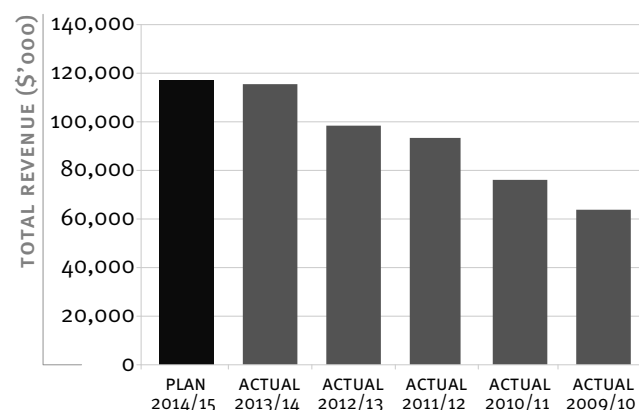
Total operation and administration expenses will increase at a lower rate than inflation (\$0.9 million or 1.6 per cent) as we continue to deliver efficiencies within the business.

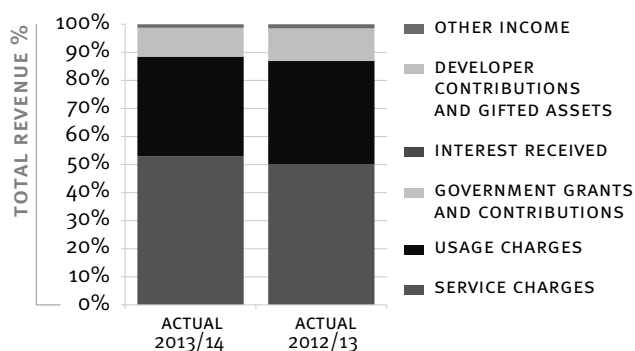
## Revenue

Total revenue increased \$17.1 million or 17.4 per cent in 2013/14 compared to that achieved last year, and is budgeted to only increase \$1.7 million in 2014/15. The Victorian Government's Fairer Water Bills initiative will see savings passed onto customers through tariffs that are lower than approved by the ESC.

Overall service charges increased \$11.8 million or 24.0 per cent in 2013/14 while usage charges increased \$4.7 million or 13.1 per cent to that achieved last year. All increases were in line with the ESC approved prices and our tariff reform strategy to improve our financial sustainability.

Developer contributions and gifted assets increased \$0.5 million or 4.5 per cent as a result of the continuing development in the Bendigo and Echuca regions. It is anticipated that this level of investment will continue into the future.





About 88 per cent of revenue is derived from service charges and usage charges, with the remainder being developer contributions and gifted assets. Revenue received in the current year was in line with the previous year.

## Expenditure

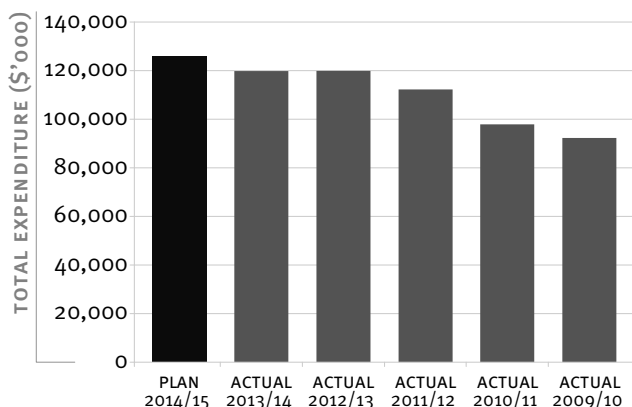
Total expenses remained in line with that achieved in 2012/13 but is budgeted to increase \$5.9 million or 4.9 per cent in 2014/15.

Operational and administration expenses and employee benefits remained in line with last year considering the implementation of the new business model, reconfigured core business functions supported by a re-aligned corporate structure and the repatriation of functions previously outsourced back into the business.

The environmental contribution increased \$1.2 million in accordance with the payment schedule and finance charges also increased \$0.6 million due to new borrowings and the increase in the financial accommodation levy.

Compared to *Corporate Plan*, operational and administration expenses are budgeted to increase \$0.9 million next year as water delivery costs will increase in line with water usage and the implementation of additional operational and maintenance program of works. Administration costs are budgeted to increase slightly due to a combination of wage rises and investments in knowledge, data and information systems.

Debt levels continued to grow from \$340.7 million in 2012/13 to \$363.2 million during the year to fund the capital works program with total debt servicing costs also increasing by \$3.2 million. We will partially rely on borrowings from Treasury Corporation Victoria to fund the capital works program in 2014/15.

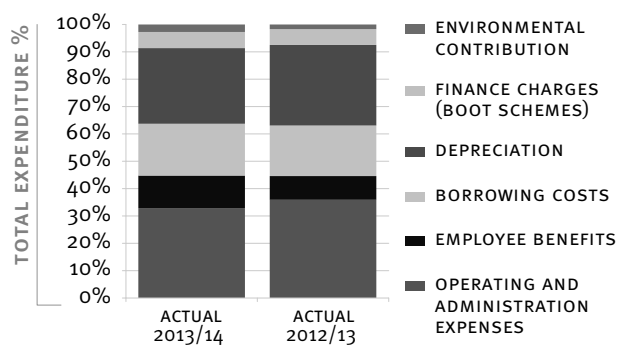


Operation, administration and employee costs account for almost half of our total expenditure. The remainder is borrowing costs, depreciation, BOOT schemes and the environmental contribution to the Victorian Government.

Compared to 2012/13 the implementation of the new business model is the reason for the decrease in operating and administration expenses in 2013/14. The repatriation of services into the business is the reason for the increase in employee benefit costs. The net effect of this change is immaterial however the new business model should further improve our operational expenditure efficiency in future years.

Borrowing costs and depreciation have increased over the last few years and will continue to increase as the capital works program continues. We continue to ensure assets are managed efficiently and effectively and will finalise the asset useful life review during 2014/15 to enable a loan repayment profile that better aligns to our future asset renewal profile.

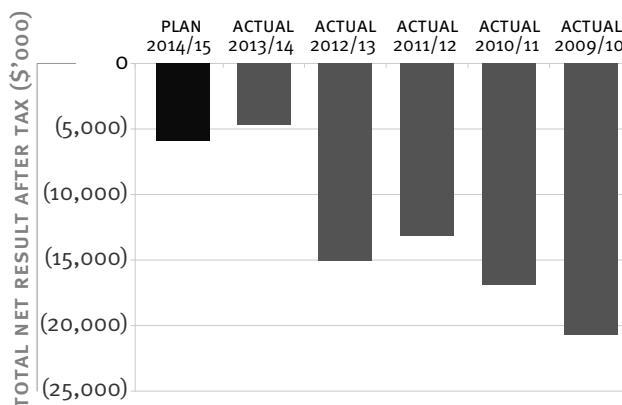
Total operational expenditure for the remainder of *Water Plan 2013–2018* will be within the revenue requirement approved by the ESC in June 2013.



## Net result (deficit) for the year

The net result (deficit) for the year in 2013/14 was a net loss of \$4.7 million which is a stepped improvement on the previous year.

The net result (deficit) for the year is budgeted to weaken slightly in 2014/15 due to average water usage projected to be 165 kilolitres per household and less temporary water being available for sale during the year. There will be additional costs incurred with depreciation and financing costs also increasing due to the continued investment in capital projects.





# 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 2014, we made a net result (deficit) for the year of \$4.7 million.

## Balance Sheet

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

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

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

## Statement of Changes in Equity

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

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

## Cash Flow Statement

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

For the year ending 30 June 2014, we had a net cash flow from operating activities of \$20.9 million.

## Notes to the Accounts

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

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

## Statutory Certificate and Auditor General's Report

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

## Table of contents

<b>Statutory Certification</b>	<b>56</b>
<b>Comprehensive Operating Statement</b>	<b>57</b>
<b>Balance Sheet</b>	<b>58</b>
<b>Statement of Changes in Equity</b>	<b>59</b>
<b>Cash Flow Statement</b>	<b>60</b>
<b>Notes to the Financial Statements</b>	<b>61</b>
Note 1: Accounting Policies	61
Note 2: Comprehensive Operating Statement Disclosures	70
Note 3: Cash and Cash Equivalents	70
Note 4: Receivables	71
Note 5: Other financial assets	72
Note 6: Inventories	72
Note 7: Assets held for sale	72
Note 8: Infrastructure assets, property, plant and equipment	72
Note 9: Intangible Assets	77
Note 10: Payables	77
Note 11: Borrowings	77
Note 12: Provisions and Employee Benefits	78
Note 13: Income Tax	78
Note 14: Net Deferred Tax	79
Note 15: Contributed Capital	79
Note 16: Reserves	80
Note 17: Reconciliation of Net Result (Deficit) for the Year to Net Cash Flows from Operating Activities	80
Note 18: Responsible Persons and Executive Officer Disclosures	80
Note 19: Superannuation	82
Note 20: Financial Risk Management Objectives and Policies	84
Note 21: Financial Instruments	85
Note 22: Commitments	86
Note 23: Finance Lease Liabilities – Boot Schemes	86
Note 24: Operating Lease Commitments	87
Note 25: Joint Venture	87
Note 26: Contingent Assets and Contingent Liabilities	87
Note 27: Financing Facilities	87
Note 28: Auditors Remuneration	87
Note 29: Events Occurring after the Balance Sheet Date	87
Note 30: Ex-Gratia Expenses	87
Independent Auditor's Report	88

## STATUTORY CERTIFICATION

We certify that the attached financial statements for Coliban Region Water Corporation have been prepared in accordance with Statutory Direction 4.2 of the *Financial Management Act 1994*, applicable Australian Accounting Standards including interpretations and other mandatory professional reporting requirements and applicable Financial Reporting Directions.

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 2014 and the financial position of Coliban Region Water Corporation as at 30 June 2014.

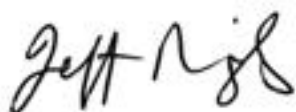
At the date of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 15 August 2014.



**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 2014

	Notes	2014 (\$'000)	2013 (\$'000)
<b>Revenue</b>			
Service charges	2(a)	61,185	49,362
Usage charges	2(a)	40,909	36,183
Interest received		74	63
Developer contributions and gifted assets	2(a)	11,880	11,367
Other income		1,449	1,440
<b>Total revenue</b>		<b>115,497</b>	<b>98,415</b>
<b>Expenses</b>			
Operating and administration expenses	2(b)	39,408	43,066
Employee expenses	2(b)	14,247	10,400
Borrowing costs		22,687	22,161
Depreciation and amortisation	1(xxx), 2(b)	33,141	35,295
Finance charges		7,066	6,946
Environmental contributions	1(vii), 22(c)	3,272	2,031
<b>Total expenses</b>		<b>119,821</b>	<b>119,899</b>
<b>Net result before tax and other economic flows</b>	1(xxx)	<b>( 4,324)</b>	<b>( 21,484)</b>
Income tax (expense)/benefit	1(xxx), 13(b)	1,305	6,446
<b>Net result/(deficit) before other economic flows</b>	1(xxx)	<b>( 3,019)</b>	<b>( 15,038)</b>
<b>Other economic flows included in the net result</b>			
Net gain/(loss) on disposal of assets		( 2,167)	( 29)
Fair value increase/(decrease) in other financial instruments		6	20
Other gains/(losses) from other economic flows		( 240)	( 62)
Income tax (expense)/benefit relating to components of other economic flows	13(c)	720	22
<b>Total other economic flows net of tax</b>		<b>( 1,681)</b>	<b>( 49)</b>
<b>Net result / (deficit) for the year</b>		<b>( 4,700)</b>	<b>( 15,087)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive result/(deficit) for the year</b>	1(xxx)	<b>( 4,700)</b>	<b>( 15,087)</b>

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

# BALANCE SHEET

AS AT 30 JUNE 2014

	Notes	2014 (\$'000)	2013 (\$'000)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	4,390	4,810
Receivables	4	21,739	18,585
Inventories	6	1,097	1,267
Prepayments		409	397
Assets held for sale	7	788	788
<b>Total current assets</b>		<b>28,423</b>	<b>25,847</b>
<b>Non-current assets</b>			
Receivables	4	1,235	1,385
Other financial assets	5	66	60
Infrastructure assets, property, plant and equipment	1(xxx), 8	1,261,708	1,245,907
Intangible assets	9	60,052	60,052
<b>Total non-current assets</b>		<b>1,323,061</b>	<b>1,307,404</b>
<b>TOTAL ASSETS</b>		<b>1,351,484</b>	<b>1,333,251</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	16,283	12,694
Borrowings	11	3,839	4,952
Employee benefits	12	2,968	2,895
<b>Total current liabilities</b>		<b>23,090</b>	<b>20,541</b>
<b>Non-current liabilities</b>			
Payables	10	464	–
Borrowings	11	446,309	424,512
Net deferred tax	1(xxx), 14	43,084	45,109
Employee benefits	12	437	289
<b>Total non-current liabilities</b>		<b>490,294</b>	<b>469,910</b>
<b>TOTAL LIABILITIES</b>		<b>513,384</b>	<b>490,451</b>
<b>NET ASSETS</b>		<b>838,100</b>	<b>842,800</b>
<b>EQUITY</b>			
Contributed capital	15	308,579	308,579
Reserves	16	188,968	188,968
Accumulated funds	1(xxx)	340,553	345,253
<b>TOTAL EQUITY</b>		<b>838,100</b>	<b>842,800</b>

Commitments for expenditure

22, 23, 24

Contingent assets and contingent liabilities

26

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Contributed capital (\$'000)	Reserves (\$'000)	Accumulated funds (\$'000)	Total (\$'000)
<b>Balance at 1 July 2012</b>		307,429	194,608	362,357	864,394
Net effect of prior period adjustments	1(xxx)	–	( 5,640)	( 2,017)	( 7,657)
<b>Restated Balance as at 1 July 2012</b>		307,429	188,968	360,340	856,737
Total comprehensive result (deficit) for the year		–	–	( 13,686)	( 13,686)
Net effect of prior period adjustments	1(xxx)	–	–	( 1,401)	( 1,401)
Transactions with the State in its capacity as owner: Contributed capital transfer	15	1,150	–	–	1,150
<b>Balance at 30 June 2013</b>		308,579	188,968	345,253	842,800
Total comprehensive result (deficit) for the year		–	–	( 4,700)	( 4,700)
<b>Balance at 30 June 2014</b>		308,579	188,968	340,553	838,100

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 2014

	Notes	2014 (\$'000)	2013 (\$'000)
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Service and usage charges		96,508	86,626
Other customer revenue		6,963	5,639
GST received from the ATO		8,192	7,862
Interest received		74	63
		<b>111,737</b>	<b>100,190</b>
<b>Payments</b>			
Payments to suppliers and employees		(58,298)	(66,394)
Interest and other costs of finance paid		(29,225)	(29,215)
Environmental contributions		(3,272)	(2,031)
		<b>(90,795)</b>	<b>(97,640)</b>
<b>Net cash inflows from operating activities</b>	17	<b>20,942</b>	<b>2,550</b>
<b>Cash Flows from Investing Activities</b>			
Payments for infrastructure assets, property, plant and equipment		(42,138)	(34,807)
Proceeds from sale of infrastructure assets, property, plant and equipment		93	162
<b>Net cash outflows from investing activities</b>		<b>(42,045)</b>	<b>(34,645)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		22,565	37,596
Proceeds from contributions of owners		–	1,150
Repayment of finance lease liabilities		(1,882)	(3,033)
<b>Net cash inflows from financing activities</b>		<b>20,683</b>	<b>35,713</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(420)</b>	<b>3,618</b>
Cash and cash equivalents at the beginning of the financial year		4,810	1,192
<b>Cash and cash equivalents at the end of the financial year</b>	3	<b>4,390</b>	<b>4,810</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## 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 attached financial statements for Coliban Water have been prepared in accordance with Statutory Direction 4.2 of the *Financial Management Act 1994*, Australian Accounting Standards (AAS) including interpretations and other mandatory professional reporting requirements and applicable Financial Reporting 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 15th August 2014.

#### 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(xx) Employee Benefits for a variation in relation to employee benefits.

#### Rounding

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

#### Historical cost convention

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

#### Fair value measurement

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

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

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

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

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

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

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

The Valuer General Victoria (VGV) is Coliban Water's independent valuation agency.

Coliban Water, in conjunction with VGV, monitors changes in the fair value of each asset 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 useful lives
- the impairment of assets
- recognition of deferred tax balances
- employee benefits provision
- contingent assets and liabilities
- fair value of infrastructure, property, plant and equipment
- actuarial assumptions of the defined benefits superannuation
- accrued revenue

### ii Changes in Accounting Policy

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

Subsequent to the 2012/13 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

#### AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when Coliban Water is required to use fair value, but rather provides guidance on how to measure fair value under AAS when fair value is required or permitted. Coliban Water has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and adjusted where applicable with no adjustments made. In light of AASB 13, Coliban Water has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

However, AASB 13 has predominantly impacted the disclosures of Coliban Water. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 *Financial Instruments: Disclosures*.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information. Consequently, the 30 June 2013 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 *Financial Instruments: Disclosures*.

#### **AASB 119 Employee benefits**

In 2013/14, Coliban Water has applied AASB 119 *Employee Benefits* (September 2011, as amended) and the related consequential amendments for the first time. The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets.

The revised standard also changes the definition of short term employee benefits. These were previously benefits that were expected to be settled within twelve months after the end of the reporting period in which the employees render the related service. However, short term employee benefits are now defined as benefits expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service. This change in accounting policy has been considered and has not materially altered the measurement of the annual leave provision and therefore remains at nominal value.

Coliban Water has a multi-employer sponsored superannuation plan where the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, 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. Appropriate disclosures have been included, however there is no liability so there is no impact on the Balance Sheet.

### **iii Changes in Accounting Estimates and Judgements**

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

At 1 July 2013 Coliban Water undertook a review of underground asset data in order to ensure accuracy and consistency of useful lives. This resulted in revisions to approximately half of the asset lives for both water and sewer underground assets and reduced annual depreciation expense by almost \$2.5 million in the 2013/14 financial year. It is estimated that the revisions will continue to have a similar impact on future financial years.

Approximately 95 per cent of the reduction in depreciation related to an increase in the useful life of steel cement lined water pipes from 50 years to 90 years and unplasticised polyvinyl chloride water and sewer pipes increasing from 50 years to 80 years.

### **iv Comparative Amounts**

Where appropriate, comparative figures have been amended to align with current presentation and disclosure.

## **v Adjustments relating to prior periods**

Material prior period adjustments shall be retrospectively corrected in the first complete set of financial statements authorised for issue after their discovery by:

- restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

Exceptions to this will be made to the extent that it is impracticable to determine the:

- period specific effects of an error on comparative information for one or more prior periods presented. The entity shall then restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period); and/or
- cumulative effect, at the beginning of the current period, of an error on all prior periods. The entity shall then restate the comparative information to correct the error prospectively from the earliest date practicable.

The adjustment of a prior period error is excluded from the net result for the period in which the error is discovered. Any information presented about prior periods, including any historical summaries of financial data, is restated as far back as is practicable. Refer to Note 1(xxx).

## **vi Revenue from Operating Activities**

### **Service and usage charges**

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

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

Trade waste charges are recognised as revenue at the end of the service delivery period. Volume meters are read and appropriate charges levied in accordance with the trade waste agreements. Major trade waste customer meters are read monthly with accounts sent monthly. All minor trade waste customer meters are read quarterly with accounts sent quarterly. An estimation is made by multiplying the number of days since the last reading by an adjusted reading for an equivalent prior period.

### **Interest**

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

### **Developer 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, rechargeables and miscellaneous charges are recognised as revenue when earned or when the service has been provided.



## vii Expenses

### Operating and administration expenses

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

Administration expenses refer to supplies and services costs which are recognised as an expense in the reporting period in which they are incurred.

### Employee expenses

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

### Superannuation

The amount recognised in the Comprehensive Operating Statement is the employer contributions for members of both accumulation and defined benefit superannuation plans that are paid or payable during the reporting period.

### Borrowing costs

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

### Depreciation and amortisation of non-current assets

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

Land is not depreciated. Depreciation on all infrastructure assets, buildings, plant and equipment, and other non-current physical assets is calculated using the straight line method to allocate their costs or revalued amounts, net of their residual values, over their estimated useful lives, commencing from the time the asset is available ready for use. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Depreciation rates used are listed below and include a comparison to the prior year.

Asset	2013/14	2012/13
Buildings	20 to 50 years	20 to 50 years
Plant & Equipment	1 to 20 years	1 to 20 years
Infrastructure	10 to 300 years	10 to 300 years
BOOT Schemes Infrastructure	25 to 60 years	25 to 60 years

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

### Finance charges

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

### Environmental contribution

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 has been extended to cover the period 1 July 2012 until 30 June 2016.

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

Coliban Water has a statutory requirement to pay an environmental contribution to the Department of Environment and Primary Industries. This contribution is recognised as an expense during the reporting period as incurred.

## viii Other Economic Flows

### Impairment of assets

Intangible assets with indefinite useful lives are tested annually for impairment as to whether their carrying value exceeds their recoverable amount.

All other assets are assessed annually for indicators of impairment, except for:

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

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading 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 also recognised in the Comprehensive Operating Statement.

For Coliban Water's permanent water entitlements the value in use (VIU) at the cash generating unit (CGU) level has been applied in determining the recoverable amount as at 30 June 2014 on the basis that the future economic benefits of the asset are primarily dependant on the asset's ability to generate cash flows. 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 2014 no impairment of the permanent water entitlements has been recognised for the financial year ended 30 June 2014.

## ix Cash and Cash Equivalents

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

## x Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impaired receivables. The likelihood of debts being collected is assessed at balance date and a provision is made for doubtful debts when Coliban Water expects they will not be able to collect all amounts due. The amount of the provision is recognised in the Comprehensive Operating Statement. Debts which are known to be uncollectible are written off.

## **xi Inventories**

Inventories comprise stores and materials used in the construction of new works and repairs and maintenance of existing assets. All inventories are measured at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date on a weighted average cost (WAC) basis.

## **xii 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.

## **xiii 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, leasehold improvements, water, sewerage and drainage infrastructure assets, plant, equipment and motor vehicles, used by Coliban Water in its operations. Items with a cost value in excess of \$1,000 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed. Where assets are constructed by Coliban Water, the cost at which they are recorded includes an appropriate share of fixed and variable overheads. Assets acquired at no cost or for nominal consideration by Coliban Water are recognised at fair value at the date of acquisition.

BOOT Scheme infrastructure assets are recognised at fair value.

### **Leasehold improvements**

Leasehold improvements are recognised at fair value and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 20 year and five year period consistent with the terms of the two leases (2012/13: 20 year and five year period).

### **Measurement of non-current physical assets**

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

Revaluations are conducted in accordance with FRD 103E. Scheduled revaluation is 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 carrying amounts.

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

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

## **Revaluations of non-current physical assets**

Revaluation increments are credited directly to equity in the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in determining the net result, the increment is recognised as revenue 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 debited to the asset revaluation reserve. Revaluation increases and revaluation decreases relating to individual assets within a class of infrastructure assets, property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes. Asset revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset.

### **Assets held for sale**

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

## **xiv Intangibles**

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

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

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

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

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

## **xv 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, 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 asset(s) acquired in a BOOT Scheme that meet the classification of a finance lease are depreciated over the asset's useful life.

## xvi 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, in the periods in which they are incurred over the lease term, as this represents the pattern of benefits derived from the leased assets.

## xvii Payables

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

Payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured at amortised cost.

## 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 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.

## xx Employee Benefits

### Wages and salaries and annual leave

Liabilities for wages, salaries and annual leave to be wholly settled within 12 months of the reporting date are recognised in employee benefits liabilities in respect of employee

services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, at their nominal values. Employee benefits which are not expected to be wholly settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the entity, in respect of services rendered by employees up to the reporting date. Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

### Long service leave (LSL)

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

The components of this current liability for long service leave are measured at:

- Present value – component that Coliban Water does not expect to wholly settle within 12 months; and
- Nominal value – component that Coliban Water expects to wholly settle within 12 months.

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

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

### 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 current services of Coliban Water's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that Coliban Water is required to comply with.

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents the contributions made to the superannuation plan, adjusted by the movement in the defined benefit plan liability or surplus. The statutory contributions made by Coliban Water to all superannuation plans make up the superannuation expense for the reporting period and are detailed in Note 19.

### Employee benefit on-costs

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

### Performance payments

Performance payments for Coliban Water's Executive Officers are based on a 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.

## **xxi Contributed Capital**

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

## **xxii Financial Instruments**

### **Recognition**

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

### **Financial assets at fair value through the comprehensive operating statement**

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

### **Other financial instruments at fair value through comprehensive operating statement**

Other financial assets are valued at their market value at 30 June 2014 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 profit or loss, are subject to annual review for impairment.

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

## **xxiii Taxation**

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

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

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

## **xxiv 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.

## **xxv 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 26) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

## **xxvi Dividend Policy**

Any dividend payable is based on a prescribed percentage of the previous years' adjusted net profit. An obligation to pay a dividend only arises after consultation between the Board and the Minister for Water and the Treasurer. Following this consultation a formal determination is made by the Treasurer.

The process to determine the dividend applicable to the 2013/14 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.

## **xxvii 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.

## xxviii New Accounting Standards and Interpretations

As at 30 June 2014, the following standards and interpretations had been issued but were not mandatory for the financial year ending 30 June 2014. Coliban Water has not and does not intend to adopt these standards early.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 Financial Instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i> ).	1 January 2017	The preliminary assessment has identified that the financial impact of available for sale (AFS) assets will be reported through other comprehensive income and no longer recycled to the profit and loss.  While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.  Coliban Water is yet to assess the full impact of this change on the accounts.
AASB 10 Consolidated Financial Statements	This Standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities.  The AASB has issued an Australian Implementation Guidance for not-for-profit entities – Control and Structured Entities that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.	1 January 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date.  For the public sector, AASB 10 builds on the control guidance that existed in AASB 127 and Interpretation 112 and is not expected to change which entities need to be consolidated.  Ongoing work is being done to monitor and assess the impact of this standard.  This will have no impact on Coliban Water as it is a single entity.
AASB 11 Joint Arrangements	This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.	1 January 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date.  Based on current assessment, entities already apply the equity method when accounting for joint ventures. It is anticipated that there would be no material impact. Ongoing work is being done to monitor and assess the impact of this standard.  This change will effect the statements of Coliban Water as a joint venture arrangement exists with Central Highlands Water as tenants in common. The full impact of this change on the joint venture disclosure is yet to be assessed.
AASB 12 Disclosure of Interests in Other Entities	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 <i>Separate Financial Statements</i> and AASB 131 <i>Interests in Joint Ventures</i> .	1 January 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date.  The new standard is likely to require additional disclosures and ongoing work is being done to determine the extent of additional disclosure required.  Coliban Water has a joint venture arrangement with Central Highlands Water with the assets owned as tenants in common. The full impact of this change on the joint venture disclosure is yet to be assessed.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 127 Separate Financial Statements	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 January 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date.  Current assessment indicates that there is limited impact on Victorian Public Sector entities.  Coliban Water has a joint venture arrangement with Central Highlands Water with the assets owned as tenants in common. The full impact of this change on the joint venture disclosure is yet to be assessed.
AASB 128 Investments in Associates and Joint Ventures	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 January 2014	Current assessment indicates that there is limited impact on Victorian Public Sector entities.  Coliban Water is yet to assess the full impact of this change on the accounts.
AASB 1055 Budgetary Reporting	AASB 1055 extends the scope of budgetary reporting that is currently applicable for the whole of government and general government sector (GGS) to not-for-profit entities within the GGS, provided that these entities present separate budgets to the parliament.	1 July 2014	This Standard does not apply to Coliban Water as no budget disclosure is required.

In addition to the new standards above, the AASB has issued a list of amending standards (refer list below) that are not effective for the 2013/14 reporting period. In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting. The AASB Interpretation in the list below is also not effective for the 2013/14 reporting period and is considered to have insignificant impacts on public sector reporting:

- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.*
- 2013-1 *Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements*
- 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- 2013-6 *Amendments to AASB 136 arising from Reduced Disclosure Requirements*
- 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- AASB Interpretation 21 *Levies*

## xxix Jointly Controlled Assets

Joint ventures 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 (the venturers).

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

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

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

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.

### xxx Prior Period Adjustments

	2011/12 & prior years (\$'000)	2012/13 (\$'000)
Adjustments to prior period balances and transactions are required due to unintentional delays in transferring assets included in works in progress once the assets became operational. This has led to the following:		
Understatement of total infrastructure assets	38,202	36,192
Overstatement of work in progress	38,202	36,192
<b>Impact on infrastructure, assets, property, plant and equipment</b>	<b>Nil</b>	<b>Nil</b>
Understatement of depreciation and amortisation	3,197	2,319
Overstatement of income tax (expense)/benefit	959	696
Overstatement of accumulated funds	2,238	1,623
Adjustments to prior period balances and transactions are also required due to certain infrastructure assets being incorrectly valued upwards in 2010/11. This has led to the following:		
Overstatement of infrastructure assets, property, plant and equipment	8,057	–
Overstatement of income tax (expense)/benefit	2,322	–
Understatement of income tax (expense)/benefit	–	95
Overstatement of asset revaluation reserve	5,640	–
Overstatement of depreciation and amortisation	316	317
Understatement of accumulated funds	221	222

As a result of the above, the following shows the restatement of each line item in the following statements in the financial report.

a/ Comprehensive Operating Statement (Extract)	Notes	Reported 2012/13 (\$'000)	Adjustment (\$'000)	Restated 2012/13 (\$'000)
Total revenue		98,415	–	98,415
Depreciation and amortisation	2(b)	33,293	2,002	35,295
Total expenses		117,897	2,002	119,899
<b>Net result (deficit) before tax and other economic flows</b>		<b>(19,482)</b>	<b>(2,002)</b>	<b>(21,484)</b>
Income tax (expense)/benefit	13(b)	5,845	601	6,446
<b>Net result (deficit) before other economic flows</b>		<b>(13,637)</b>	<b>(1,401)</b>	<b>(15,038)</b>
Total other economic flows net of tax		(49)	–	(49)
<b>Net result (deficit) for the year</b>		<b>(13,686)</b>	<b>(1,401)</b>	<b>(15,087)</b>
<b>Total comprehensive result (deficit) for the year</b>		<b>(13,686)</b>	<b>(1,401)</b>	<b>(15,087)</b>

b/ Balance Sheet (Extract)	Notes	Actual 1 July 2012 (\$'000)	Adjustments up to 30 June 2012 (\$'000)	Adjustments relating to 2012/13 (\$'000)	Restated 1 July 2013 (\$'000)
Infrastructure assets, property, plant and equipment	8	1,258,847	(10,938)	(2,002)	1,245,907
<b>Total Assets</b>		<b>1,346,191</b>	<b>(10,938)</b>	<b>(2,002)</b>	<b>1,333,251</b>
Net deferred tax	14	48,991	(3,281)	(601)	45,109
<b>Total Liabilities</b>		<b>494,333</b>	<b>(3,281)</b>	<b>(601)</b>	<b>490,451</b>
<b>Net Assets</b>		<b>851,858</b>	<b>(7,657)</b>	<b>(1,401)</b>	<b>842,800</b>

c/ Statement of Changes in Equity (Extract)	Notes	Actual 1 July 2012 (\$'000)	Adjustments up to 30 June 2012 (\$'000)	Adjustments relating to 2012/13 (\$'000)	Restated 1 July 2013 (\$'000)
Reserves	16	194,608	(5,640)	–	188,968
Accumulated funds (including 2012/13 result)		348,671	(2,017)	(1,401)	345,253
<b>Total Equity</b>		<b>851,858</b>	<b>(7,657)</b>	<b>(1,401)</b>	<b>842,800</b>

### d/ Restatement of balances in the notes to the financial report

The notes affected as a result of the above changes are as follows:

- Note 2(b) Expenses from operating activities
- Note 8(a) Classes of infrastructure assets, property, plant and equipment and Note 8(b) Movements during the reporting period
- Note 13 Income Tax
- Note 14 Deferred Tax
- Note 16 Reserves
- Note 17 Reconciliation of net result (deficit) for the year to net cash flows from operating activities

## Note 2: Comprehensive Operating Statement Disclosures

	Notes	2014 (\$'000)	2013 (\$'000)
<b>(a) Income from operating activities</b>			
<b>Service Charges:</b>			
Water service charges		16,008	7,426
Rural water service charges		2,189	2,716
Sewerage service charges		38,820	35,363
Trade waste charges		4,103	3,825
Recycled water service charges		65	32
		<b>61,185</b>	<b>49,362</b>
<b>Usage charges:</b>			
Water usage charges		33,311	31,939
Rural water usage charges		965	1,132
Sewerage usage charges		996	1,233
Trade waste usage charges		905	407
Recycled water usage charges		481	547
Temporary water sales		4,251	925
		<b>40,909</b>	<b>36,183</b>
<b>Developer contributions and gifted assets:</b>			
Developer contributions and gifted assets		9,119	7,791
New customer contributions		2,761	3,576
		<b>11,880</b>	<b>11,367</b>
<b>(b) Expenses from operating activities</b>			
<b>Operating and administration expenses:</b>			
Partnership contract expenses		15,332	25,365
Water purchases		1,591	1,758
General services		5,641	3,468
Electricity		3,951	1,692
BOOT toll service payments		7,060	5,940
Other operating and administration expenses		5,833	4,843
		<b>39,408</b>	<b>43,066</b>
<b>Employee expenses:</b>			
Salaries and wages		11,226	8,225
Annual leave		997	703
Accrued Day Off		486	317
Long service leave		178	143
Superannuation	19	1,360	1,012
		<b>14,247</b>	<b>10,400</b>
<b>Depreciation:</b>			
Buildings and leasehold improvements		285	271
Plant & equipment		1,180	1,458
Infrastructure		28,310	30,310
BOOT schemes infrastructure		3,366	3,194
		<b>33,141</b>	<b>35,233</b>
<b>Amortisation:</b>			
Temporary water intangibles		–	62
		<b>–</b>	<b>62</b>
<b>Total depreciation and amortisation</b>	1(xxx)	<b>33,141</b>	<b>35,295</b>

## Note 3: Cash and Cash Equivalents

	2014 (\$'000)	2013 (\$'000)
Cash at bank	4,390	4,810
<b>Total cash and cash equivalents</b>	<b>4,390</b>	<b>4,810</b>



## Note 4: Receivables

	2014 (\$'000)	2013 (\$'000)
<b>Current receivables</b>		
Rates and charges receivables	10,288	8,622
Sundry customer receivables	2,395	747
GST receivables	1,245	1,076
Accrued revenue	7,891	8,210
Provision for doubtful debts	(80)	(70)
<b>Total current receivables</b>	<b>21,739</b>	<b>18,585</b>
<b>Non-current receivables</b>		
Customer receivables	1,235	1,385
<b>Total non-current receivables</b>	<b>1,235</b>	<b>1,385</b>
<b>Total receivables</b>	<b>22,974</b>	<b>19,970</b>
<b>(a) Ageing analysis of receivables</b>		
The ageing at 30 June 2014 includes current rates and charges receivables, sundry customer receivables and non-current customer receivables. GST receivables, accruals and provision for doubtful debts are excluded.		
Current (up to 1 month)	9,375	4,978
1 to 3 months	1,723	2,776
3 to 12 months	1,586	1,615
More than 12 months	1,235	1,385
	<b>13,919</b>	<b>10,754</b>
As at 30 June 2014, receivables net of provision for doubtful debts past due (older than 1 month) but not impaired totalled \$4,464,079 (2012/13: \$5,706,449). 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	1,724	2,776
3 to 12 months	1,506	1,545
More than 12 months	1,234	1,385
<b>Total receivables past due but not impaired</b>	<b>4,464</b>	<b>5,706</b>
<b>(b) Provision for doubtful receivables</b>		
As at 30 June 2014, receivables of Coliban Water with a nominal value of \$80,276 (2012/13: \$69,613) 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	(80)	(70)
More than 12 months	–	–
<b>Total receivables</b>	<b>(80)</b>	<b>(70)</b>
Movement in the doubtful debts provision is as follows:		
Opening provision balance at 1 July	(70)	(111)
Provision recognised during the year	156	144
Receivables written off during the year as uncollectable	(166)	(103)
<b>Closing provision balance at 30 June</b>	<b>(80)</b>	<b>(70)</b>
The creation and release of the provision for doubtful receivables has been included in operating and administration expenses in the Comprehensive Operating Statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.		
<b>(c) Nature and extent of risk arising from receivables</b>		
Refer to Note 20 for the nature and extent of risks arising from receivables.		

## Note 5: Other financial assets

	2014 (\$'000)	2013 (\$'000)
Shares in Bendigo Community Telco Limited – fair value	66	60
<b>Total Other Financial Assets</b>	<b>66</b>	<b>60</b>
<p>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.</p> <p>A one for one bonus share issue was made by Bendigo Community Telco Limited in February 2005. As a result Coliban Water now holds 40,000 Shares in Bendigo Community Telco Limited.</p> <p>Bendigo Community Telco Limited Shares were listed on the Bendigo Stock Exchange during 2005-06 and have migrated across to the National Stock Exchange in 2012/13. Their value is reported as the share value at 30 June 2014.</p> <p><b>a) Ageing analysis of other financial assets</b></p> <p>Refer to Note 21 for the ageing analysis of other financial assets.</p> <p><b>b) Nature and extent of risk arising from other financial assets</b></p> <p>Refer to Note 20 for the nature and extent of risks arising from other financial assets.</p>		

## Note 6: Inventories

	2014 (\$'000)	2013 (\$'000)
Inventories held for distribution	1,097	1,267
<b>Total Current Inventories</b>	<b>1,097</b>	<b>1,267</b>

## Note 7: Assets held for sale

	2014 (\$'000)	2013 (\$'000)
Freehold land	788	788
<b>Total Current assets held for sale</b>	<b>788</b>	<b>788</b>
<p>Coliban Water has entered into a Contract of Sale for 5.3 hectares of land in Echuca West. Settlement is expected to occur within six months after the reporting period and is therefore classified as held for sale.</p>		

### Fair value measurement hierarchy for assets as at 30 June 2014

	Carrying amount as at 30 June 2014 (\$'000)	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup> (\$'000)	Level 2 <sup>(i)</sup> (\$'000)	Level 3 <sup>(i)</sup> (\$'000)
Freehold land held for sale	788	–	788	–
<p>(i) Classified in accordance with the fair value hierarchy, see Note 1(i)</p> <p>Land held for sale was independently valued at 30 June 2011 by VGV using the market approach. Under this valuation method, the assets are compared to recent comparable sales. As there were no significant unobservable adjustments, the assets are classified as Level 2 using the market approach.</p> <p>At 30 June 2014 Coliban Water assessed Land index movements using indices from the Valuer General Victoria (VGV). Land Cost Indexation factors for financial year 2013/14 were applied. It was determined that there was no material movement that required a managerial revaluation.</p>				

## Note 8: Infrastructure assets, property, plant and equipment

Notes	2014 (\$'000)	2013 (\$'000)
<b>(a) Classes of infrastructure assets, property, plant and equipment</b>		
<b>Land</b>		
At fair value	40,709	40,652
<b>Buildings</b>		
At fair value	1,721	1,721
Less: accumulated depreciation	(287)	(204)
	<b>1,434</b>	<b>1,517</b>
<b>Buildings – Leasehold</b>		
At fair value	4,099	4,050
Less: accumulated depreciation	(2,111)	(2,088)
	<b>1,988</b>	<b>1,962</b>
<b>Plant and Equipment</b>		
At fair value	15,153	15,396
Less: accumulated depreciation	(7,329)	(6,878)
	<b>7,824</b>	<b>8,518</b>
<b>Water Infrastructure</b>		
At fair value	334,879	332,605
Less: accumulated depreciation	(33,862)	(23,492)
	<b>301,017</b>	<b>309,113</b>
<b>Water Distribution Assets</b>		
At fair value	137,735	137,038
Less: accumulated depreciation	(9,322)	(6,766)
	<b>128,413</b>	<b>130,272</b>
<b>Wastewater Infrastructure</b>		
At fair value	413,398	408,385
Less: accumulated depreciation	(34,945)	(23,849)
	<b>378,453</b>	<b>384,536</b>
<b>Recycling Infrastructure</b>		
At fair value	52,819	52,702
Less: accumulated depreciation	(4,259)	(2,924)
	<b>48,560</b>	<b>49,778</b>
<b>Rural Infrastructure</b>		
At fair value	25,860	26,321
Less: accumulated depreciation	(2,537)	(1,693)
	<b>23,323</b>	<b>24,628</b>
<b>Headworks Infrastructure</b>		
At fair value	172,682	171,758
Less: accumulated depreciation	(3,262)	(2,216)
	<b>169,420</b>	<b>169,542</b>
<b>Total Infrastructure Assets</b>	<b>1,049,186</b>	<b>1,067,869</b>
<b>BOOT Schemes Infrastructure</b>		
At fair value	116,653	115,110
Less: accumulated depreciation	(34,818)	(31,452)
	<b>81,835</b>	<b>83,658</b>
<b>Works in Progress</b>		
At cost	78,732	41,731
	<b>78,732</b>	<b>41,731</b>
<b>Total Infrastructure assets, property, plant and equipment</b>	<b>1,261,708</b>	<b>1,245,907</b>
<p>Land, Buildings and Infrastructure Assets were independently valued at 30 June 2011 by VGV.</p> <p>At 30 June 2014 Coliban Water assessed Land and Building index movements using indices from the VGV. Both Land and Building Cost Indexation factors for financial year 2013/14 were applied. It was determined that there was no material movement that required a managerial revaluation.</p> <p>At 30 June 2014 Coliban Water assessed infrastructure asset movements using the Producer Price Index. The Road and Bridge Construction (Victoria) Index was applied to pipelines, dams/ reservoirs and channels and the Stage of Production-Final Domestic Capital Index was applied to all other asset classes. It was determined that there was no material movement that required a managerial revaluation.</p>		

## Note 8: Infrastructure assets, property, plant and equipment (continued)

(b) Movements during the reporting period								
	Opening WDV at 1 July 2013	Additions	Disposals / Writeoffs	Transfers in (out) of assets under construction	Transfers between categories	Fair value of assets received free of charge	Depreciation <sup>(a)</sup>	Closing WDV at 30 June 2014
2013/14	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Land</b>								
At fair value	40,652	57	–	–	–	–	–	40,709
<b>Buildings</b>								
At fair value	1,517	–	–	–	–	–	(83)	1,434
<b>Buildings – Leasehold</b>								
At fair value	1,962	–	–	228	–	–	(202)	1,988
<b>Plant &amp; Equipment</b>								
At fair value	8,518	–	(81)	567	–	–	(1,180)	7,824
<b>Infrastructure <sup>(2)</sup></b>								
At fair value	1,067,869	–	(2,179)	11,749	57	–	(28,310)	1,049,186
<b>BOOT Schemes</b>								
At fair value	83,658	1,543	–	–	–	–	(3,366)	81,835
<b>Works in Progress</b>								
At cost	41,731	41,378	–	(12,544)	(215)	8,382	–	78,732
<b>Totals</b>	<b>1,245,907</b>	<b>42,978</b>	<b>(2,260)</b>	<b>–</b>	<b>(158)</b>	<b>8,382</b>	<b>(33,141)</b>	<b>1,261,708</b>

	Opening WDV at 1 July 2012	Additions	Disposals / Writeoffs	Transfers in (out) of assets under construction	Transfers between categories	Fair value of assets received free of charge	Depreciation <sup>(a)</sup>	Closing WDV at 30 June 2013
2012/13	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Land</b>								
At fair value	40,652	–	–	–	–	–	–	40,652
<b>Buildings</b>								
At fair value	1,601	–	–	–	–	–	(84)	1,517
<b>Buildings – Leasehold</b>								
At fair value	2,149	–	–	–	–	–	(187)	1,962
<b>Plant &amp; Equipment</b>								
At fair value	6,377	–	(101)	3,700	–	–	(1,458)	8,518
<b>Infrastructure <sup>(2)</sup></b>								
At fair value	1,051,685	–	(92)	46,586	–	–	(30,310)	1,067,869
<b>BOOT Schemes</b>								
At fair value	82,777	–	–	4,075	–	–	(3,194)	83,658
<b>Works in Progress</b>								
At cost	49,829	38,569	–	(54,361)	–	7,694	–	41,731
<b>Totals</b>	<b>1,235,070</b>	<b>38,569</b>	<b>(193)</b>	<b>–</b>	<b>–</b>	<b>7,694</b>	<b>(35,233)</b>	<b>1,245,907</b>

Temporary water infrastructure pipelines valued at \$158,000 has been decommissioned and moved to inventory (Note 6).

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

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

## Note 8: Infrastructure assets, property, plant and equipment (continued)

(c) Fair value measurement hierarchy for assets as at 30 June 2014	Carrying amount as at 30 June 2014	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup> (\$'000)	Level 2 <sup>(i)</sup> (\$'000)	Level 3 <sup>(i)</sup> (\$'000)
<b>Land at fair value</b>				
Specialised	40,709	–	–	40,709
	<b>40,709</b>	–	–	<b>40,709</b>
<b>Buildings at fair value</b>				
Specialised	1,434	–	–	1,434
	<b>1,434</b>	–	–	<b>1,434</b>
<b>Buildings – Leasehold at fair value</b>				
Specialised	1,988	–	–	1,988
	<b>1,988</b>	–	–	<b>1,988</b>
<b>Plant and equipment at fair value</b>				
Specialised	7,824	–	–	7,824
	<b>7,824</b>	–	–	<b>7,824</b>
<b>Water Infrastructure at fair value</b>				
Specialised	301,017	–	–	301,017
	<b>301,017</b>	–	–	<b>301,017</b>
<b>Water Distribution Assets at fair value</b>				
Specialised	128,413	–	–	128,413
	<b>128,413</b>	–	–	<b>128,413</b>
<b>Wastewater Infrastructure at fair value</b>				
Specialised	378,453	–	–	378,453
	<b>378,453</b>	–	–	<b>378,453</b>
<b>Recycling Infrastructure at fair value</b>				
Specialised	48,560	–	–	48,560
	<b>48,560</b>	–	–	<b>48,560</b>
<b>Rural Infrastructure at fair value</b>				
Specialised	23,323	–	–	23,323
	<b>23,323</b>	–	–	<b>23,323</b>
<b>Headworks Infrastructure at fair value</b>				
Specialised	169,420	–	–	169,420
	<b>169,420</b>	–	–	<b>169,420</b>
<b>Total Infrastructure Assets at fair value</b>	<b>1,049,186</b>	–	–	<b>1,049,186</b>
<b>BOOT Scheme Infrastructure at fair value</b>				
Specialised	81,835	–	–	81,835
	<b>81,835</b>	–	–	<b>81,835</b>
<b>Total assets at fair value (excluding works in progress)</b>	<b>1,182,976</b>	–	–	<b>1,182,976</b>
<i>(i) Classified in accordance with the fair value hierarchy, see Note 1(i).</i>				

There have been no transfers between levels during the period.

### Specialised land and specialised buildings

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 are classified as Level 3 within the fair value hierarchy.

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

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

A review of fair value indicators by Coliban Water included the application of VGV Land and Building indices, which indicated that there was not a material movement in Land and Buildings for the financial year ended 30 June 2014.

## 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.

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

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

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

BOOT Schemes Infrastructure is carried at fair value.

## 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.

## Plant and equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2014.

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

<b>(d) Reconciliation of Level 3</b>						
	<b>Specialised land</b>	<b>Specialised buildings</b>	<b>Specialised buildings – leasehold</b>	<b>Specialised plant and equipment</b>	<b>Specialised infrastructure</b>	<b>Specialised BOOT Schemes</b>
<b>2013/14</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>
<b>Fair Value</b>						
Opening balance	40,652	1,517	1,962	8,518	1,067,869	83,658
Purchases (sales)	57	–	228	567	11,749	1,543
Transfers in (out) of level 3	–	–	–	–	57	–
Gains or losses recognised in net result	–	–	–	(81)	(2,179)	–
Depreciations	–	(83)	(202)	(1,180)	(28,310)	(3,366)
Impairment loss	–	–	–	–	–	–
<b>Total Level 3 assets</b>	<b>40,709</b>	<b>1,434</b>	<b>1,988</b>	<b>7,824</b>	<b>1,049,186</b>	<b>81,835</b>

### (e) Description of significant unobservable inputs to Level 3 valuations

Asset Class	Valuation technique (i)	Significant unobservable inputs (i)	Weighted average cost per unit (i)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Specialised land				
Land	Market approach	Community Service Obligation (CSO) adjustment	20% (ii)	A significant increase or decrease in the CSO adjustment would result in a significantly higher or lower fair value.
Specialised buildings				
Buildings (36 Buildings, 3,651 m2)	Depreciated replacement cost	Direct cost per square metre	\$36 to \$1,049 (Average \$392)	A significant increase or decrease in the cost per unit would result in a significantly higher or lower fair value.
		Useful life of specialised assets	20 to 50 years (Average 35 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Leasehold Improvements				
Leasehold Improvements (2 Buildings, 3750 m2)	Depreciated replacement cost	Direct cost per square metre	\$3 to \$1,062 (Average \$377)	A significant increase or decrease in the cost per unit would result in a significantly higher or lower fair value.
		Useful life of Leasehold Improvements	5 to 20 years (Average 12 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Plant and Equipment				
Plant and Equipment	Depreciated replacement cost	Cost per unit	\$1,000 to \$1,850,512 (Average \$10,007)	A significant increase or decrease in the cost per unit would result in a significantly higher or lower fair value.
		Useful life of Plant and Equipment	1 to 20 years (Average 4 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Water Infrastructure				
Water Mains (2,288,930 metres)	Depreciated replacement cost (20ml – 1350ml)	Cost per metre	\$50 to \$1,337 (Average \$84)	A significant increase or decrease in the cost per unit would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	50 to 120 years (Average 85 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Water Treatment Plants (19 in total)	Depreciated replacement cost	Average cost per treatment plant	\$3,280,266	A significant increase or decrease in the cost per unit would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	10 to 90 years (Average 50 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Wastewater Infrastructure				
Waste Water Mains (1,856,479 metres)	Depreciated replacement cost (40ml – 1300ml)	Cost per metre	\$50 to \$4,620 (Average \$150)	A significant increase or decrease in the cost per unit would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	50 to 110 years (Average 80 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Waste Water Treatment Plant (16 in total)	Depreciated replacement cost	Average cost per treatment plant	\$3,020,694	A significant increase or decrease in the cost per unit would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	10 to 105 years (Average 53 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Water Distribution Infrastructure				
Distribution Mains (91,526 metres)	Depreciated replacement cost (50ml – 1350ml)	Cost per metre	\$100 to \$1,564 (Average \$957)	A significant increase or decrease in the cost per unit would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	50 to 110 years (Average 80 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Distribution Channel (438,000 metres)	Depreciated replacement cost	Cost per metre	\$14 to \$985 (Average \$77)	A significant increase or decrease in the cost per unit would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	10 to 140 years (Average 53 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Recycling Infrastructure				
Recycled Water Mains (46,384 metres)	Depreciated replacement cost (40ml – 1050ml)	Cost per metre	\$50 to \$1,337 (Average \$293)	A significant increase or decrease in the cost per unit would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	50 to 110 years (Average 80 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Recycled Water Factory (1 in total)	Depreciated replacement cost	Average cost per recycled water factory	\$34,328,102	A significant increase or decrease in the cost per unit would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	50 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Rural Infrastructure				
Channels (69,000 metres)	Depreciated replacement cost	Cost per metre	\$14 to \$985 (Average \$196)	A significant increase or decrease in the cost per unit would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	50 to 110 years (Average 80 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Mains (52,388 metres)	Depreciated replacement cost (50ml – 1350ml)	Cost per metre	\$50 to \$1,337 (Average \$179)	A significant increase or decrease in the cost per unit would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	10 to 110 years (Average 80 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Headworks Infrastructure				
Reservoirs (20 in total)	Depreciated replacement cost	Average cost per Reservoir	\$8,181,753	A significant increase or decrease in the cost per unit would result in a significantly higher or lower fair value.
		Useful life of the Infrastructure	10 to 300 years (Average 155 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
BOOT Scheme Infrastructure				
Treatment Plants (4 in total)	Depreciated replacement cost	Average cost per treatment plant	\$20,458,750	A significant increase or decrease in the cost per unit would result in a significantly higher or lower valuation.
		Useful life of the Infrastructure	25 to 60 years (Average 42 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

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

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

## Note 9: Intangible Assets

	2014 (\$'000)	2013 (\$'000)
Permanent water entitlements at cost	60,052	60,052
Temporary water entitlements at cost	–	–
<b>Total intangible assets</b>	<b>60,052</b>	<b>60,052</b>
<b>Movements during the year</b>		
Opening balance at 1 July	60,052	60,114
Amortisation of temporary water entitlements	–	(62)
<b>Closing balance at 30 June</b>	<b>60,052</b>	<b>60,052</b>

In accordance with AASB 136 *Impairment of Assets*, Coliban Water has reviewed the carrying value of water entitlements at 30 June 2014. 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 per cent growth rate.

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

	Bendigo	Echuca
Permanent water entitlements allocated to the CGU (\$millions)	\$59.63	\$0.42
Pre-tax discount rate (%)	9.70	11.70
Water use per customer (kilolitres)	164	164
Growth rate (%)	2.50	2.50
Headroom (\$ million)	\$30.38	\$32.98

**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 and is consistent with the water industry.

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

**Sensitivity to key assumptions:** Management has performed an assessment and consider that no real possible change in a key assumption would cause the Echuca CGU carrying amount to exceed its recoverable amount. In respect of the Bendigo CGU, this is most sensitive to changes in the water usage per customer and discount rate assumptions. A decrease in water usage per customer from 164 kilolitres to 144 kilolitres cause the carrying amount of the Bendigo CGU to exceed its estimated recoverable amount by \$29.2 million. However, if there was an increase of 50 basis points in the discount rate at the same time as this decrease in the water usage per customer, this would cause the carrying amount of the Bendigo CGU to exceed its estimated recoverable amount by \$1.5 million.

## Note 10: Payables

Note	2014 (\$'000)	2013 (\$'000)
<b>Current payables</b>		
Trade payables	4,505	471
Accrued expenses	10,882	10,584
Other payables	896	1,639
	<b>16,283</b>	<b>12,694</b>
<b>Non-current payables</b>		
Retention and advance deposits	464	–
	<b>464</b>	<b>–</b>
<b>Total Payables</b>	<b>16,747</b>	<b>12,694</b>
<b>(a) Maturity analysis of payables</b>		
The ageing analysis of payables at 30 June 2014 is as follows:		
1 month	11,802	10,514
2 to 3 months	1,235	1,329
4 to 12 months	3,246	851
More than 12 months	464	–
21	<b>16,747</b>	<b>12,694</b>

## Note 11: Borrowings

Note	2014 (\$'000)	2013 (\$'000)
<b>Current Borrowings</b>		
Loans from Treasury Corporation of Victoria	243	1,678
Finance lease liabilities – BOOT schemes	3,596	3,274
	<b>3,839</b>	<b>4,952</b>
<b>Non-current Borrowings</b>		
Loans from Treasury Corporation of Victoria	363,000	339,000
Finance lease liabilities – BOOT schemes	83,309	85,512
	<b>446,309</b>	<b>424,512</b>
<b>Total Borrowings</b>	<b>450,148</b>	<b>429,464</b>
<p><b>(a) Maturity analysis of borrowings</b> Refer to Note 21 for the maturity analysis of borrowings.</p> <p><b>(b) Nature and extent of risk arising from borrowings</b> Refer to Note 20 for the nature and extent of risks arising from borrowings.</p> <p><b>(c) Defaults and breaches</b> During the current and prior period, there were no defaults or breaches of any of the loans.</p> <p><b>(d) Financing facilities</b> Refer to Note 27 for financing facilities arrangements.</p>		

## Note 12: Provisions And Employee Benefits

Note	2014 (\$'000)	2013 (\$'000)
<b>Current provisions</b>		
Employee benefits – annual leave: Unconditional and expected to be paid within 12 months	1,064	925
Employee benefits – accrued day off leave: Unconditional and expected to be paid within 12 months	94	87
Employee benefits – long service leave: Unconditional and expected to settle within 12 months	82	88
Unconditional and expected to settle after 12 months	1,308	1,389
	<b>2,548</b>	<b>2,489</b>
On-costs relating to employee benefits		
Unconditional and expected to be paid within 12 months	202	175
Unconditional and expected to be paid after 12 months	218	231
	<b>420</b>	<b>406</b>
	<b>2,968</b>	<b>2,895</b>
<b>Non-current provisions</b>		
Employee Benefits	375	248
On costs relating to employee benefits	62	41
	<b>437</b>	<b>289</b>
<b>Total provisions</b>	<b>3,405</b>	<b>3,184</b>
<b>Employee benefits and on-costs</b>		
<b>Current employee benefits</b>		
Annual Leave	1,064	925
Rostered Day Off Leave	94	87
Long Service Leave	1,390	1,477
	<b>2,548</b>	<b>2,489</b>
<b>Non-current employee benefits</b>		
Long Service Leave	375	248
	<b>375</b>	<b>248</b>
	<b>2,923</b>	<b>2,737</b>
Current on costs	420	406
Non-current on costs	62	41
	<b>482</b>	<b>447</b>
<b>Total employee benefits and on-costs</b>	<b>3,405</b>	<b>3,184</b>

<b>Employee numbers at end of financial year</b>	<b>182</b>	<b>164</b>
The following assumptions were adopted in measuring the present value of long service leave entitlements:		
Weighted average increase in employee costs	4.44%	4.50%
Weighted average discount rates	3.57%	3.79%
Weighted average settlement period	7 years	7 years

## Note 13: Income Tax

Notes	2014 (\$'000)	2013 (\$'000)
<b>(a) Components of income tax (expense)/benefit:</b>		
Current tax	1,611	1,105
Deferred tax relating to timing differences	(817)	5,363
Adjustments for current tax of prior periods	1,231	–
	<b>2,025</b>	<b>6,468</b>
Income tax (expense)/benefit is attributable to:		
• Loss from continuing operations	1,305	6,446
• Other economic flows included in net result	720	22
	<b>2,025</b>	<b>6,468</b>
<b>Aggregate income tax (expense)/benefit</b>	<b>2,025</b>	<b>6,468</b>
Deferred tax (expense)/benefit included in income tax expense comprises:		
• (Decrease)/increase in deferred tax assets	14 (415)	(420)
• Decrease/(increase) in deferred tax liabilities	14 (402)	5,783
	<b>(817)</b>	<b>5,363</b>
<b>(b) Prima facie tax payable</b>		
Net result (deficit) before tax	(4,324)	(21,484)
Prima facie tax calculated at 30% (2012/13: 30%)	1,297	6,446
Tax effect of non-deductible/ (non-taxable) amounts in calculating taxable income		
• Non deductible expenses	–	–
• Assessable income	(1)	–
Previously not recognised tax losses now recognised to decrease current tax expense		
• Tax losses brought to account	1,231	–
Previously recognised tax losses now not recognised to increase current tax expense		
• Under/overs deferred taxes not brought to account	(1,222)	–
<b>Income tax (expense)/benefit attributable to profit</b>	<b>1,305</b>	<b>6,446</b>
Coliban Water will not pay income tax for 2013/14. Tax losses have been brought to account.		
<b>(c) Income tax (expense)/benefit relating to components of other economic flows</b>		
Net gain/(loss) on revaluation of infrastructure assets, property, plant and equipment	–	–
Net gain/(loss) on disposal of assets	650	9
Fair value increase/(decrease) in other financial assets	70	13
<b>Total income tax (expense)/benefit relating to components of other economic flows</b>	<b>720</b>	<b>22</b>



## Note 14: Net Deferred Tax

	Notes	2014 (\$'000)	2013 (\$'000)
<b>Deferred tax asset/(liability)</b>			
<b>(a) Deferred tax assets</b>			
The balance comprises temporary differences attributable to:			
Doubtful debts		24	21
Book differences in depreciable asset values		9	21
Accruals		3,276	3,184
Employee benefits		1,022	956
BOOT scheme finance leases		26,072	26,636
Tax losses		61,306	58,464
		<b>91,709</b>	<b>89,282</b>
<b>Deferred tax assets – recovery</b>			
Deferred tax assets expected to be recovered within 12 months		4,331	4,182
Deferred tax assets expected to be recovered after more than 12 months		87,378	85,100
		<b>91,709</b>	<b>89,282</b>
<b>Deferred tax assets – movements</b>			
Opening balance		89,282	88,598
Credited/(debited) to the operating statement relating to deferred tax assets	13(a)	(415)	(420)
Credited/(debited) to the operating statement relating to tax losses		2,842	1,104
		<b>91,709</b>	<b>89,282</b>
<b>(b) Deferred tax liabilities</b>			
The balance comprises temporary differences attributable to:			
Accrued rates and charges		2,367	2,463
Interest and other income receivables		180	189
Book differences in depreciable asset values		107,682	107,852
BOOT scheme assets		24,550	123,875
Other financial assets at fair value through profit and loss		14	12
		<b>134,793</b>	<b>134,391</b>
<b>Deferred tax liabilities – recovery</b>			
Deferred tax liabilities expected to be recovered within 12 months		2,561	2,664
Deferred tax liabilities expected to be recovered after more than 12 months		132,232	131,727
		<b>134,793</b>	<b>134,391</b>
<b>Deferred tax liabilities – movements</b>			
Opening balance		134,391	141,039
(Credited)/debited to the operating statement	13(a)	400	(6,654)
(Credited)/debited to other economic flows	13(a)	2	6
		<b>134,793</b>	<b>134,391</b>
<b>Total net deferred tax asset/(liability)</b>	1(xxx)	<b>(43,084)</b>	<b>(45,109)</b>
AASB 112 <i>Income Tax</i> 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 2014 and therefore a net tax liability has been disclosed in the Balance Sheet.			

## Note 15: Contributed Capital

	Notes	2014 (\$'000)	2013 (\$'000)
Opening balance at 1 July		308,579	307,429
Contribution from Government <sup>(1)</sup>		–	1,150
<b>Closing balance at 30 June</b>		<b>308,579</b>	<b>308,579</b>

(1) Transfer of funds designated by the Department of Environment and Primary Industries as contributed capital for the Country Town Water Supply and Sewerage Program.

## Note 16: Reserves

	Notes	2014 (\$'000)	2013 (\$'000)
<b>Asset revaluation reserve: Land</b>			
Opening balance at 1 July		29,122	29,122
<b>Closing balance at 30 June</b>		<b>29,122</b>	<b>29,122</b>
<b>Asset revaluation reserve: Buildings</b>			
Opening balance at 1 July		827	827
<b>Closing balance at 30 June</b>		<b>827</b>	<b>827</b>
<b>Asset revaluation reserve: Infrastructure</b>			
Opening balance at 1 July		159,019	159,019
<b>Closing balance at 30 June</b>		<b>159,019</b>	<b>159,019</b>
<b>Total Reserves</b>	1(xxx)	<b>188,968</b>	<b>188,968</b>

## Note 17: Reconciliation of Net Result (Deficit) for the Year to Net Cash Flows from Operating Activities

	Notes	2014 (\$'000)	2013 (\$'000)
<b>Net result for the year</b>	1(xxx)	(4,700)	(15,087)
<b>Add /(less) non-cash movements in net result</b>			
Add: Depreciation and amortisation	1(xxx), 2(b)	33,141	35,295
(Net gain) / loss on disposal of non-current assets		2,167	29
Fair value (increase) / decrease in other financial assets		(6)	(20)
Payments for fixed assets in payables movement		53	(3,663)
Less: Non cash developer contributions & gifted assets		(9,119)	(7,791)
Income tax (expense) / benefit	13(a)	(2,025)	(6,468)
		<b>19,511</b>	<b>2,295</b>
<b>Movements in assets and liabilities</b>			
Decrease / (increase) in receivables		(3,004)	1,641
Decrease / (increase) in inventories		170	(542)
Decrease / (increase) in prepayments		(11)	96
(Decrease) / increase in payables		4,055	(1,208)
(Decrease) / increase in employee benefits		221	268
<b>Net cash flows from operating activities</b>		<b>20,942</b>	<b>2,550</b>

## Note 18: Responsible Persons and Executive Officer Disclosures

(a) Responsible persons related party disclosures			
The names of ministers and persons who were responsible persons at any time during the financial year were:			
Person's Name	Position	Period	
The Hon. Peter Walsh MP	Minister for Water	01 Jul 2013	30 Jun 2014
Andrew Cairns	Director (Chairperson)	01 Jul 2013	30 Jun 2014
David Beard	Director	01 Jul 2013	30 Sep 2013
Russell Walker	Director	01 Jul 2013	30 Jun 2014
Andrew Skewes	Director	01 Jul 2013	30 Nov 2013
Rodney Thomson	Director	01 Jul 2013	30 Jun 2014
Jean Sutherland	Director	01 Jul 2013	30 Sep 2013
Linda Veronese	Director	01 Jul 2013	30 Jun 2014
April Merrick	Director	01 Oct 2013	30 Jun 2014
Deborah Hambleton	Director	01 Oct 2013	30 Jun 2014
David Richardson	Director	26 May 2014	30 Jun 2014
Jeff Rigby	Managing Director	01 Jul 2013	30 Jun 2014

## Note 18: Responsible Persons and Executive Officer Disclosures (continued)

(b) Responsible persons remuneration			
The number of Responsible Persons whose remuneration for the year ended 30 June 2014 falls within the following bands are:			
Income Band (\$)	Total Remuneration		
	2014 No.	2013 No.	
0 – 9,999	3	–	
10,000 – 19,999	1	1	
20,000 – 29,999	2	1	
30,000 – 39,999	3	5	
60,000 – 69,999	1	–	
70,000 – 79,999	–	1	
260,000 – 269,999	1	1	
<b>Total Numbers</b>	<b>11</b>	<b>9</b>	

### Remuneration of responsible persons

Remuneration paid to the Minister 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 2013/14 by Responsible Persons including the Managing Director from Coliban Water in connection with the management of the Corporation was \$530,437 (2012/13: \$553,718).

### Related party transactions

During the financial year ended 30 June 2014, the following related party transactions that were based on normal terms and conditions and conducted on an arms length basis occurred:

- (i) Coliban Water Chairperson Andrew Cairns was a Director until January 2014 of Bendigo Community Telco Limited which provides Coliban Water with various telecommunication voice and data services. Coliban Water paid Bendigo Community Telco Limited a total of \$105,042 during 2013/14 (2012/13: \$290,249) and currently holds Bendigo Community Telco Limited shares valued at \$66,000 (30 June 2013: \$60,000).
- (ii) Other than normal water and wastewater services that are levied on normal commercial terms no other related party transactions occurred between the Directors and their related parties and Coliban Water during the reporting period.

(c) Executive officers' remuneration				
The numbers of executive officers (excluding the Manager Director, refer Note 18b) and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.				
Factors that have affected the total remuneration payable to executives include a number of executives receiving an indexation increase to their total remuneration and performance based bonus payments during the year.				
The number of executive officers reporting to the Managing Director remained at seven with a new officer commencing midway through the year, replacing an outgoing officer who left the organisation in the same year. The same situation occurred in the previous year. Accordingly, there are six direct reports to the Managing Director (refer to Annualised Employee Equivalent below).				
The number of executive officers whose remuneration received for the year ended 30 June 2014 falls within the following bands are:				
Income Band (\$)	Total Remuneration		Base Remuneration	
	2014 No.	2013 No.	2014 No.	2013 No.
Less than 100,000	1	1	2	1
130,000 – 139,999	–	–	–	–
140,000 – 149,999	1	–	–	–
150,000 – 159,999	1	1	1	1
160,000 – 169,999	1	1	2	2
170,000 – 179,999	1	–	–	1
180,000 – 189,999	–	2	1	1
190,000 – 199,999	1	1	1	–
200,000 – 209,999	1	1	–	1
<b>Total Numbers</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>
<b>Total Annualised Employee Equivalent (AEE)<sup>(1)</sup></b>	<b>5.68</b>	<b>5.97</b>	<b>5.68</b>	<b>5.97</b>
<b>Total Amount</b>	<b>1,114,091</b>	<b>1,110,858</b>	<b>976,305</b>	<b>1,061,058</b>

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

(d) Remuneration of other personnel
Coliban Water does not engage any contractors or consultants that are charged with significant management responsibilities.

## 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. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Coliban Water and the Coliban Water's legal or constructive obligation is limited to these contributions.

Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Operating Statement when they are made or become due.

### (a) Accumulation

The Fund's accumulation category, 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 2014, this was 9.25 per cent required under Superannuation Guarantee legislation). Coliban Water's commitment to defined contribution plans is limited to making contributions in accordance with the minimum statutory requirements. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Effective from 1 July 2014, the Superannuation Guarantee contribution rate is legislated to increase to 9.5 per cent, and will progressively increase to 12 per cent by 2019. Based on announcements included in the May 2014 Federal Budget, this progressive increase to 12 per cent will be delayed until 2022.

### (b) Defined benefit

As provided under Paragraph 34 of AASB 119, Coliban Water does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Coliban Water in the Fund cannot be measured as a percentage compared with other participating employer. While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for accounting purposes. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

### Funding arrangements

Coliban Water makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. The Fund's employer funding arrangements which comprise of three components (which are detailed below) are:

1. Regular contributions – which are ongoing contributions needed to fund the balance of benefits for current members and pensioners;
2. Funding calls – which are contributions in respect of each participating employer's share of any funding shortfalls that arise; and
3. Retrenchment increments – which are additional contributions to cover the increase in liability arising from retrenchments.

Coliban Water is also required to make additional contributions to cover the contribution tax payable on the contributions referred to above.

Employees are also required to make member contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the Trust Deed, as they accrue.

### Regular contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2011, 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 2014, this rate was 9.25 per cent of members' salaries. This rate increased to 9.5 per cent on 1 July 2014 and is expected to increase in line with the required Superannuation Guarantee contribution rate.

In addition, Coliban Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the vested benefit index (VBI) multiplied by the benefit).

### Funding calls

The Fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund is required to target full funding of its vested benefits.

There may be circumstances where:

- a fund is in an unsatisfactory financial position at an actuarial investigation (i.e. the VBI is less than 100 per cent at the date of the actuarial investigation); or
- a fund's VBI is below its shortfall limit at any time other than at the date of the actuarial investigations.

If either of the above occur, the fund has a shortfall for the purposes of SPS 160 and the fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. There may be circumstances where the Australian Prudential Regulation Authority (APRA) may approve a period longer than three years.

The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97 per cent. In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Coliban Water) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

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.

The pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund are based on:

- The service periods of all active members split between the active members pre-1 July 1993 and post-30 June 1993 service period;
- The service periods of all deferred members split between the deferred members pre-1 July 1993 and post-30 June 1993 service period; and
- The pensioner (including fixed term pension) liabilities which are allocated to the pre-1993 period.

The pre-1 July 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at 30 June 1993.

The post-30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll 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. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund.

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.

#### Differences between calculations

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for: funding purposes (i.e. calculating required contributions); for the calculation of accrued benefits as required in AAS 25; and for the values needed for the AASB 119 disclosure in the Coliban Water's financial statements.

AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

#### Retrenchment increments

During 2013/14, Coliban Water was not required to make payments to the Fund in respect of retrenchment increments (\$nil disclosed in last year's note in 2012/13). Coliban Water's liability to the Fund as at 30 June 2014, for retrenchment increments, accrued interest and tax is \$nil (\$nil disclosed in last year's note in 2012/13).

#### Shortfall amounts

The Local Authorities Superannuation Fund's latest actuarial investigation as at 31 December 2011 identified an unfunded liability of \$406 million (excluding contributions tax) in the defined benefit category of which Coliban Water is a contributing employer. Coliban Water was made aware of the expected shortfall during the 2011/12 year and was informed of its shortfall on 2 August 2012. Coliban Water has not been advised of any further adjustments.

Coliban Water's share of the shortfall amounted to \$1,069,353 (excluding contributions tax) which was accounted for in the 2011/12 Comprehensive Operating Statement within Employee Benefits and in the Balance Sheet in Current Liabilities Provisions. No further amount has been accounted for in the 2012/13 and 2013/14 Comprehensive Operating Statement within Employee Benefits (see Note 2) and in the Balance Sheet in Current Liabilities Provisions.

The amount of the unpaid shortfall at 30 June 2014 is \$nil (2012/13: \$nil).

<b>Accrued benefits</b>		<b>31 Dec 2011 (\$'000)</b>
The Fund's liability for accrued benefits was determined in the 31 December 2011 actuarial investigation pursuant to the requirements of Australian Accounting Standard AAS25 as follows:		
Net Market Value of Assets		4,315,324
Accrued Benefits (per accounting standards)		4,642,133
<b>Difference between Assets and Accrued Benefits</b>		<b>(326,809)</b>
<b>Vested Benefits (Minimum sum which must be paid to members when they leave the plan)</b>		<b>4,838,503</b>
The financial assumptions used to calculate the Accrued Benefits for the defined benefit category of the Fund were:		
Net Investment Return		7.50% p.a.
Salary Inflation		4.25% p.a.
Price Inflation		2.75% p.a.
The next full actuarial investigation of the Fund's liability for accrued benefits will be based on the Fund's position as at 30 June 2014. The anticipated completion date of this actuarial investigation is 19 December 2014.		

<b>(c) Superannuation contributions</b>				
Contributions by Coliban Water (excluding any unfunded liability payments) to superannuation plans for the financial year ended 30 June 2014 are detailed below:				
<b>Superannuation scheme</b>	<b>Type of scheme</b>	<b>Rate</b>	<b>2014 (\$'000)</b>	<b>2013 (\$'000)</b>
Vision Super	Defined Benefits	12.25%–9.25%	50	60
Vision Super	Accumulated Contribution	9.25%	640	435
Emergency Services & State Superannuation	Defined Benefits	10.3%–9.5%	37	47
VicSuper Scheme	Accumulated Contribution	9.25%	60	47
Other Superannuation Funds	Accumulated Contribution	9.25%	530	381
Employee Personal Superannuation Funds	Accumulated Contribution	9.25%	43	42
<b>Total contributions to all funds</b>			<b>1,360</b>	<b>1,012</b>
There were \$nil contributions outstanding and \$nil loans issued from or to the above schemes as at 30 June 2014 (2012/13: \$nil contributions outstanding and \$nil loans issued).				
The expected contributions to be paid to the defined benefit category of ESS and Vision Super for the year ending 30 June 2015 is \$90,110.				

## Note 20: Financial Risk Management Objectives and Policies

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

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

Risk management is carried out by 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.

### 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 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 and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly.

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

##### ii) Other price risk

Coliban Water has no significant exposure to Other Price Risk. Coliban Water holds 40,000 shares in Bendigo Community Telco Limited. Bendigo Community Telco Limited are listed on the National Stock Exchange of Australia and therefore the reported value of the shares at 30 June 2014 of \$66,000 (2012/13: \$60,000) are based on their share value as at that date.

### Market Risk Sensitivity Analysis

The sensitivity analysis below has taken into consideration past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets. The table below only includes financial instruments subject to variable interest. Coliban Water believes that a movement of 1 per cent in interest rates is reasonable over the next 12 months.

	Carrying Amount	Interest Rate Risk			
		-1%		+1%	
2013/2014	(\$'000)	Result (\$'000)	Equity (\$'000)	Result (\$'000)	Equity (\$'000)
<b>Financial Assets</b>					
Cash and cash equivalents	4,390	(44)	(44)	44	44
<b>Total Financial Assets</b>	<b>4,390</b>	<b>(44)</b>	<b>(44)</b>	<b>44</b>	<b>44</b>
<b>Financial Liabilities</b>					
Borrowings – floating interest rate loans	243	2	2	(2)	(2)
<b>Total Financial Liabilities</b>	<b>243</b>	<b>2</b>	<b>2</b>	<b>(2)</b>	<b>(2)</b>
<b>Total Increase/(Decrease)</b>		<b>(42)</b>	<b>(42)</b>	<b>42</b>	<b>42</b>
<b>2012/2013</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	4,810	(48)	(48)	48	48
<b>Total Financial Assets</b>	<b>4,810</b>	<b>(48)</b>	<b>(48)</b>	<b>48</b>	<b>48</b>
<b>Financial Liabilities</b>					
Borrowings – floating interest rate loans	1,678	17	17	(17)	(17)
<b>Total Financial Liabilities</b>	<b>1,678</b>	<b>17</b>	<b>17</b>	<b>(17)</b>	<b>(17)</b>
<b>Total Increase/(Decrease)</b>		<b>(31)</b>	<b>(31)</b>	<b>31</b>	<b>31</b>

## (b) Credit risk

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

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

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

## (c) Liquidity risk

Liquidity Risk is the risk that Coliban Water will not be able to meet its financial obligations as they fall due. Coliban Water's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days from the date of resolution. Coliban Water manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

Coliban Water's financial liability maturities have been disclosed in Note 21.

## Note 21: Financial Instruments

Interest rate exposures										
The following table sets out Coliban Water's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods. Exposures arise predominantly from liabilities bearing variable interest rates as Coliban Water intends holding fixed rate liabilities to maturity.										
As the financial assets and financial liabilities are at amortised value the carrying amount equals fair value.										
	Floating Interest Rate (\$'000)	Fixed Interest Rate Maturing						Non-interest Bearing (\$'000)	Total (\$'000)	Weighted Average Interest Rate (%)
2013/14		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)			
<b>Financial Assets</b>										
Cash and cash equivalents	4,388	—	—	—	—	—	—	2	4,390	1.61%
Receivables (excl. GST)	—	—	—	—	—	—	—	21,729	21,729	n/a
Other financial assets	—	—	—	—	—	—	—	66	66	n/a
<b>Total Financial Assets</b>	<b>4,388</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>21,797</b>	<b>26,185</b>	
<b>Financial Liabilities</b>										
Payables (excl. GST)	—	—	—	—	—	—	—	16,747	16,747	n/a
Finance lease liabilities	—	3,596	3,882	4,192	4,526	4,887	65,822	—	86,905	7.67%
Loans from TCV	243	—	24,000	30,000	30,000	25,000	254,000	—	363,243	5.36%
<b>Total Financial Liabilities</b>	<b>243</b>	<b>3,596</b>	<b>27,882</b>	<b>34,192</b>	<b>34,526</b>	<b>29,887</b>	<b>319,822</b>	<b>16,747</b>	<b>466,895</b>	
<b>Net Financial Liabilities</b>	<b>4,145</b>	<b>(3,596)</b>	<b>(27,882)</b>	<b>(34,192)</b>	<b>(34,526)</b>	<b>(29,887)</b>	<b>(319,822)</b>	<b>5,050</b>	<b>(440,710)</b>	
<b>2012/13</b>										
<b>Financial Assets</b>										
Cash and cash equivalents	4,808	—	—	—	—	—	—	2	4,810	2.10%
Receivables (excl. GST)	—	—	—	—	—	—	—	18,894	18,894	n/a
Other financial assets	—	—	—	—	—	—	—	60	60	n/a
<b>Total Financial Assets</b>	<b>4,808</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>18,956</b>	<b>23,764</b>	
<b>Financial Liabilities</b>										
Payables (excl. GST)	—	—	—	—	—	—	—	12,694	12,694	n/a
Finance lease liabilities	—	3,274	3,535	3,816	4,119	4,447	69,595	—	88,786	7.65%
Loans from TCV	1,678	—	25,000	24,000	25,000	30,000	235,000	—	340,678	5.42%
<b>Total Financial Liabilities</b>	<b>1,678</b>	<b>3,274</b>	<b>28,535</b>	<b>27,816</b>	<b>29,119</b>	<b>34,447</b>	<b>304,595</b>	<b>12,694</b>	<b>442,158</b>	
<b>Net Financial Liabilities</b>	<b>3,130</b>	<b>(3,274)</b>	<b>(28,535)</b>	<b>(27,816)</b>	<b>(29,119)</b>	<b>(34,447)</b>	<b>(304,595)</b>	<b>6,262</b>	<b>(418,394)</b>	

## Note 22: Commitments

	2014 (\$'000)	2013 (\$'000)
<b>(a) Capital expenditure commitments</b>		
The value of capital expenditure commitments including GST outstanding as at 30 June 2014 totalled \$11.8 million (2012/13: \$15.7 million).		
<b>Capital expenditure commitments</b>		
Not later than one year	2,804	14,043
Later than one year and not later than five years	8,947	1,610
<b>Total capital expenditure commitments</b>	<b>11,751</b>	<b>15,653</b>
<b>(b) Operating service commitments</b>		
The value of operating service commitments including GST as at 30 June 2014 totalled \$142.7 million (2012/13: \$153.0 million). This amount is represented by three major operations contracts. Two of these contracts are for the service component of the BOOT schemes delivered as part of Victoria's Public Private Partnership process for the provision of wastewater and water treatment services. Refer to Note 23 for more details of these schemes. The third contract is a four year contract for operations and maintenance to be provided to Coliban Water. Operating expenditure commitments are due and payable as follows:		
<b>Operating expenditure commitments</b>		
Not later than one year	18,244	18,320
Later than one year and not later than five years	52,349	59,449
Later than five years	72,086	75,181
<b>Total operating expenditure commitments</b>	<b>142,679</b>	<b>152,950</b>
<b>(c) Environmental contribution commitments</b>		
There were environmental contribution levy commitments as at 30 June 2014 of \$6.5 million (2012/13: \$9.8 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(vii) for a full explanation of these commitments.		
<b>Environmental contribution levy commitments</b>		
Not later than one year	3,272	3,211
Later than one year and not later than five years	3,272	6,544
<b>Total environmental contribution levy commitments</b>	<b>6,544</b>	<b>9,755</b>
The Environmental Contribution levy in the current year totalled \$3.3 million (2012/13: \$2.0 million). The last payment of this levy will be made in 2015/16.		

## Note 23: Finance Lease Liabilities – Boot Schemes

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

A contract deed was signed on 5 May 1999 with Bendigo Water Services Pty Ltd for provision of water treatment services for Bendigo, Castlemaine and Kyneton. Commercial acceptance of this facility was granted on 1 June 2002.

Coliban Water signed a contract deed on 26 November 2002 with ETE Coliban Pty Ltd for the provision of water reclamation and reuse services for Echuca and Rochester. Commercial acceptance of this facility was granted on 28 September 2004.

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

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

### Value of expected future obligations

<b>(a) Finance lease commitments</b>					
Commitments for minimum lease payments (excluding GST of \$8.7 million as at 30 June 2014 and \$8.9 million as at 30 June 2013), in relation to finance leases are payable as follows:	Minimum future lease payments <sup>(i)</sup>	Present value of minimum future lease payments			
			2014 (\$'000)	2013 (\$'000)	2014 (\$'000)
<b>Commissioned BOOT Schemes related to finance lease liabilities</b>					
					2013 (\$'000)
Not later than one year	10,159	9,979	3,596	3,274	
Later than one year and not later than five years	40,637	39,915	17,486	15,917	
Later than five years	91,737	100,287	65,823	69,595	
	<b>142,533</b>	<b>150,181</b>	<b>86,905</b>	<b>88,786</b>	
Less future interest charges	55,628	61,395	–	–	
<b>Total finance lease commitments</b>	<b>86,905</b>	<b>88,786</b>	<b>86,905</b>	<b>88,786</b>	
Included in the financial statements as:					
Current lease liability	11	–	–	3,596	3,274
Non-current lease liability	11	–	–	83,309	85,512
<b>Total finance lease liabilities – BOOT schemes</b>			<b>–</b>	<b>–</b>	<b>86,905</b>
					<b>88,786</b>

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

<b>(b) Commissioned BOOT operating commitments (not including future interest charges but including GST) contracted for but not recognised as liabilities.</b>	Nominal		Present value	
	2014 (\$'000)	2013 (\$'000)	2014 (\$'000)	2013 (\$'000)
Not later than one year	6,712	6,126	6,261	6,316
Later than one year and not later than five years	29,065	26,528	21,141	21,335
Later than five years	72,086	75,181	30,661	33,564
	<b>107,863</b>	<b>107,835</b>	<b>58,063</b>	<b>61,215</b>



## Note 24: Operating Lease Commitments

### a) Operating lease on head office building

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

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

Total lease payments over the remaining periods of the leases including GST are expected to be \$1.4 million (2012/13: \$1.7 million).

Operating lease expenditure commitments	2014 (\$'000)	2013 (\$'000)
Not later than one year	389	364
Later than one year and not later than five years	843	976
Later than five years	216	339
	<b>1,448</b>	<b>1,678</b>

### b) Operating leases on motor vehicles

Coliban Water also has a number of Cancellable Operating Leases for the lease of motor vehicles. Operating lease rentals paid (including GST) for 2013/14 totalled \$491,713 (2012/13: \$333,645) have been included in Operating and Administration Expenses in the determination of the operating result for the accounting period.

## Note 25: Joint Venture

On 6 May 2008, Coliban Water established with Central Highlands Water (CHW) an unincorporated joint venture for the development, operation and maintenance of the pipelines and infrastructure associated with the Goldfields Superpipe. The joint venture involves the use of assets and other resources of the venturers.

Each venturer uses its own assets and incurs its own expenses and liabilities.

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

	Interest 2013/14	Water Distribution (i) (\$'000)	Operational Costs (ii) (\$'000)
<b>Principal Activity 2013/14</b>			
Operation and maintenance of pipelines and associated infrastructure:			
• Waranga Channel to Lake Eppalock	2/3	59,994	1,173
• Lake Eppalock to Sandhurst Reservoir	2/3	33,630	164
• Sandhurst Reservoir to White Swan Reservoir	100% CHW	–	–
<b>Principal Activity 2012/13</b>			
Operation and maintenance of pipelines and associated infrastructure:			
• Waranga Channel to Lake Eppalock	2/3	59,580	942
• Lake Eppalock to Sandhurst Reservoir	2/3	34,147	359
• Sandhurst Reservoir to White Swan Reservoir	100% CHW	–	–

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

(ii) Disclosed as part of Other Operating and Administration Expenses. Refer to Note 2(b).

As at 30 June 2014, there were \$nil (\$nil 2012/13) outstanding liabilities incurred by Coliban Water and the unincorporated joint venture.

## Note 26: Contingent Assets and Contingent Liabilities

There were no material contingent liabilities or contingent assets at 30 June 2014 (2012/13: \$nil).

## Note 27: Financing Facilities

The bank overdraft limit of Coliban Water is \$400,000. This facility is subject to annual review and at 30 June 2014 the amount of unused credit was \$400,000 (2012/13: \$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 2026 and may be extended by mutual agreement.

## Note 28: Auditors Remuneration

The fee for auditing the financial statements of Coliban Water excluding GST for 2013/14 has been set at \$82,250 (2012/13: \$88,750) 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 Sheet Date

On 18 January 2014, the Victorian Coalition Government announced the Fairer Water Bills (FWB) initiative. The objective of this major reform is to lower household water bills by Water Corporations 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 FWB savings to customers through tariffs that are lower than those approved by the Essential Services Commission.

## Note 30: Ex-Gratia Expenses

The total forgiveness or waiver of debt at 30 June 2014 was \$165,960 (2012/13: \$103,150)

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

## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Coliban Region Water Corporation

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2014 of the Coliban Region Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification has been audited.

#### *The Board Members' Responsibility for the Financial Report*

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

#### *Auditor's Responsibility*

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

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

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

## **Independent Auditor's Report (continued)**

### *Independence*

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


### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Coliban Region Water Corporation as at 30 June 2014 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*.

### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the Coliban Region Water Corporation for the year ended 30 June 2014 included both in the Coliban Region Water Corporation's annual report and on the website. The Board Members of the Coliban Region Water Corporation are responsible for the integrity of the Coliban Region Water Corporation's website. I have not been engaged to report on the integrity of the Coliban Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
21 August 2014

  
John Doyle  
Auditor-General



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