

# Annual Report 2013

Creating a sustainable future



# COLIBAN WATER SERVICE REGION

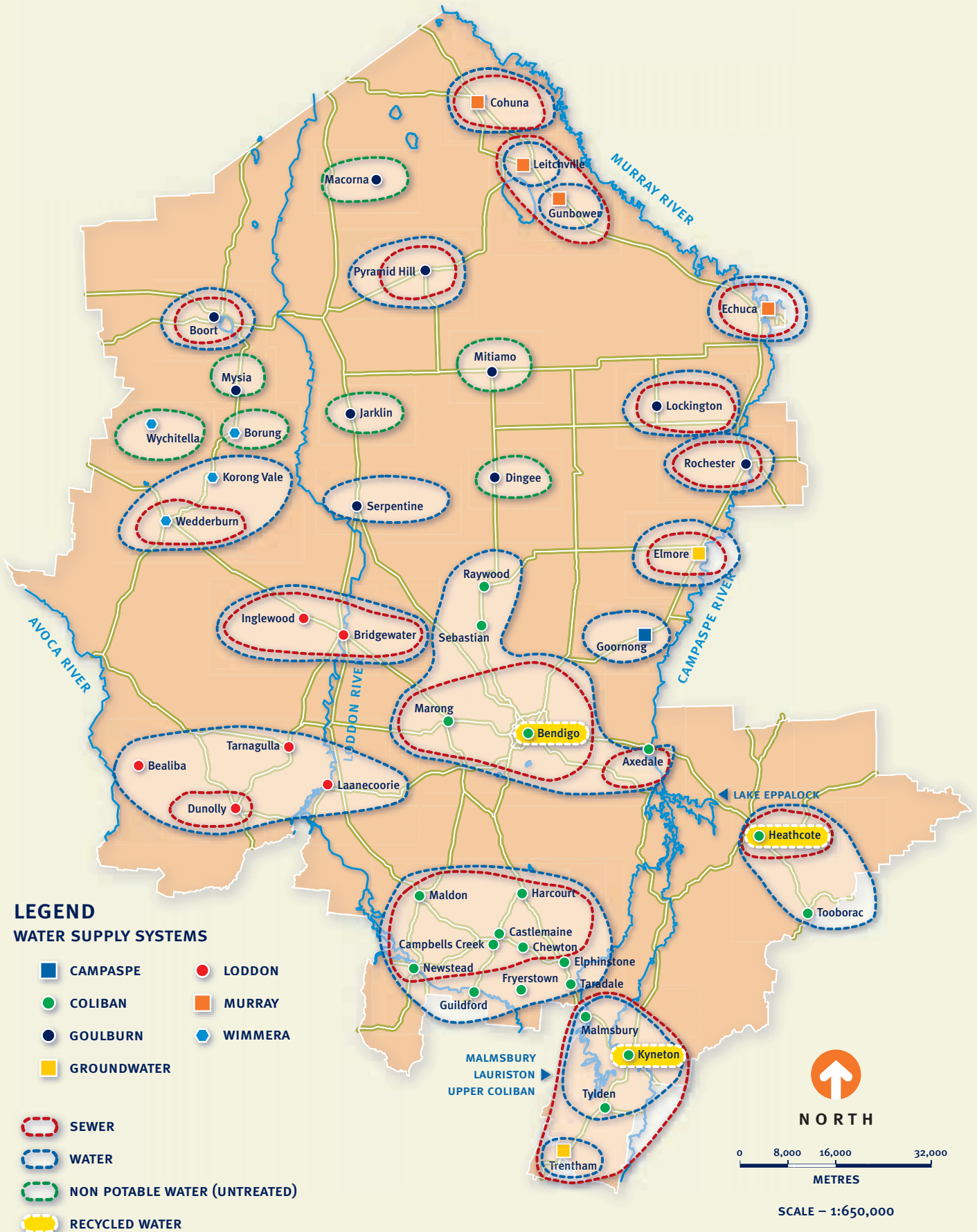


Diagram for illustrative purposes only.

# ABOUT THIS REPORT

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## About the cover

Our 2013 Annual Report cover represents the history of our organisation. On 1 July 2012 we celebrated our 20 year anniversary as Coliban Water, following the amalgamation of a number of Water Boards across our region.

The background is one of our original water supply maps for Bendigo, drawn in the late 1800s. The historical image on the front cover is construction of the Coliban Main Channel, taken in mid 1870s. This channel is still in operation today, delivering water from our catchment storages near Kyneton to Bendigo. The back cover is a construction photo taken in 1940 of our Lauriston Reservoir.

The colour images represent key projects, services and events during the past 20 years of Coliban Water.

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This Annual Report describes the programs, initiatives and actions we undertook between 1 July 2012 and 30 June 2013. It reports on our progress in implementing our 2012/13 *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 approximately 146,000 people, across 16,500 square kilometres of Central and Northern Victoria.

Our service area covers 49 towns in nine separate supply systems, extending from Cohuna and Echuca in the north to Kyneton and Trentham in the south; and from Boort, Wedderburn, Bealiba and Dunolly in the west to Heathcote and Tooborac in the east.



## Connections

Connections		
	30 JUNE 2013	30 JUNE 2012
Residential	62,861	61,815
Non-residential	6,618	6,478
Rural licences	1,373	1,486 (1)

1. Decrease in number through the seasonal surrender of licenses and the Harcourt Rural Modernisation Project.

## 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:

- › 2,405 kilometres of water mains
- › 43 kilometres of recycled water infrastructure
- › 1,835 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 Water Infrastructure Group (Echuca) as a BOOT partner
- › 34 water reservoirs and service basins + 3 operated by Veolia Water as a BOOT partner
- › 175 wastewater pump stations
- › 76 water pump stations.

Asset values	Net book value (ooo's)
Land	40,493
Buildings	3,066
Corporate assets	5,118
Water infrastructure	275,193
Water distribution infrastructure	129,789
Sewer infrastructure	358,405
Recycling infrastructure	48,529
Rural	29,430
Headworks	169,047
BOOT <sup>(1)</sup> schemes infrastructure	83,658
Works in progress	116,119
<b>TOTAL</b>	<b>1,258,847</b>

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

# CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE

Over the last year, we have sought to actively engage and work closely with our customers, our service partners, industry regulators and our government shareholder to strengthen and expand our business capabilities and create a sustainable future for the corporation.

The winter of 2012 was the wettest recorded by Coliban Water since 1996, and this led to our southern-based reservoirs and our share of Lake Eppalock's capacity being full at the end of the water harvesting season. We also had access to full allocations and entitlements from all other sources that we draw from to supply towns in the northern and western parts of our service region, except for the Wimmera system where we received an 82 per cent allocation.

The secure water resource position heading into spring served us well when we encountered very warm and dry conditions across our region over the summer and autumn periods. Our water security position remained strong at the end of June this year and we are well placed for the coming year.

After completing a new pipeline extension from Bendigo in January 2013, we lifted water restrictions in the townships of Raywood and Sebastian. This meant that all of the towns we supply were free from water restrictions for the first time since December 1999, with Permanent Water Savings Rules in place across our region. In July 2012, we announced that our rural customers would have access to full water allocations for the second successive year.

A major focus during the year was continued investment of over \$13 million in water treatment process and system upgrades at the facilities servicing the city of Bendigo and the towns of Rochester, Gunbower, Leitchville, Elmore, Korong Vale, Boort, Trentham, Lockington, Heathcote and Pyramid Hill; with the construction of flood protection works also completed as part of the Rochester Water Treatment Plant upgrade.

The modernisation of the Harcourt rural water system made significant progress during the year. Through the *My Choice Offer to Sell* process, around two-thirds of the 215 rural customers supplied from the Harcourt channel system offered to sell all or part of the volume they held under water licence to Coliban Water. All offers were accepted and this returned around two gigalitres of licensed volume, at a total payout to participating customers of \$3.4 million. Recovery of this licensed volume adds to the 0.9 gigalitres of water saved by replacing the aged channel system with a new piped water system.

With the completion of *My Choice*, we were able to confidently develop the modernised rural system configuration to cater for the water supply needs of the remaining 149 rural customers in Harcourt well into the future. Tenders for works are about to be called with construction expected to commence in early 2014.

At the end of June 2013, and following an extensive procurement process, we concluded the long-term service contract with Campaspe Asset Management Services (CAMS) and selected a new Operations and Maintenance service partner, Lend Lease Services. We also took the opportunity to transfer and include two water reclamation plants at Kyneton and Castlemaine, which have been operated and maintained by Veolia Water Australia, into the new servicing arrangement with Lend Lease.

Lend Lease will provide our operations and maintenance services for the next four years, with options to extend the contract to a maximum of 14 years. Lend Lease's bid was assessed as providing best overall value, taking into account price and risk allocation, and it demonstrated they can satisfactorily perform the services to our requirements.

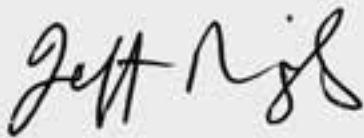
Concurrent with the re-contracting process, we also established it was beneficial to discontinue the outsourcing of several service functions previously performed by CAMS and take those functions back into our business. The functions we took direct control of comprised of revenue services, information technology support, the operation and maintenance of rural water systems and ordering of rural water deliveries. In doing this, 28 former employees of CAMS were successful in obtaining employment with Coliban Water.

Our *Water Plan 2013–2018* was submitted to the independent pricing regulator, the Essential Services Commission (ESC), in September last year. In the lead up to presenting the plan, we undertook extensive consultation with, and received valuable feedback from, our customers and key stakeholders on the water pricing and capital investment proposals for the five year period covered by the plan. After submitting the plan, we assisted the pricing regulator as they examined our case in detail, culminating with the ESC issuing its final price decision in June this year.

The ESC fully supported the proposed reforming and consolidation of our urban water tariffs, and our transition approach to harmonise water prices across our Northern and Central pricing zones to achieve cost-reflective, uniform pricing after seven years. The pricing regulator also supported our case for an urban price reset, but authorised price increases that were somewhat lower than we proposed. In reaching its final decision, the ESC sought to maintain a balance between achieving a sustainable revenue base for our business and ensuring our services remain affordable.

Financially, we achieved a stronger positive cash flow from operating activities compared to the last two years. Much of this improvement is attributed to improved revenue and proceeds from the sale of temporary water entitlements that were surplus to requirements during the early part of 2013.

During the year we farewelled long serving Board Director, Noel Harvey, after 11 years of service with Coliban Water, and we acknowledge Noel's invaluable contribution during his time with the corporation. We also welcomed Linda Veronese as a new Board Director, along with the re-appointment of Russell Walker and Andrew Skewes – with each appointed for a term of three years.



Jeff Rigby  
Managing Director

At Coliban Water, we continue to engage and collaborate with our stakeholders, to innovate and continuously improve within our business, and to optimise our resources and capabilities as part of our commitment in providing high quality essential services that are accessible and affordable to our customers.

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



Andrew Cairns  
Chairman

# STRATEGIC DIRECTION

Our strategic focus is on meaningfully contributing to the well-being of our region, by creating a sustainable organisation that is customer focused, financially diligent and able to continually adapt. Our Key Result Area (KRA), objectives and initiatives are set out below.

<b>KRA 1</b>	Engage with the community and stakeholders to understand and meet their water cycle needs
<b>Objective 1</b>	<b>Understand what customers, communities and other stakeholders want</b>
Key initiatives	Create new customer committees, as part of our commitment to effective community engagement <ul style="list-style-type: none"> <li>Review of current committees and focus completed. Raywood-Sebastian scope broadened and renamed – Cockatoo Hill Rural Reference Group</li> </ul>
<b>Objective 2</b>	<b>Provide customers with information to make informed input into decisions</b>
Key initiatives	Investigate opportunities for innovation and efficiencies in customer support, including customer relationship management and online platforms <ul style="list-style-type: none"> <li>Extensive community consultation program undertaken in the drafting of <i>Water Plan 2013-2018</i></li> </ul>
<b>Objective 3</b>	<b>Engage with all stakeholders</b>
Key initiatives	Develop a business wide community engagement framework, along with associated tools and systems, for purposes of both general community engagement and project engagement <ul style="list-style-type: none"> <li><i>Your Town</i> initiative launched across region, providing opportunity for Customer Support staff to connect with communities</li> </ul>
<b>KRA 2</b>	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>Objective 1</b>	<b>Ensure our capital expenditure program meets the immediate and strategic needs of our community</b>
Key initiatives	Ensure water and sewer assets are sized for future growth, identify existing assets requiring augmentation, develop projects identified for <i>Water Plan 2013-2018</i> , perform relevant capital works, and reassess existing augmentation plans for Castlemaine, Kyneton and connected towns <ul style="list-style-type: none"> <li>We adopted a revised business case and committed to proceed with the Harcourt Rural Modernisation Project, which includes partial construction of a future inter-connecting trunk pipeline between Bendigo and Castlemaine</li> <li>Our \$179.3 million capital investment program proposed under <i>Water Plan 2013-2018</i> was accepted by the independent pricing regulator</li> </ul>
<b>Objective 2</b>	<b>Build fit for purpose infrastructure on time and on budget</b>
Key initiatives	Continue replacing water and sewer mains (with major works in Bendigo, Echuca, Castlemaine and Kyneton), using renewal decision modelling from our asset management system <ul style="list-style-type: none"> <li>\$3.7 million water and sewer main renewals completed during 2012/13</li> </ul>
<b>KRA 3</b>	Ensure improved services, increased standards of living and commercial viability are incorporated into all our financial plans
<b>Objective 1</b>	<b>Further integrate economic, social and environmental criteria into our decision making</b>
Key initiatives	Develop Harcourt Rural Modernisation Project, on basis of consultation with community and Harcourt Water Services Committee <ul style="list-style-type: none"> <li>Through <i>My Choice Offer to Sell</i> process, we were able to finalise the design for the modernised system. An independent Gateway Review gave the green light to commence tender phase of project</li> </ul>
<b>Objective 2</b>	<b>Maximise socio-economic benefits by strengthening our financial position</b>
Key initiatives	Refine project management and investment management approaches, to enable more rigorous investment decision making <ul style="list-style-type: none"> <li>We re-focussed our Investment Review Committee through a revised Terms of Reference to strengthen accountability for delivery of capital works and allocation of funds to capital projects</li> <li>We fully implemented our Enterprise Project Management platform to improve project management performance and costing forecasts</li> </ul>
<b>KRA 4</b>	Ensure our sustainability and actively contribute to regional sustainability
<b>Objective 1</b>	<b>Minimise impacts of variability on service standards</b>
Key initiatives	Investigations at Bendigo and Castlemaine Water Reclamation Plants to optimise pathogen reduction, ensure more consistent water feed and maximised reliability and efficiency <ul style="list-style-type: none"> <li>Re-prioritisation of capital projects during the year has resulted in further work on these upgrades being deferred for a minimum of one year</li> </ul>
<b>Objective 2</b>	<b>Maximise socio-economic benefits from our environmental assets, through local initiatives</b>
Key initiatives	Investigate risk-adjusted values of water discharges from Bendigo, Castlemaine and Kyneton Water Reclamation Plants <ul style="list-style-type: none"> <li>Strategic analysis of recycled water options completed for Bendigo. Ecological assessments now underway at Bendigo, Castlemaine and Kyneton</li> </ul>

# COMMUNITY ENGAGEMENT

Every year we look at opportunities to improve our customer and community engagement. We welcome feedback from our customers and other stakeholders to make sure our programs, activities and information we provide is of value.

## 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.

### Harcourt Water Services Committee

The committee formally met six times this year. Following approval of the Business Case for the Harcourt Rural Modernisation Project in January 2012, the group's focus has been on helping to refine the consultation process for the *Offer to Sell* phase of the project and to provide support and information to the broader Harcourt community during this process.

### Raywood-Sebastian Water Services Committee

The committee formally met twice this year. Upon completion of the Raywood-Sebastian pipeline project, the committee reviewed its membership criteria and function. As a result, the committee has undergone a name change to Cockatoo Hill Rural Reference Group, which will give it the scope to focus on a broader range of rural matters.

### Rural Customer Advisory Group

The group met twice during the year. Focus of the group has been to provide feedback in relation to rural pricing structure options and broader consultation in the rural sector. The group also provided feedback on opportunities for improved operation of our rural system

## Harcourt Rural Modernisation Project – *Offer to Sell*

Our most complex engagement program this year was for the Harcourt Rural Modernisation Project. We provided existing customers with an opportunity to make a choice about whether they wanted to be a part of a new Harcourt rural supply system.

The *Offer to Sell* process commenced on 9 October 2012 and closed on 23 November 2012.

This process was the critical first phase in determining the viability of the project to modernise the Harcourt rural system. Customers were given three options to choose from in order to determine their level of involvement in the proposed new system.

- › Sell part of their licence and remain with reduced volume
- › Sell all of their licence and exit the system
- › Remain in the system with their current licence volume – no change

Comprehensive work was done to develop information packs which were sent to all customers at the start of the process. Information sessions were also held daily in Harcourt between 16 October and 20 October 2012 shortly after the release of the information packs. This gave customers an opportunity to speak to staff face to face and find out more about the project. Customers also had access to project team staff via a designated project hotline, or by arranging on-site visits to discuss their circumstances.

An online pricing estimator was also developed for customers to determine the effect of price increases as part of their decision making process.

The response rate to the *Offer to Sell* was excellent, with most customers returning their documentation prior to the November closure date. We were able to make all payments for offers received before the end of the 2012/13 financial year. A small percentage of customers required follow up and assistance in order to complete and return their preferences.

### In summary

- › 215 customers were sent information packs
- › Of these, 149 customers chose to remain in the system and connect to the new pipeline. 58 of those in a reduced licence capacity
- › 64 customers chose to leave the system
- › Two customers have not provided a response
- › The water returned during the *Offer to Sell* process equates to approximately half of the water in the system or just over two gigalitres.

Financial and design assessments were carried out at the end of the process which confirmed that the project was viable. Final approvals for the project were then granted, with first tenders to be released in July 2013. We anticipate that construction will commence in early 2014.

## Water Plan 2013–2018

We had a focus this year on creating opportunities for customers and other stakeholders to get involved in the development of our *Water Plan 2013–2018*. This Plan sets out our pricing, capital works investment and service levels for the five year regulatory period starting 1 July 2013.

When we released our draft Plan, approximately 220 people attended the 19 information sessions we held across the region. 1,300 customers returned the feedback form we included with the draft Plan in a direct mail pack to every customer in our region.

The *Water Plan 2013–2018* includes major changes to how our tariffs are structured to make prices simpler and fairer for customers. We have included customer education on the new tariffs in our program for the coming year.



## Your Town program

In April this year we launched *Your Town* – a new initiative for our Customer Support Team to connect with customers and the communities of our region.

By the end of June we had visited 20 towns and met with 250 customers. The focus has been to engage with customers face-to-face in their local area. It has been a great opportunity to learn more about our customers, understand issues at a local level, and to proactively respond to customer enquiries.

This year we also launched *Your Town* on our website to provide a whole range of town by town information. At the end of June, the *Your Town* section of our website had been visited 2,832 times.

## Customer and stakeholder research

Each year we consider what formal research is of value to evaluate and benchmark our performance and to understand the opinions and perceptions of our customers.

In 2011/12 we conducted a region wide urban research project to inform the drafting of our *Water Plan*. This year we decided not to invest in a major research project.

Annually we participate in benchmarking our Customer Contact Centre against other water businesses and utilities across Australia. This is the fifth year we have participated. It includes a series of calls into our contact centre to assess our performance.

This year:

- › Our overall performance was 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
- › Opportunities for improvement: phone manner (trying to be less business-like), enquiry resolution skills and avoiding interrupting the customer
- › Our overall customer satisfaction score rose 12 points from 158 last year to 170 which again outperforms the Water and Energy sector averages of 159 and 135 respectively.

## Media

Contact from media outlets dropped significantly this year. We issued 35 media releases and statements. All are published to our website.

### Social Media

Developing our Twitter profile has been a focus this year. We posted approximately 1,000 Tweets and Retweets and our followers reached 866.

We also use Flickr for publishing photographs and information about education programs and various projects underway across our region. These can all be accessed via the Projects or Education pages on our website. We had 99,000 views during the year.

## Website

We had 78,037 visits to our website this year compared to 73,514 last year. Popular pages are reservoir levels, employment opportunities, water restrictions, and news. There has been an increasing interest in information about bill payment options, accessing standpipes, and building and developing.

Of note was a 63 per cent increase in people accessing our website on mobile devices and 254 per cent increase in access via tablets.

## Customer Contact Centre

This year our Customer Contact Centre handled 105,212 customer contacts compared to 103,746 last year. We answered 85.9 per cent of telephone calls to our Contact Centre within 30 seconds. Our Essential Services Commission target is 90 per cent. We continue to focus on first call resolution for our customers rather than call time targets.

## Management of social and economic impacts

Our approach to supporting customers in financial hardship has been modelled on the Water Industry Residential Hardship Guide.

Over the past 12 months we have been developing a program to expand our assistance to residential customers who are experiencing genuine financial hardship. We have asked welfare agencies from across our region for their input and expertise.

This year we processed 11,192 payment arrangements compared to 11,151 last year. Some customers choose a payment arrangement as part of their everyday budgeting.

We are proactive in ensuring customers receive all relevant concession entitlements and we continually add to information available to assist customers.

Our urban, rural and trade waste Customer Charters explain both our and the customers rights and obligations as well as service expectations. Copies are available on request or from our website.

# COMMUNITY ENGAGEMENT

## Community service obligations

Residential concessions or not-for-profit rebates from the Victorian Government are available for eligible customers in 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 \$277.00 per year, or if a household is billed for only a water or sewerage service, the concession is capped at \$138.50 per year.

This year the concession increased by \$4.80. We have approximately 20,000 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).

Concessions and rebates	2012/13	2011/12	2010/11
Not for profit rebates	\$336,196	\$360,047	\$277,858
Pension concession	\$4,732,892	\$4,440,380	\$4,191,155
Utility relief grant	\$40,256	\$34,054	\$21,770
Water concession: Life support machines/haemodialysis	\$596	\$793	\$410
Hardship relief grant scheme	\$29,176	\$30,820	\$25,077

## Community inclusiveness

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

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

## Living Victoria Rebates

The Victorian Government launched the new Living Victoria Water Rebate Program in July 2011, which was extended to allow small businesses to take part in the program.

Our customers did take advantage of the program, with 455 approved applications which came to a total of \$123,990 rebated during the financial year. This amount was made up of 417 Home & Garden rebates totalling \$53,490 and 38 Small Business rebates totalling \$70,500.

## Indigenous consultation

### Harcourt Rural Modernisation Project

A second *Cultural Heritage Management Plan* (CHMP – No. 12359) was prepared to address the realignment of a section of the pipeline and submitted to Dja Dja Wurrung Clans Aboriginal Corporation on 22 November 2012. The CHMP was reviewed and approved on the 19 December 2012.

### Pipeline upgrade at Heathcote Water Reclamation Plant

A ground survey of the construction area was conducted to detect the presence of Aboriginal and/or historical cultural heritage.

The study area was surveyed on Tuesday 2 October 2012 with a representative from the Taungurung Clans Aboriginal Corporation.

## Standpipes and water carters

In 2012/13 we had 1,256 customers registered for a potable water 'Water Carter Permit' and 29 register for recycled water use. These permits allow customers to take water from standpipes in our region that are managed by Coliban Water. A total of 200.5 megalitres was taken from standpipes (including standpipes for recycled water) in our region during the year.

## 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 65 complaints were made to EWOV compared to 51 last year. 12 of these were referred for higher level investigation. In addition four enquiries were noted for Coliban Water.

Issues taken to EWOV were predominantly water use volumes (14 cases), billing charges (nine cases), and undetected leak eligibility and assessment (six cases). Other matters raised included rural operations.

EWOV referred the equivalent of 0.9 complaints for every 1,000 customer to us for action during 2012/13, compared to the Essential Services Commission's target of 0.3 per 1,000 customers. This is an increase of 0.6. 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 (11 per cent).

We attribute cost of living pressures, and lack of awareness of the impact of greater water use on customer accounts as two key factors for the increased consumption water related enquiries.

2012/13	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Enquiry			1						1	1		
UR		2					1	2	1	3		4
AR	1	5	2	4	10	3	3	7	8	3	3	
S1	1	1			1			1				
S2	1		1			1	1		2	1		1

*Of these 65 cases, 12 were further escalated to investigation stage.*

*UR – Unassisted Referral, AR – Assisted Referral, S1 – Stage 1, S2 – Stage 2*

## Complex enquiries

We had a 45 per cent increase in investigations for high water consumption enquiries from customers.

Many customers had not considered the impact of increased outdoor water use on their quarterly account.

We investigate all reports of breaches of the *Water Act*, Water Restriction By Law, and Permanent Water Saving Rules

We received seven Permanent Water Saving Rules breach reports during the year. All were investigated and no action taken.

We also investigated four reports of water meter tampering. In all cases the matters were investigated and referred to Victoria Police for further review. All are still under investigation.

Investigation summary 2012/13	Number
Consumption enquiries	376
Meter maintenance	144
Operational issues, site restoration, compensation claims and sewer intrusions	110
PWSR offender investigation	7
Penalty infringement notices issued	0
Restrictors applied for breach of water restrictions	0
<b>TOTAL ACTIONS</b>	<b>637</b>

## Water supply systems

We manage 26 separate urban water supply systems from nine water sources/systems in the Coliban Water region. This includes two separate groundwater sources in Elmore and Trentham. The Coliban Northern system can be supplemented with supply from the Waranga Channel (via the Goldfields Superpipe) and Lake Eppalock, whilst the Coliban Southern system is solely supplied by our Coliban River catchment storages. See region map, inside front cover.

Our three Coliban River catchment storages (Upper Coliban, Lauriston and Malmsbury), located near Kyneton, started the year at 58,728 megalitres (84 per cent of capacity). The storages rose to a maximum of 71,859 megalitres on 19 August 2012 and remained full or above full until 22 October 2012. The storages then slowly decreased to 45,770 megalitres (66 per cent of capacity) on 29 May 2013 but have since increased slightly to close the year at 46,900 megalitres (67 per cent of capacity).

Our share of Lake Eppalock at the start of the financial year was 52,948 megalitres (96 per cent of full capacity) and at 30 June 2013 was 46,114 megalitres (84 per cent of full capacity).

During the year we were unable to store all inflow water due to full storages and we consequently spilled water from both our Coliban catchment storages (18,029 megalitres) and our share of Lake Eppalock (9,844 megalitres). In addition, we spilled 2,545 megalitres from our spillable water accounts attached to our Campaspe water shares, 22,876 megalitres from our Goulburn shares and 129 megalitres from our Murray shares this year.

We reached our predetermined trigger level in our catchment storages to cease the transfer of water to Bendigo following a dry summer and autumn. Our share of water stored in Lake Eppalock was the alternate source with the addition of a small quantity of water pumped from the Waranga Channel at Colbinabbin for on-going operator training, and to refresh the water sitting in the pipe. For the year, we pumped a total of 2,795 megalitres to supply both urban and rural customers in the Bendigo region.

### Water storage volume notes:

1. *Water held in storage at 30 June 2013 is 140,452 megalitres which is 33,558 megalitres less than water held in storage at the end of June 2012. The amount stored in the Coliban catchment storages decreased by 17,590 megalitres largely due less rainfall and inflows.*
2. *70 per cent of our water resource, or 98,430 megalitres, is held in our storages, including our share of Lake Eppalock. The remaining 42,022 megalitres is held in storages controlled by Goulburn-Murray Water and Grampians Wimmera Mallee Water. Some of this water is at risk of spill in 2013/14 should these storages fill and overflow.*

## Water storage volumes

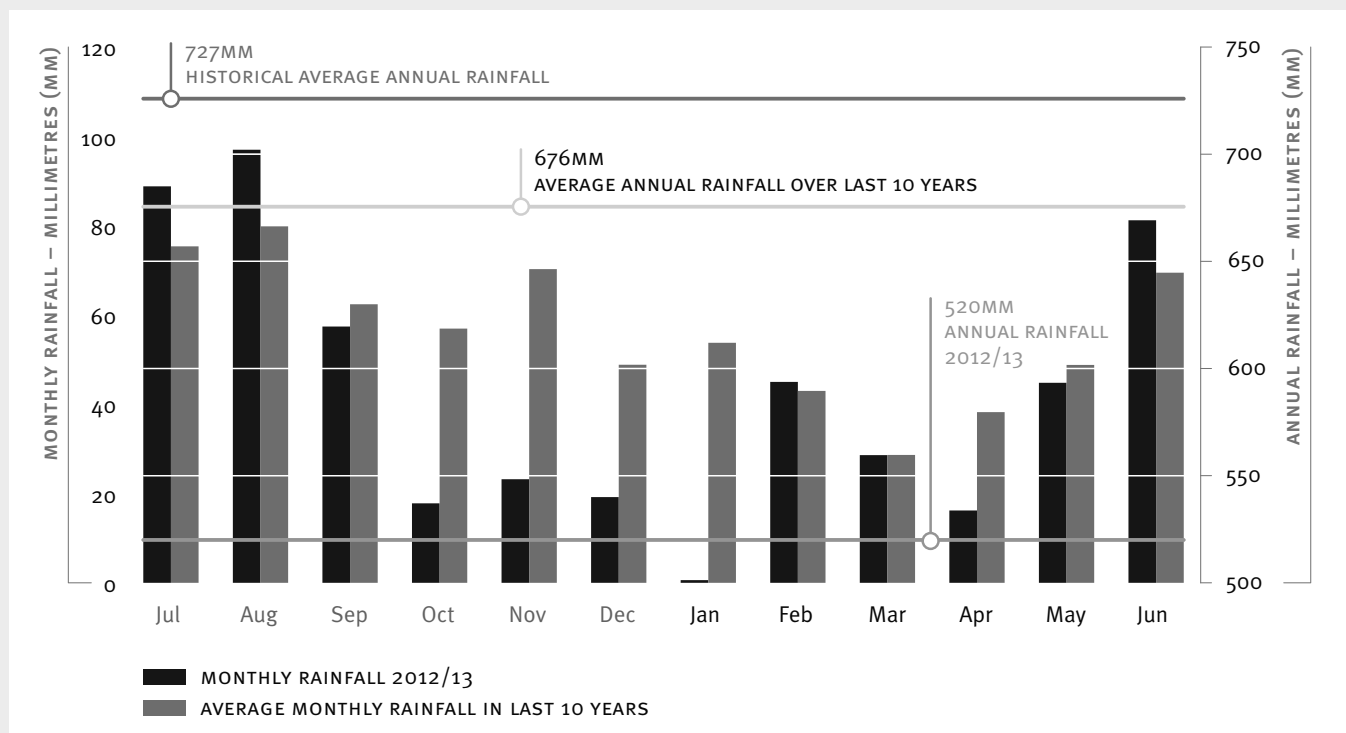
	As at 30 June 2012 Megalitres (ML)	As at 30 June 2013 Megalitres (ML)	% full 30 June 2013
<b>Storage volume in our region</b>			
Coliban System Northern – Sandhurst Reservoir	1,312	2,072	80.0%
Coliban System Northern – Caledonia Reservoir	129	119	55.7%
Coliban System Northern – Lake Eppalock (Coliban share)	52,948	46,114	84.1%
Coliban Rural Northern – Spring Gully Reservoir (recycled water)	224	539	32.1%
Coliban System Southern – Upper Coliban Reservoir	37,890	27,886	73.8%
Coliban System Southern – Lauriston Reservoir	15,270	14,890	75.2%
Coliban System Southern – Malmsbury Reservoir	5,568	4,124	34.3%
Coliban System Southern – McCay Reservoir	906	1,216	89.4%
Coliban System Southern – Barkers Creek Reservoir (rural)	1,690	1,410	83.4%
Groundwater – Trentham storages	83	60	66%
<b>Total</b>	<b>116,020</b>	<b>98,430</b>	<b>85%</b>
<b>Available water in other systems</b>			
Campaspe System Bulk Entitlement – held in Lake Eppalock	755	332	n/a
Campaspe System Water Shares – held in Lake Eppalock	3,710	3,075	n/a
Coliban System Northern Water Shares – held in Lake Eildon	42,790	23,666	n/a
Goulburn System Bulk Entitlement – held in Lake Eildon	1,976	1,164	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	8,113	9,302	n/a
Wimmera System Bulk Entitlement – held in Grampians storages	256	326	n/a
<b>Total</b>	<b>57,990</b>	<b>38,255</b>	
<b>TOTAL</b>	<b>174,010</b>	<b>136,255</b>	

## Rainfall and water inflows

Rainfall at Malsbury Reservoir was 520 millimetres for the year. This is almost 23 per cent less than the 10-year average of 676 millimetres and 28.5 per cent less than the long-term historical average of 727 millimetres.

We received above average rainfall in July and August 2012 and both February and June in 2013.

### Malsbury reservoir monthly rainfall 2012/13



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.

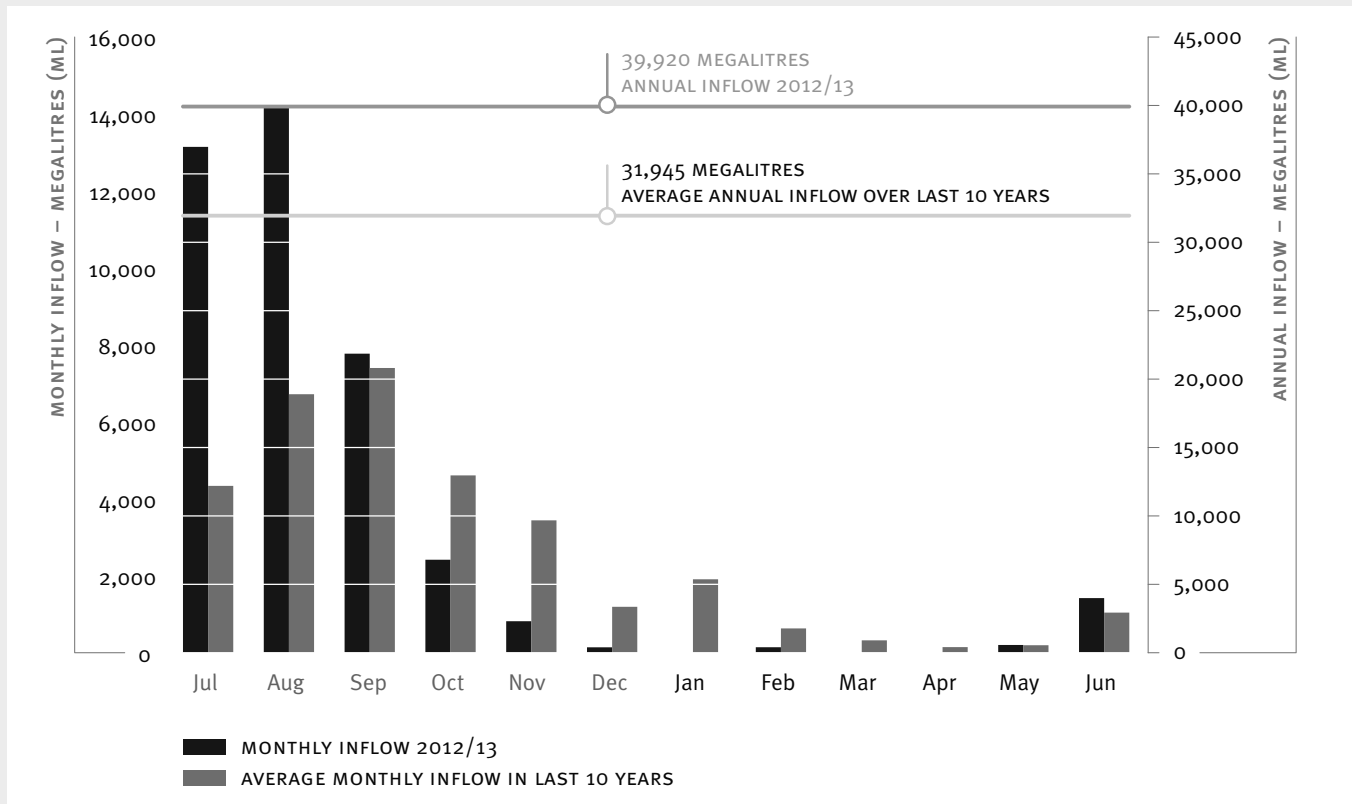
Our own catchment storages began the year near full and received good inflows of 11,008 megalitres (42 per cent of the long-term average of 25,982 megalitres) following a wet early spring. Summer was dry in our region with nearly zero inflows and significantly below the long-term summer average of 4,612 megalitres. With a dry autumn and wet start to the winter, inflows were six per cent and 102 per cent of the long-term average respectively. Our storages finished the year at around 67 per cent capacity.

The natural inflow to our share of Lake Eppalock was 16,407 megalitres.

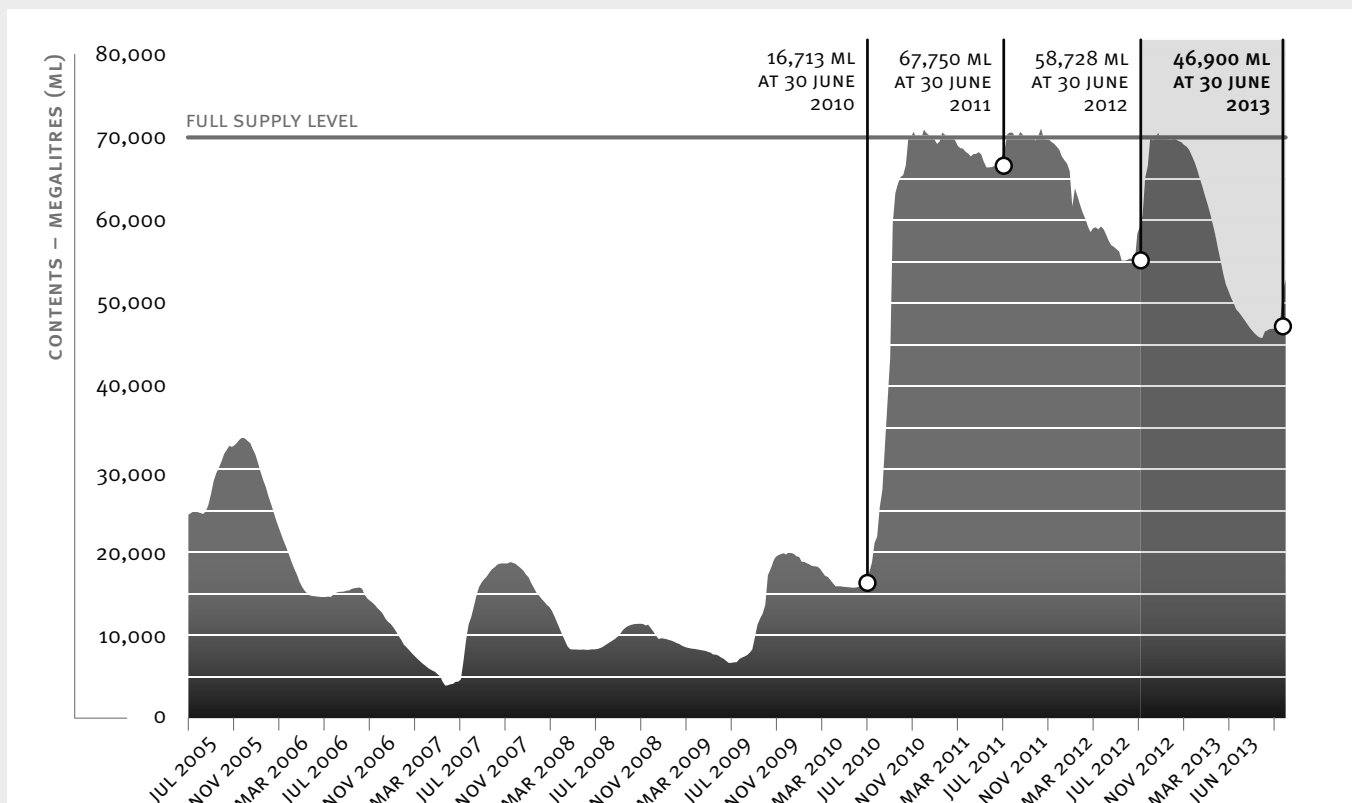
Our storage levels, together with our carryover water and the predictions for allocations from our bulk suppliers, places our water resources across our region in a strong position.

# WATER SECURITY

## Coliban Headworks storages > monthly inflow 2012/13



## Coliban storage contents > Upper Coliban, Lauriston & Malmsbury Reservoirs





## Bulk Water Entitlements

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

The volumes taken during 2012/13 were as follows:

Supply system	Source of supply	Bulk Entitlement volume Megalitres	Bulk Entitlement allocation Megalitres	Balance 1 July 2012 Megalitres	Raw water volume taken Megalitres	Balance 30 June 2013 Megalitres	Reporting requirements in accordance with Bulk Entitlement (BE) clause
<b>Campaspe</b>	<b>Campaspe River</b>						
Bulk Entitlement reference: Bulk Entitlement (Axedale, Goormong & part Rochester) Conversion Order 1999							
Axedale & Goormong		215	215	233	61	204	12.1(b) – Annual volume taken – 61 megalitres 12.1(c) – Any credits granted – Nil 12.1(d) – Metering Program – Nil
Rochester		134	134	522	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, Goormong & 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>						
Bulk Entitlement reference: Bulk Entitlement (Campaspe System – Coliban Water) Conversion Order 1999							
Bendigo area, Castlemaine area, Kyneton area, Heathcote area & Coliban Rural	Coliban River Reservoirs: Upper Coliban, Malmsbury & Lauriston and Lake Eppalock	50,260	N/A	N/A	23,545	N/A	18.1(f) – Annual volume – See Notes 1, 2, 3 & 4 18.1(g) – Annual evaporation loss – 7,955 megalitres 18.1(h) – Internal spill in Lake Eppalock to Goulburn-Murray Water (G-MW) share – 0 megalitres 18.1(i) – Passing flow compliance record – see Note 5 18.1(j) – Any credits granted – Nil 18.1(k) – Temporary or permanent transfer of BE – Nil 18.1(l) – BE or licence transferred to Coliban Water – Nil 18.1(m) – Period of restriction – see restriction table 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 – 23,323 megalitres 18.1(q) – Any amendment to bulk entitlement – Nil 18.1(r) – Any new bulk entitlement – Nil 18.1(s) – Implementation of environmental and metering programs – Nil 18.1(t) – Any failure to comply with BE – Nil 18.1(u) – Difficulties in complying – Nil 18.1(v) – Passing flows less than specified – see Note 6
<b>Goulburn</b>	<b>Waranga Western Channel</b>						<b>Boort</b>
Bulk Entitlement reference: Bulk Entitlement (Goulburn Channel System – Coliban Water) Order 2012							
Boort Dingee Jarklin Lockington Macorna Mitiamo Mysia Pyramid Hill Rochester Serpentine Total						207 14 3 100 6 34 4 129 1,410 30	15.1(b) – Annual volume – 1,937 megalitres 15.1(c) – Volume from other locations – Nil 15.1(d) – Any credit granted – Nil 15.1(e) – Metering program – Nil 15.1(f) – Assignment or transfer – Nil 15.1(g) – Assignment or transfer to Coliban Water – Nil 15.1(h) – Amendments to BE – see Note 7 15.1(i) – New BE – See Note 7 15.1(j) – Failure to comply – Nil 15.1(k) – Difficulties in complying – Nil
			2,420			1,937	
<b>Groundwater</b>	<b>Groundwater Licence</b>						
Elmore	Bore	284	284	N/A	132	N/A	
Bulk Entitlement reference: Bulk Entitlement (Trentham) Conversion Order 2012							
Trentham	Spring Water	120	120	NA	109	NA	12.1(b) – Annual volume – 109 megalitres 12.1(c) – Average annual amount taken over three years – 94 megalitres 12.1(d) – Amount taken under licence – 0 megalitres 12.1(e) – Metering program – to be submitted by 31 December 2013 (not yet completed) 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
	Bore	48	48	NA	0	NA	

# WATER SECURITY

Supply system	Source of supply	Bulk Entitlement volume Megalitres	Bulk Entitlement allocation Megalitres	Balance 1 July 2012 Megalitres	Raw water volume taken Megalitres	Balance 30 June 2013 Megalitres	Reporting requirements in accordance with Bulk Entitlement (BE) clause
<b>Loddon</b>	<b>Loddon River</b>						
Bulk Entitlement reference: Bulk Entitlement (Loddon System- Coliban Water) Conversion Order 2005							
Bridgewater & Inglewood Laanecoorie, Dunolly, Bealiba & Tarnagulla					281 124		13.1(b) – Annual volume – 405 megalitres 13.1(c) – Any credits granted – Nil 13.1(d) – Metering Program – Nil 13.1(e) – Temporary or permanent transfer of all or part of BE – Nil 13.1(f) – Period of restriction – Nil 13.1(g) – Any amendment to BE – Nil (See Note 8) 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>Total</b>		<b>820</b>	<b>820</b>	<b>390</b>	<b>405</b>	<b>390</b>	
<b>Wimmera</b>	<b>Wimmera Channel</b>						
Bulk Entitlement reference: Bulk Entitlement (Wimmera and Glenelg Rivers – Coliban Water) Order 2010							
Korong Vale & Wedderburn Borong Wychitella					166 2 2		13.1(b) – Annual volume – 166 megalitres 13.1(c) – Amount and location of water taken from other than specified point – Nil 13.1(d) – Final water allocation – 82 per cent 13.1(e) – Metering Program – Nil 13.1(f) – Temporary or permanent transfer of all or part of BE – Nil 13.1(g) – Any BE or other entitlement transferred to Coliban Water under this order – Nil 13.1(h) – Any amendment to BE – See Note 9 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>Total</b>		<b>300</b>	<b>246</b>	<b>256</b>	<b>177</b>	<b>326</b>	
<b>Murray</b>	<b>Murray River</b>						
Bulk Entitlement reference: Bulk Entitlement (River Murray – Coliban Water) Conversion Order 1999							
Cohuna, Echuca, Gunbower Leitchville					768 3,329 57 241		20.1(b) – Annual volume – 4,395 megalitres 20.1(c) – New off-take points – Nil 20.1(d) – Water returned – Nil 20.1(e) – Metering Program – Nil 20.1(f) – Temporary or permanent transfer of all or part of BE – Nil 20.1(g) – Any BE or other entitlement transferred to supply primary entitlements under this order – Nil 20.1(h) – Any amendment to BE – 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>Total</b>		<b>6,285</b>	<b>6,285</b>	<b>256</b>	<b>4,395</b>	<b>9,113</b>	
<b>Goulburn</b>	<b>Waranga Western Channel</b>						
Coliban North System	Water Shares High Reliability Water Shares Low Reliability	22,801 2,857	22,736	42,790	17,232	23,666	Allocation purchase – 0 megalitres Allocation trade – 16,914 megalitres
<b>Campaspe</b>	<b>Lake Eppalock</b>						
Coliban North System	Water Shares High Reliability Water Shares Low Reliability	2,591 646	2,591 646	3,710	1,620	3,237	Allocation purchase – 0 megalitres Allocation trade – 1,620 megalitres
<b>Murray</b>	<b>Murray River</b>						
Cohuna, Echuca, Gunbower, Leitchville	Water Shares High Reliability Water Shares Low Reliability	55 24	55	125	0	190	Allocation purchase – 0 megalitres Allocation trade – 0 megalitres Previously unreported.

## Notes:

- 23,545 megalitres discharged from Malmsbury Reservoir to Coliban Main Channel.
- 877 megalitres discharged from Lauriston Reservoir to Kyneton system.
- Zero megalitres pumped from Lake Eppalock to Heathcote.
- Zero megalitres pumped from Lake Eppalock to Eppalock-Sandhurst Pipeline.
- Malmsbury Passing Flows released 1,640 megalitres. Malmsbury Passing Flows Account balance is 228 megalitres as at 30/6/2013.
- Passing flow downstream of Malmsbury – flow ceased between 09/01/2013 to 01/05/2013 at the request of the Water Holder.
- Individual Bulk Entitlements for Dingee, Macorna, Pyramid Hill, Lockington, Rochester, Mitiamo, Boort, and Mysia have been repealed and replaced with a single consolidated Bulk Entitlement. Additional townships of Jarklin and Serpentine have been added as these are no longer being supplied from the Loddon System with the completion of the East Loddon Pipeline Project.
- Jarklin and Serpentine now supplied with raw water from Goulburn System (From 4 April 2012). However the Bulk Entitlement has not been amended.
- There were minor amendments on 20 November 2012 and 11 April 2013 to reflect the fact that the Commonwealth Environmental Water Holder is now the owner of 28,000 megalitres of entitlement, which was previously the Wimmera Irrigation entitlement. Coliban Water's entitlement has not been altered.

## Changes to Bulk Entitlement

### Goulburn system– consolidation of urban Bulk Entitlements

In March 2012, together with Goulburn Valley Water, we applied to the Minister for Water to consolidate our Bulk Entitlements for urban supply in the Goulburn System. On 12 July 2012, two new Bulk Entitlements were gazetted for Coliban Water and Goulburn Valley Water replacing the original 28 separate Bulk Entitlements.

There is no change to the total volume of entitlement held by each water corporation, and the rules that apply to other entitlement holders.

### Water allocation

A total of 2,434 megalitres of Goulburn 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 Southern System) and a 100 per cent allocation was made to Coliban system rural 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

2012/13	Megalitres
Direct river extraction	3,767
Groundwater	241
Draw from dams/reservoirs	26,646
Channel supplies	4,144
<b>TOTAL</b>	<b>34,798</b>

### Water purchases

There was no purchase or sale of permanent water entitlement during 2012/13. During the year, 18,534 megalitres of Goulburn and Campaspe system allocation was sold.

## Sustainable water use

We are continuing to address sustainable water use issues 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.

Water demand across all regions was slightly less than the predicted demand in our 2012 Water Supply Demand Strategy (WSDS), indicating our customers are continuing to implement good water management practices.

Our water resources were managed consistent with the WSDS 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 2012/13 only two towns, Raywood and Sebastian, were on water restrictions with the rest of our region on Permanent Water Saving Rules. Raywood and Sebastian came off water restrictions and moved to Permanent Water Savings Rules on 19 January 2013 with the completion of the pipeline connection to the Bendigo water supply system.

Urban supply system	Summary 2012/13
<b>Campaspe</b>	
Goormong	PWSR
<b>Coliban Northern</b>	
Bendigo area and Axedale	PWSR
Heathcote and Tooborac	PWSR
Raywood and Sebastian	PWSR*
<b>Coliban Southern</b>	
Castlemaine area	PWSR
Kyneton area	PWSR
<b>Goulburn</b>	
Boort, Dingee, Jarklin, Lockington, Macorna, Mitiamo, Mysia, Pyramid Hill, Rochester and Serpentine	PWSR
<b>Groundwater</b>	
Elmore	PWSR
Trentham	PWSR
<b>Loddon</b>	
Bealiba, Bridgewater, Dunolly, Inglewood, Laanecoorie and Tarnagulla	PWSR
<b>Murray</b>	
Cohuna, Echuca, Leitchville and Gunbower	PWSR
<b>Wimmera</b>	
Borong, Korong Vale, Wedderburn and Wychitella	PWSR

\* Off Stage 3 restrictions to PWSR on 19 January 2013  
PWSR = Permanent Water Saving Rules

# WATER SECURITY

## Rural usage

Our rural customers had a 100 per cent allocation for the 2012/13 season. Recycled water was supplied under a separate agreement to rural customers on the Ascot and Cockatoo Hill channel systems.

Channel name	Number rural licenses	Base entitlement (Megalitres)	Number licenses supplied	Volume delivered (Megalitres)	Notes
Abbotts	97	376	78	216	
Ascot	40	716	24	429	Supplied recycled water
Axe Creek	77	476	49	166	
Campbells Creek	1	13	1	5	
Cockatoo Hill	29	117	17	52	Supplied recycled water
Coliban Main	143	3,400	80	449	
Cominis	8	175	6	16	
Diamond Hill	13	75	7	29	
Eagles	19	191	12	28	
Ellesmere	40	156	32	103	Supplied recycled water
Emu No 1	15	115	14	69	
Emu No 2	20	175	10	37	
Emu Valley No. 1	82	427	63	197	
Emu Valley No. 2	68	484	45	121	
Eppalock Pipeline	74	843	60	377	
Gaol Hill	1	15	0	0	
Goornong	16	379	12	140	Supplied recycled water
Harcourt Main	77	2,459	44	1,026	
Huntly	2	30	2	11	Supplied recycled water
Ironstone	7	15	6	4	
Jackass Flat	2	2	1	0	
Kangaroo	3	43	1	13	
Lauriston Reservoir	5	12	0	0	
Lockwood	126	641	87	187	
Maiden Gully	41	384	28	241	
Malmsbury Reservoir	2	6	0	0	
Mannes	13	149	11	24	
Marong	32	309	24	178	
Myers Flat	17	285	12	96	
Neilborough	11	35	9	25	Supplied recycled water
Poverty Gully	15	63	5	7	
Ranters	0	5	0	0	
Raywood	57	352	42	200	Supplied recycled water
Sebastian	7	64	5	9	Supplied recycled water
South Lockwood Pipeline	45	403	41	179	
Sparrowhawk	1	5	1	2	
Specimen Gully	14	385	9	114	
Specimen Hill	37	369	22	98	
Spring Gully	33	174	22	76	
Strathfieldsaye	2	5	1	1	
Trust	6	275	6	28	
Warrens	27	749	16	177	
White Hills	7	196	5	206	Supplied recycled water
Wilsons Hill	33	275	24	81	
<b>TOTAL</b>	<b>1,365</b>	<b>15,823</b>	<b>934</b>	<b>5,417</b>	

During the year, the number of rural licences decreased due to customer surrender of licence and through the Harcourt Rural Modernisation Project *MyChoice Offer to Sell* process. Whilst the number of active licences has decreased, rural water usage increased as a result of dry seasonal conditions.

## Water Sources

Sources	Number of customers supplied	Supplied volume (Megalitres)
Raw	786	4,242
Recycled	148	1,175

## Rural system trading by our customers

Permanent trade		Temporary trade		Trade as part of land transfer	
Number of trades	Volume megalitres	Number of trades (sales)	Volume megalitres (sales)	Number of trades	Volume megalitres
188	1,956	34	256	65	591

## 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 Crocodile Gold mine in Fosterville, 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. The factory was not run this year due to the availability of water from the Coliban southern storages.

### 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 earthworks companies 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 C 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, which is supplied to an on-site irrigator, 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)	
	2012/13	2011/12
Axedale	14	7
Bendigo		
› Class A	0	1,138
› Class B and C	1,671	1,537
Boort	9	28
Bridgewater	0	0
Castlemaine	118	66
Cohuna	0	0
Dunolly	15	15
Echuca	1,017	1,382
Elmore	0	0
Gunbower	0	0
Heathcote	146	147
Kyneton	339	321
Lockington	0	0
Pyramid Hill	9	0
Rochester	0	42
Wedderburn	8	44
<b>TOTAL</b>	<b>3,346</b>	<b>4,727</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.

# CAPITAL PROJECTS

This year was the final year of our five year capital works program – *Water Plan 2008–2013*, with our project delivery teams delivering \$41.18 million of works.

Our total capital expenditure for the five years was \$203,695,116, which was below the Essential Services Commission (ESC) accepted forecast of \$218 million.

## Key capital expenditure projects

The key capital expenditure projects (greater than \$1 million) managed across the business during the year are outlined in the table below in order of the total cost.

Capital expenditure summary table

Program	2012/13	
	Expenditure (\$,000)	% of total
Administration	2,877	7.0%
Headworks	952	2.3%
Operations Support	1,967	4.8%
Raw Water Transfer	195	0.5%
Recycled Water	695	1.7%
Rural	5,320	12.9%
Sewer Collection	6,870	16.7%
Sewer Treatment	335	0.8%
Water Reticulation	8,466	20.5%
Water Treatment	13,503	32.8%
<b>TOTAL</b>	<b>41,180</b>	<b>100.0%</b>

Project name	Location	Program	Total project budget (\$)	Spent in 2012/13 (\$'000)	Start	Completion target
<b>Rural system reconfiguration – Harcourt</b>	Harcourt	Rural	39.4 million	5,199	Apr 2009	Oct 2014
<b>Description:</b> Proposes to replace the existing concrete and earthen gravity channel system with: <ul style="list-style-type: none"> <li>approximately 67 kilometres of pressurised pipeline through Harcourt area</li> <li>two pump stations located at Faraday and Barkers Creek Reservoir, and a balancing storage tank.</li> </ul> <b>Works undertaken this year:</b> <ul style="list-style-type: none"> <li>Detail design completed</li> <li>Easement acquisition process commenced</li> <li>Tender documentations for pump and pipe supply commenced</li> </ul>						
<b>Chemical system upgrade</b>	Various sites across region	Water Treatment	14.4 million	3,884	May 2005	Mar 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 and Echuca have been completed. Commissioning commenced at Elmore, Korong Vale, Boort, Trentham, Lockington, Heathcote and Pyramid Hill. Contract awarded July 2013 for works at Laanecoorie and Bridgewater.						
<b>Echuca and Cohuna Water Treatment Plant improvements</b>	Echuca and Cohuna	Water Treatment	13.5 million	122	Jun 2012	Mar 2017
<b>Description:</b> Involves upgrades to activated carbon dosing system to remove taste and odour compounds caused by Blue Green Algae in the raw water supply. Detailed design investigation to be undertaken in the next financial year.						
<b>Rochester Water Reclamation Plant upgrade</b>	Rochester	Sewer Treatment	9.3 million	1,936	Jun 2011	July 2014
<b>Description:</b> The Rochester Water Reclamation Plant experiences issues associated with seepage and reuse sustainability. This project will install membrane filtration technology and update the treatment processes on site to deliver Class B water for irrigation reuse. Work will commence second half of 2013. The Rochester to Echuca Water Reclamation Plant connection project that was detailed last year has been revised, with the scope broadened to be incorporated into one new project – the Rochester Water Reclamation Plant upgrade.						
<b>Raywood-Sebastian Water Supply Pipeline</b>	Potable pipeline from Eaglehawk to Raywood via Sebastian	Water Reticulation	8.6 million	2,888	Jun 2012	Completed Dec 2012
<b>Description:</b> The Raywood-Sebastian pipeline connects the townships of Raywood and Sebastian to the Bendigo water supply system, providing greater water security and water quality to urban customers in these townships.						
<b>Rochester Water Treatment Plant upgrade</b>	Rochester	Water Treatment	7.9 million	5,451	Feb 2011	Aug 2013
<b>Description:</b> Identified as required in response to the flood events on January 2011. Project includes: <ul style="list-style-type: none"> <li>Upgrade Zegelin Road raw water pump station and construct new intake from the Waranga Channel;</li> <li>Upgrade water treatment processes with membrane filtration plant, ozone plant and conversion of the media filters to Granular Activated Carbon (GAC) filters;</li> <li>Construct a 1.85 metre high concrete flood wall around the plant perimeter.</li> </ul> As at 30 June 2013, project is close to completion with commissioning about to commence.						



Project name	Location	Program	Total project budget (\$)	Spent in 2012/13 (\$'000)	Start	Completion target
<b>Leitchville Water Treatment Plant upgrade</b>	Leitchville	Water Treatment	7.4 million	2,504	May 2010	Sep 2013
Description: 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 (UV) treatment. A new ground level storage tank and an elevated storage tank installed to assist with water pressure. Commissioning of plant commenced in March 2013.						
<b>Gunbower Water Treatment Plant upgrade</b>	Gunbower	Water Treatment	4.2 million	180	Feb 2010	Aug 2012
Description: 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.						
<b>Echuca sewer network augmentation</b>	Echuca	Sewer Collection	3.8 million	178	Jul 2012	Mar 2016
Description: Echuca augmentation strategy identified a number of areas around Echuca where the network required work to improve performance, system capacity and reliability to allow current and future growth. Project includes pump upgrades at existing pump stations, by-passes to two existing pump stations to mitigate overflows and replacement of two existing rising mains.						
<b>Epsom evaporation brine lagoon</b>	Bendigo	Recycled Water	3.5 million	302	Jun 2011	Completed Jun 2013
Description: Construction of a recycled water brine evaporation lagoon at Bendigo Water Reclamation Plant at Epsom to assist with the treatment of brine produced onsite.						
<b>Bendigo Water Treatment Plant – sludge management improvement</b>	Bendigo	Water Treatment	3.2 million	51	Jul 2009	Jun 2014
Description: Water from the Waranga Western Channel has supplemented the raw water supply to the Bendigo Water Treatment Plant since completion of the Goldfields Superpipe in 2007. This source water has significantly higher turbidity, causing additional volumes of sludge being produced during the treatment process. Improvements include the provision of sludge storage and handling facilities onsite that will be required when water demands are high. Contract will be awarded next financial year.						
<b>Allen Street sewer pump station upgrade</b>	Bendigo–Huntly	Sewer Collection	2.4 million	124	Aug 2012	Feb 2015
Description: Capacity upgrade to Allen Street sewer pump station to service developing areas in Epsom and Huntly. Project to construct trunk main from Ironstone Road sewer pump station has been completed. Detail design has commenced.						
<b>Bendigo water network augmentation</b>	Bendigo – Maiden Gully	Water Reticulation	2.2 million	1,077	Nov 2010	Completed May 2013
Description: Bendigo augmentation strategy identified a number of areas around Bendigo where the network would fail to deliver adequate water pressure to customers now that water restrictions have been eased. Duplication of a number of pipes in various locations is needed to improve the capacity of the system to ensure that acceptable water pressure is delivered. Four pipelines were completed in 2011/12, with 690 metres completed in Maiden Gully in May 2013.						
<b>Pine Safety Removal Project</b>	Malmsbury	Headworks	2.0 million	79	Jul 2010	Dec 2017
Description: Removal of aged pine trees from recreation areas at catchment storages for safety reasons. Native re-vegetation of areas to follow. Works to be staged over the next four years.						
<b>Water Main Renewals Program</b>	Various townships across region	Water Reticulation	2.0 million	1,888	Jul 2012	Completed Jun 2013
Description: An annual program of water mains renewals is under taken to ensure security of supply to customers and reduce water losses from burst and leaking mains. This financial year program was achieved.						
<b>Sewer Main Renewals Program</b>	Various townships across region	Sewer Collection	2.0 million	1,960	Jul 2012	Completed Jun 2013
Description: An annual program of sewer main renewals is under taken to improve operational efficiencies and reducing blockages and overflows to the environment. This financial year program was achieved.						
<b>Bendigo Water Treatment Plant dosing system improvement</b>	Bendigo	Water Treatment	1.4 million	714	Jul 2008	Completed Jun 2013
Description: Dosing system improvements are required to maintain plant capacity when treating raw water with elevated levels of manganese from Lake Eppalock.						
<b>McKenzie Hill project to address odour control</b>	Castlemaine	Sewer Collection	1.3 million	985	Dec 2005	Completed Jun 2013
Description: Project to address long term odour issues at McKenzie Hill, Castlemaine. Oxygen Injection system constructed to prevent odours from forming in the sewer main.						
<b>Tooborac Tank</b>	Tooborac	Water Reticulation	1.0 million	274	Apr 2010	Completed May 2013
Description: Replace basin with two new tanks and an adequate dosing system to provide secure water supply. Experienced delay with chlorinator fittings. Commissioning has been completed and minor defects rectified as at May 2013.						
<b>Crusoe Road Water Main Replacement</b>	Bendigo–Kangaroo Flat	Water Reticulation	1.0 million	620	Feb 2012	Aug 2013
Description: Replacement of 2.3 kilometres of water main along Crusoe Road to improve efficiency of the system due to network configuration changes and ensure customer security.						

# WATER QUALITY AND RELIABILITY

We provide water to 69,479 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 eight of the standards. The following six targets were exceeded:

- › Average time to respond to bursts and leaks (priority one)
- › Average time to respond to bursts and leaks (priority three)
- › Unplanned water supply interruptions restored in five hours
- › Average customer minutes off supply (unplanned)
- › Average interruption duration (unplanned)
- › Number of customers with greater than five unplanned interruptions

This was caused by premature, repeated failure of a number of aging 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.

## *Safe Drinking Water Act 2003*

During 2012 we completed our regulatory audit of our *Drinking Water Risk Management Plan* as required by the Department of Health (DoH). This resulted in two minor non-conformances being identified relating to calibration of instruments and the verification activities by management and supervisory personnel relating to calibration practices.

This outcome resulted in a review of our risk management practices by DoH which was completed in February 2012. This review identified some opportunities for improved practices but found no evidence that the safety of the drinking water supplied had been compromised.

We have entered into an undertaking with DoH. This outlined key actions we will take to address the non-conformances and improvement opportunities identified as part of continuously improving our management of drinking water quality risks.

During the year, we established within the organisation a new Water Quality Performance and Regulation Group to lead the corporation's water quality improvement and risk management program.

We also continued to progress the earlier undertaking with the DoH we had entered into during the previous year to address the significant level of E.coli detections within our network.

Works completed in the second half of 2012 included the review of system vulnerabilities and corrective actions to address these, a regular program of spot dosing for high risk tanks with chlorine and a rigorous incident investigation protocol based on international best practice.

Implementation of these actions has resulted in the frequency of E.coli detections being significantly reduced. Further actions relating to this undertaking will continue until the end of 2014, the major component of which is the installation of permanent booster chlorinators in high risk networks.

In March we imposed one boil water notice at Bridgewater and Inglewood following the failure of the chlorination (disinfection) system at the Bridgewater Water Treatment Plant. The chlorinator was repaired and operating within four hours of the failure and the reticulation system comprehensively flushed to remove any potentially contaminated water. Laboratory testing confirmed no risk to public health and the boil water notice was lifted within 24 hours of being applied.

## Water quality

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

Borong, Dingee, Jarklin, Macorna, Mitiamo, Mysia and Wychitella were supplied with non-potable water during 2012/13.

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

## Water main renewal

We replaced approximately seven kilometres of water main across 30 sites in our region as part of our Routine Renewals program, at a cost of \$1.9 million.

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

A major water main renewal project commenced during the year in Kangaroo Flat with two kilometres of cast iron water main, laid in 1903, being renewed using a trenchless method known as 'slip-lining'. This method involves inserting a new smaller diameter pipe through the existing pipeline, reducing the need for excavation and minimising the impact on customers and the environment.

The \$1 million pipeline project in Crusoe Road will continue to service approximately 400 properties in the area, which have had temporary supply connections in place whilst we completed the project. Works are expected to be completed in August 2013.

### Notes to the water quality table:

1. Isolated elevated aluminium results which did not correlate with treatment plant performance, likely to be due to suspension of sediment in isolated areas.
2. The E.coli detection was a result of the chlorine demand and long detention time in the water network at Tarnagulla.

## Water treatment process

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

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

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

Water, wastewater and customer numbers by system	Wastewater Residential	Wastewater Non Residential	Wastewater Total	Water Consumption Residential		Water Consumption Non Residential		Water Consumption Total		Water Consumption 3 year average	Consumption compared to 2011/12	Non Revenue Water
Water supply system	Number	Number	Number	Number	Megalitres	Number	Megalitres	Number	Megalitres	Megalitres	%	Megalitres
Campaspe												
Goorong	0	0	0	144	32	27	7	171	40	33	24%	7
Total	0	0	0	144	32	27	7	171	40	33	24%	7
Coliban Northern												
Axedale	101	10	111	107	20	16	5	123	24	21	22%	Note 2
Bendigo <sup>9</sup>	37,585	3,062	40,647	39,770	7,454	3,266	2,718	43,036	10,172	8,844	16%	739
Heathcote	721	100	821	1,036	145	128	77	1,164	222	186	23%	40
Raywood	0	0	0	78	15	15	3	93	18	15	29%	Note 2
Sebastian	0	0	0	63	13	5	1	68	14	12	14%	Note 2
Tooborac	0	0	0	46	10	6	2	52	11	10	25%	Note 3
Total	38,407	3,172	41,579	41,100	7,656	3,436	2,805	44,536	10,462	9,087	16%	779
Coliban Southern												
Castlemaine <sup>10</sup>	4,243	379	4,622	5,279	837	447	744	5,726	1581	1,362	15%	227
Elphinstone/Taradale	0	0	0	206	37	18	9	224	46	38	49%	Note 4
Kyneton	2,177	367	2,544	2,372	385	414	308	2,786	693	612	22%	114
Maldon	621	84	705	913	142	117	55	1,030	197	148	49%	Note 4
Malmsbury	237	21	258	272	42	23	19	295	61	51	24%	Note 5
Newstead	272	31	303	317	48	39	11	356	59	50	22%	Note 4
Tylden	130	9	139	111	15	11	7	122	22	19	24%	Note 5
Total	7,680	891	8,571	9,470	1,506	1,069	1,153	10,539	2,659	2,280	20%	341
Goulburn												
Boort	378	74	452	391	91	93	33	484	124	105	19%	29
Dingee	0	0	0	29	5	11	3	40	8	6	31%	1
Jarklin	0	0	0	6	2	3	1	9	2	2	18%	0
Lockington	184	25	209	189	36	30	10	219	46	39	21%	43
Macorna	0	0	0	8	1	2	0	10	1	1	-37%	0.8
Mitiamo	0	0	0	41	8	9	2	50	10	8	14%	20
Mysia	0	0	0	8	1	1	0	9	1	1	-40%	3
Pyramid Hill	246	37	283	255	52	49	26	304	78	70	13%	19
Rochester	1,197	144	1,341	1,321	364	176	761	1,497	1,125	987	11%	110
Serpentine	0	0	0	63	14	21	5	84	18	14	30%	5
Total	2,005	280	2,285	2,311	571	395	842	2,706	1,413	1,233	12%	231
Groundwater												
Elmore	329	49	378	367	75	66	43	433	119	97	24%	-24
Trentham	432	60	492	479	64	62	14	541	78	68	22%	23
Total	761	109	870	846	140	128	57	974	197	165	23%	-1
Loddon												
Bealiba	0	0	0	76	10	11	4	87	14	11	39%	Note 7
Bridgewater	166	28	194	184	26	34	16	218	42	37	16%	135
Dunolly	329	50	379	392	49	59	12	451	61	55	9%	Note 7
Inglewood	314	33	347	389	55	42	24	431	79	68	16%	Note 6
Laanecoorie	0	0	0	36	5	4	0	40	5	4	2%	39
Tarnagulla	0	0	0	104	10	13	3	117	13	11	28%	Note 7
Total	809	111	920	1,181	154	163	59	1,344	213	185	15%	174
Murray												
Cohuna	947	131	1,078	1,056	312	355	272	1411	584	508	14%	120
Echuca	5,669	767	6,436	5,878	1,634	818	1,232	6,696	2,866	2,482	17%	321
Gunbower	142	25	167	142	36	33	11	175	47	41	16%	5
Leitchville	142	31	173	155	46	118	126	273	172	163	7%	47
Total	6,900	954	7,854	7,231	2,028	1,324	1,641	8,555	3,669	3,193	16%	493
Wimmera												
Borong	0	0	0	19	3	3	0	22	3	2	55%	-2
Korong Vale	0	0	0	113	14	8	1	121	16	14	13%	129
Wedderburn	383	55	438	435	59	62	24	497	83	69	21%	Note 8
Wychitella	0	0	0	11	1	3	0	14	2	1	70%	1
Total	383	55	438	578	78	76	26	654	104	86	21%	128
GRAND TOTAL	56,945	5,572	62,517	62,861	12,166	6,618	6,591	69,479	18,757	16,261	17%	2,152

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 Strathfieldsay
10. Includes the towns/areas of Campbells Creek, Chewton, Fryerstown, 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 2012/13 was calculated to be 2,152 megalitres (10.4 per cent). The Essential Services Commission target of less or equal to 18 per cent non-revenue water was achieved. We implemented an improved reporting system for non-revenue water during 2012/13 which now accounts for predicted usage between meter reads. This will be further refined over the coming year to improve accuracy.

## Major non-residential water users

We had five major 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	2
Equal to or greater than 300 ML and less than 400 ML	0
Equal to or greater than 400 ML and less than 500 ML	1
Equal to or greater than 500 ML and less than 750 ML	2
Equal to or greater than 750 ML and less than 1,000 ML	0
Greater than 1,000 ML	0
<b>TOTAL</b>	<b>5</b>

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

## Major Trade Waste

We serviced approximately 20 major trade waste customers during the year. These customers are generally large industries within our region and are often large water users and waste producers.

Through the *Water Plan 2013–2018* process, a complete review of all major trade waste tariffs and charges was undertaken, enabling the revised tariff structure to commence from 1 July 2013.



# WASTEWATER SYSTEM

We provide wastewater services to 62,517 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 2012/13.

Town	Sewage influent Megalitres	Total effluent discharged Megalitres	Effluent discharged to waterways Megalitres	Effluent discharged for reuse Megalitres
Axedale	11	14	-	14
Bendigo	6,698	5,134	3,463	1,671
Boort	65	9	-	9
Bridgewater/Inglewood	65	0	-	-
Castlemaine/Harcourt/ Maldon/Newstead	1,113	1,125	1,007	118
Cohuna	203	0	-	-
Dunolly	43	15	-	15
Echuca	1,639	1,017	-	1,017
Elmore	37	0	-	-
Gunbower/Leitchville	37	0	-	-
Heathcote	179	175	29*	146
Kyneton/Trentham/Tylden	732	690	351**	339
Lockington	21	0	-	-
Pyramid Hill	42	9	-	9***
Rochester	232	0	-	0
Wedderburn	30	8	-	8
<b>TOTAL</b>	<b>11,147</b>	<b>8,196</b>	<b>4,850</b>	<b>3,346</b>

\* Effluent discharged to waterway under an emergency discharge approval by Environment Protection Authority (EPA)

\*\* Includes 70 megalitres discharged to waterway under an emergency discharge approval by EPA

\*\*\* Effluent discharged to land under an emergency discharge approval by EPA

The \$9 million upgrade of the Rochester Water Reclamation Plant will commence in July 2013. This project will replace the current lagoon system and use membrane filtration technology to produce higher quality recycled water for irrigation reuse. Works are expected to be completed by July 2014.

Construction of the second brine lagoon at the Bendigo Water Reclamation Plant has been completed. This will enable increased operation of the Recycled Water Factory over future years.

We need to continually desludge wastewater treatment plant lagoons to improve each plants operational efficiency. We desludged the Kyneton Water Reclamation Plant trade waste lagoon at a cost of \$500,000 during the year. The dried biosolids will be safely reused over the coming financial year via application to farming land under 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)	50.0	53.88
Average time to attend sewer spills and blockages (minutes)	32.0	33.21
Average time to rectify a sewer blockage (minutes) *	70.0	85.81
Spills contained within five hours (per cent)	99.0	99.43
Customers receiving more than three sewer blockages in the year (number)	4.0	0

\* Calculated using total minutes to rectify a sewer spills and blockages divided by number of sewer blockages and spills

# WASTEWATER SYSTEM

## Sewer blockages

Our sewer blockage rates reduced during high rainfall and flooding events. Now that conditions have returned to normal, blockage rates have returned to previous blockage patterns.

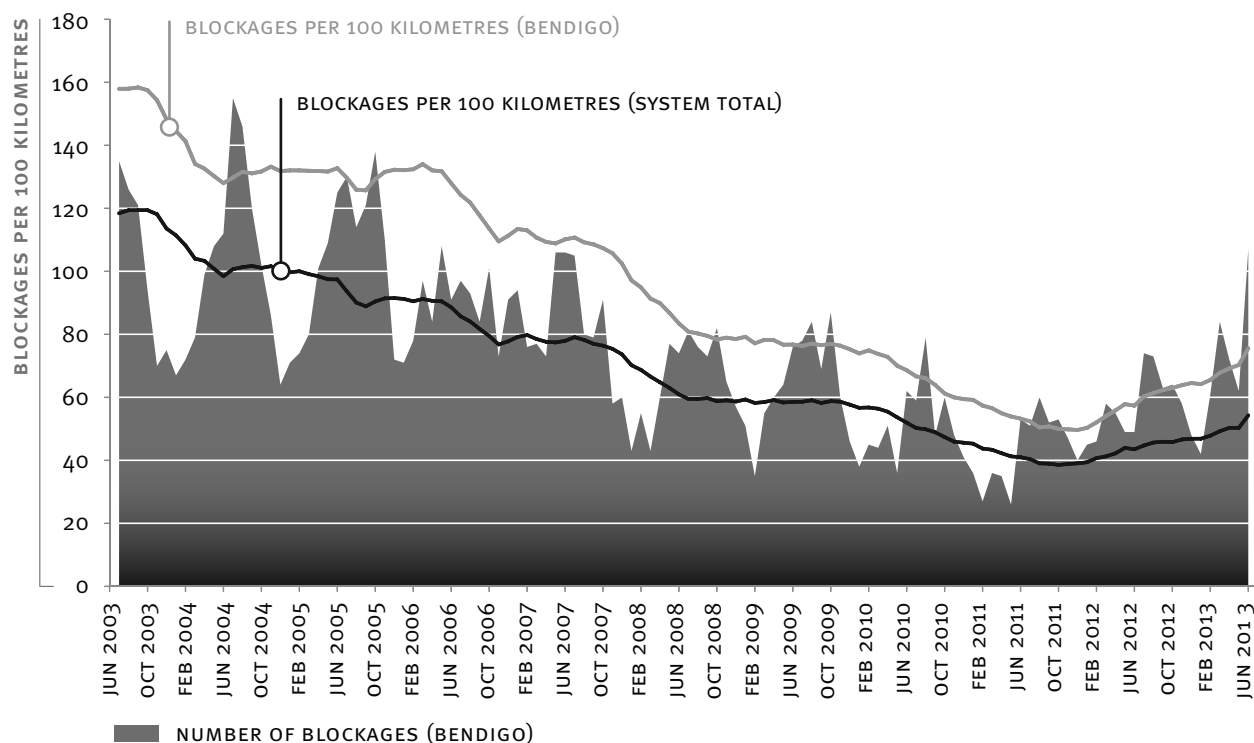
To improve our performance we have assumed greater control of contract arrangements for the sewer blockage prevention program (*Stop the Block*) and redeveloped the software package used to proactively target potential blockages in our networks.

Blockage rate chart (blockages per 100 kilometres)

## Sewer main renewal

Our program for sewer main condition assessment and renewal has continued this year, prioritised based on criticality (risk), age and structural condition. We have renewed approximately 0.65 per cent of our sewer mains during this financial year (11,929 meters) compared to 0.27 per cent last year.

This includes key renewals for a section of our 900 millimetre trunk main in Bendigo and a length of frequently failing rising main in Dunolly.



## Odour management

We experienced a greater number of odour complaints compared to the previous financial year. The majority of these complaints related to increased blockages in the system. We anticipate that performance will be improved through the delivery of our revamped *Stop the Block* program.

However 36 per cent of the total complaints were either not related to our assets or could not be verified during investigation.

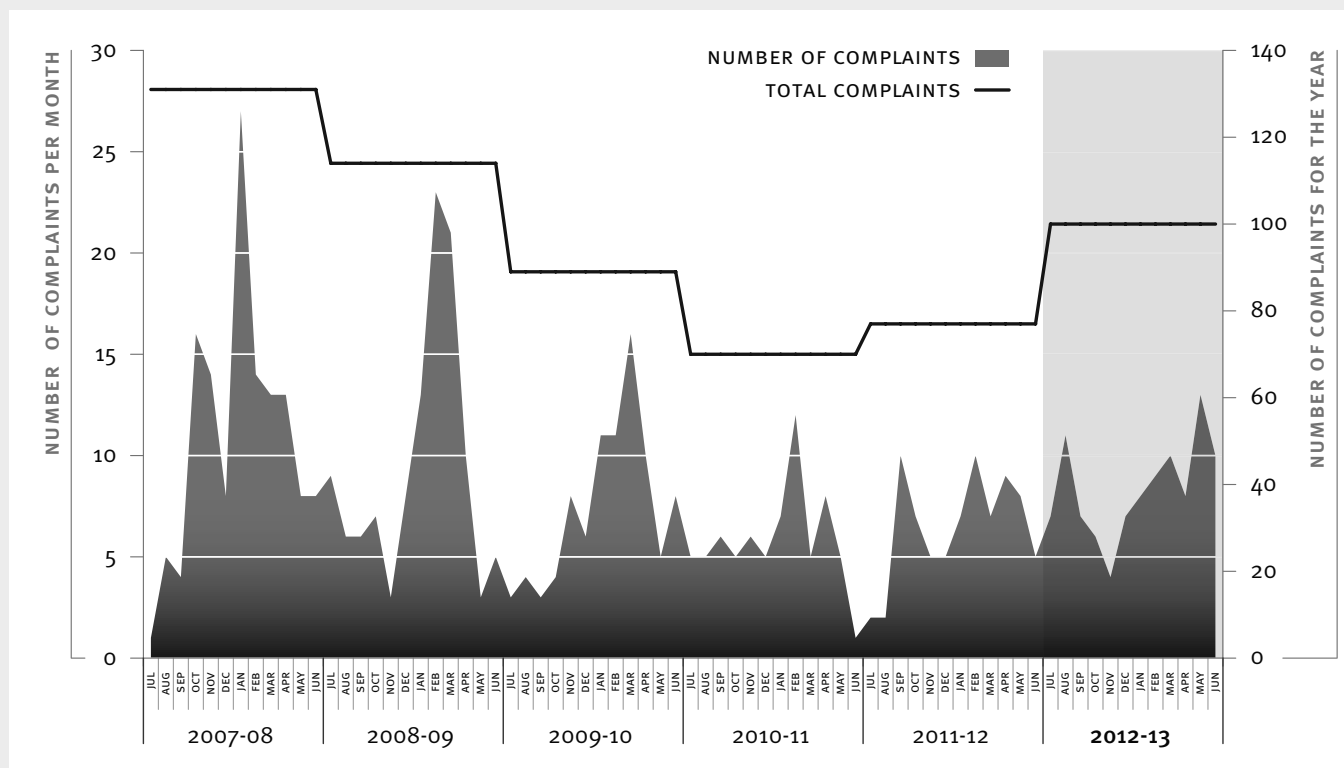
We received a number of community complaints regarding odour from the Bendigo Water Reclamation Plant from March to May 2013, which were verified by staff at the site. An investigation of possible sources concluded that improvements to the operation and maintenance of the chemical scrubbers and biofilters at the site was required. This work was completed and

we will continue to monitor odours generated from the site and ensure that we proactively maintain this equipment in future.

The following projects completed this year to improve odour management in our system include:

- › Commissioning of a new odour control system for the Newstead and Maldon rising mains in the vicinity of McKenzie Hill in Castlemaine.
- › Commissioning of an odour monitoring system at Anstruthur Street Echuca. Additional odour control works are planned over the next two years.
- › Commissioning of an odour control chemical dosing system in Pyramid Hill.
- › Investigation and design of an odour control system for Hopkins Avenue sewer pump station in Eaglehawk.

## Odour management



## Trade Waste

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

We formalised arrangements with our septic waste cartage customers through development of an Accredited Septic Contractor system to clearly outline the requirements for septic waste disposal at our water reclamation plants.

## Safety review of sewer access chambers (manholes) across region

During the year a project steering group was created to give a greater focus on the safety and integrity of our sewer access chamber covers (or manhole covers). Across our region we have over 30,000 manholes and whilst there is a regular program to inspect, we wanted to do better.

We also used this project as an opportunity to improve the data we had on file in relation to geographical location of manholes (GIS). Inspections were completed and information taken, such as the exact GIS coordinates of the manhole in the given street, was then uploaded directly to our systems – improving the quality of information in our asset management systems.

We undertook a process of categorising and prioritising all manholes in our system for inspection by a number of criteria – which included high traffic areas such as malls, public parks and gardens, shopping-centres, sporting venues, footpaths and development zones – where there was a possibility of a high concentration of people that could potentially be exposed to risk if the cover was cracked, damaged or loose under foot.

The age of the manholes was also considered but the main driver was the locality, with regards to public traffic and exposure.

A total of 2,700 manholes were identified as being in high trafficable, high risk areas. Inspections commenced in April this year, with 505 completed at the time of this report. Any remedial works were actioned at the time it was identified.

We also promoted this project to the community, calling for members of the public to notify us if they came across a damaged or cracked sewer manhole. A competition was in place, with the entrants given the chance to win a mini iPad by taking a picture of the manhole and sending it to us. We received 15 entries over the promotion period with all manholes identified as our assets rectified.

# PEOPLE AND DEVELOPMENT

## Building our capability

Our ongoing commitment to invest in developing the knowledge and capability of our people has enabled us to:

- › Develop and implement innovative work practices
- › Meet compliance requirements
- › Continue to reduce our reliance on consultants

Highlights during the year have included:

- › A reconfiguration of our organisational structure to ensure clear accountability for business functions
- › A review of the organisation structure which will ensure greater business efficiency and improved support to our customers and key stakeholders.
- › The successful repatriation of the Revenue Services, Rural Operations, Information Technology and GIS outsourced service functions back into our business.
- › Decrease in turnover from 11 per cent in 2011/12 to seven per cent in 2012/13. 60 per cent of departing employees were taking up roles within the Water Industry.
- › The training of staff in the Australasia Inter-service Incident Management System (AIIMS) to better equip us to respond to incidents.
- › Continuation of workplace behaviour training for all staff to raise awareness and provide training on appropriate ways to work effectively together.

### Additional roles created

As part of the review of outsourced functions included in the Operations and Maintenance services contract, a decision was made to 'repatriate' the Revenue Services, Information Technology and GIS and Rural Operations functions. This created an additional 32 positions within Coliban Water, which were all filled prior to June 30 2013.

## Working at Coliban Water

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

### Employee statistics

Employees	2012/13	2011/12
Full-time	148	121
Part-time	17	16
<b>TOTAL</b>	<b>165</b>	<b>137</b>
Full-time equivalent	164.98	132.7
Casual	5	6
Female	58 (34%)	46 (34%)
Male	112 (66%)	91 (66%)

*Our Corporate Structure can be found on page 36.*

## 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 2012/13.

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 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.

The Committee will continue to work with our people to achieve greater productivity gains next year. There was no time lost due to industrial disputes during the year.

## Employee training and development

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

Professional development activities	2012/13	2011/12
Total training hours	5,598	5,396
Total training investment	\$409,116	\$346,575

We continue to support employees who wish to undertake formal study at undergraduate and postgraduate levels and currently have several staff combining their work with part-time tertiary education, and who wish to participate in professional development opportunities available within the water industry sector.

## Attraction and retention

We have adopted the Victorian Public Sector employment principles of:

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

These principles underpin our human resources policies and practice.

### Employers must ensure that:

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

### Employees must:

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

Together with our business partners, we provide employment for 289 people throughout the region.

## Our business partners

During the year we completed the review of our business model and assessment of service delivery options for all business functions.

The previous long term (10 year) contract arrangement with Campaspe Asset Management Services (CAMS) expired on 30 June 2013. The new Operations and Maintenance Services contract was put to the market in 2012 and awarded to Lend Lease Services Pty Ltd for a term of four years commencing 1 July 2013 with options for extension.

### 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.

### Goldfields Superpipe – Joint Venture

Coliban Water, in partnership with Central Highlands Water (CHW), constructed the Goldfields Superpipe from Colbinabbin – Bendigo – Ballarat in 2007/08. Operation and oversight of the asset is undertaken under a joint venture arrangement with CHW. Veolia Water is contracted to operate the Superpipe on the joint venture's behalf.

# ENVIRONMENTAL PERFORMANCE

We 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.

We use our *Sustainability Strategy* to embed sustainability as part of our contribution to regional development.

Key initiatives for the year:

- › Completion of a study into energy efficiency opportunities
- › Assessment of risk-adjusted value to river health of water discharges from Bendigo, Castlemaine and Kyneton Water Reclamation Plants
- › Consultation on and implementation of strategies for sustainability, catchment, biodiversity and water reclamation plant separation distances.

## Energy efficiency

A detailed, two year study of energy efficiency opportunities was delivered through the Greener Government Buildings Program by the Department of Treasury and Finance.

The study identified significant potential energy savings from optimising the operation of the Goldfields Superpipe. We are working with Central Highlands Water to investigate ways to achieve these savings, given the Superpipe is a relatively new asset without established 'normal' operations between the extremes of drought and flood. We are also investigating opportunities to generate hydro electricity at Lake Eppalock and upgrades to sewer pump stations.

The study presents a compelling business case for investing to achieve efficiency savings, in ways that challenge our thinking on risk and reward. A key initiative for 2013/14 is to further develop and integrate our water and energy strategies.

## Living Victoria Program

We are actively supporting Victorian Government policy on Integrated Water Cycle Management (IWCM), being implemented through the Office of Living Victoria (OLV).

At the project level, we are supporting 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 have also offered to provide data and information to the Inglewood Study Group, as it develops similar options for Inglewood.

We are also contributing to the development of guidelines for economic assessment of such projects, through our participation in the OLV Water Authorities Taskforce.

## River health

During the year, we undertook a major assessment of risk-adjusted values of water discharges from our Bendigo, Castlemaine and Kyneton Water Reclamation Plants.

The assessment confirms that in-stream water quality is variable and dependant on both background conditions and discharge quality. The assessment suggests impacts to river health are not influenced by wet/dry and high/low flow periods at any of the plants. A more adaptive approach will be employed to account for climate variability, without increasing risks to river health or other beneficial users of the waterways in consultation with major stakeholders.

## Biodiversity

We manage approximately 4,585 hectares of land across five bioregions in North Central Victoria. In 2012/13, we updated our register of threatened flora and fauna, which now includes 25 plant and 24 fauna species. Community members continue to help us by surveying and photographing bird species at the Bendigo Water Reclamation Plant, with a total of 111 bird species being sighted so far.

The 'Birds at the Bendigo Water Reclamation Plant' is our most popular set of photos on our Flickr online site with 2,832 views since the photo set was created in November 2011.

We also commenced a project to develop a *Drinking Water Storage and Land Management Plan* for our Upper Coliban storages during the year.



## Land and catchments

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 management and pest control obligations.

During 2012/13, our land and catchment group undertook significant revegetation, weed and rabbit control projects around Malmsbury, Lauriston and Upper Coliban storages. We also undertook weed management programs around Barkers Creek Reservoir, Trentham Reservoir and Taradale Basin. We programmed fuel reduction works to minimise risks to adjacent landowners across our land assets.

In addition to the program works, we undertook a staff planting day to revegetate areas downstream of the Malmsbury Reservoir spillway.

Our Pine Safety Removal project is proceeding after considerable delay due in part to poor weather and contractor availability. We have been steadily moving through the planning

stages and expect to begin the tender process in October 2013, with the appointment of the successful contractor in early December 2013.

The plan is still to remove the pine trees in stages over a three-year period with the stands located within the public recreational areas at Malmsbury and Lauriston Reservoirs our top priority.

We continue to work with landowners, community groups and agency stakeholders to facilitate stronger relationships and help deliver improved land management outcomes. We negotiated with several landowners regarding fencing at our Upper Coliban storages to help protect water quality. We also supported Landcare and community groups, through either attendance at meetings, provision of information to help facilitate on-ground works, or written support for grant funding.

We also reviewed irrigation activities and the status of Growling Grass Frogs at the Bendigo Wastewater Reclamation Plant.

## Environmental compliance

In 2013 the EPA 'amalgamated' our Corporate Licence to allow for changes to EPA business processes. However, the amalgamation did not change the intent of any licence requirements.

Heavy rainfall has made it difficult to manage treated water storage volumes. Under section 30A of the *Environmental Protection Act 1970*, EPA Victoria approved three emergency discharges, at Kyneton, Heathcote and Pyramid Hill Water Reclamation Plants. We will conduct investigations and project works during next Water Plan period (2013–2018), to minimise the likelihood of emergency discharges.

We received Pollution Abatement Notices (PANs) for Rochester and Cohuna Water Reclamation Plants. The Rochester PANs were served to manage eroded embankments and biosolids.

The Cohuna PAN was served to investigate the impact of groundwater seepage and embankment integrity. We are undertaking works to comply with the requirements of each PAN.

We also received a PAN in relation to a sewer pipe burst at Echuca. We met the requirements of this PAN through works to repair the pipe and reinstate an eroded embankment, completed in December 2012.

We have reported 40 environmentally significant spills to the EPA over the past year. One was the result of excavation work by third parties. 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.

Our Annual Performance Statement for 2012/13 will state non-conformances to three requirements:

Requirement	Location	Date	Description
LI_A1	Bendigo WRP	28.04.2013	Odour beyond premises from biofilters
LI_DW2	Bendigo WRP	30.06.2013	Total annual volume discharged by Bendigo WRP
LI_G1	Bendigo WRP	07.12.2012	Off-site discharge of Class C irrigation water
LI_A1	Bendigo WRP	17.01.2013	Odour beyond premises due to brine water transportation
LI_G1	Bendigo WRP	11.03.2013	Off-site discharge of Class C irrigation water to Bendigo Creek
LI_G1	Cohuna WRP	01.07.2012	Continued discharge to groundwater – ongoing
LI_G1	Pyramid Hill WRP	01.07.2012	Continued discharge to groundwater – ongoing

WRP – Water Reclamation Plant

# ENVIRONMENTAL PERFORMANCE

## Energy use and greenhouse gas emissions

We emit three 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; and
- › Indirect ('scope 3') emissions from our transport and other energy-consuming activities.

For the year, our emissions were as follows:

Total tonnes CO <sub>2</sub> equivalent					
	2012/13	2011/12	2010/11	2009/10	2008/09
Sewerage treatment and supply	20,148	20,985	21,420.7	18,872	19,718
Water treatment and supply	6,779	10,480	9,626.6	30,822	28,406
Depots and offices	797	623	641.2	548	550
Transport	1,046	1,034	985.7	1,045	1,230
<b>TOTAL</b>	<b>28,770</b>	<b>33,122</b>	<b>32,674.2</b>	<b>51,287</b>	<b>49,905</b>

Our business activities generated approximately 28,770 tonnes of Co<sub>2</sub> equivalent emissions relating to our electricity and vehicle usage.

This continues the post-drought trend of lower emissions primarily due to reduced energy consumption for purposes of water treatment and supply.

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.

## Corporate water consumption

At our Bendigo head office, we consumed 9.7 litres per day per Full-Time Equivalent (FTE) staff member working, or 179L/m<sup>2</sup> in terms of floor area.

The decrease in litres per day from last year's figure of 21.5 litres per FTE, can be largely attributed to a substantial water leak detected at the Bendigo office this year. This leak has been rectified.

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.

In addition to the Greener Office Program, key performance indicators have been developed for paper consumption and electricity usage as part of the Enterprise Agreement. As a result, paper usage costs have reduced by 55 per cent over the year, and office energy use is exceeding targets.

Head office water consumption	2012/13	2011/12	2010/11
Total water consumption (litres)	668,000	1,127,000	693,000
Full-time equivalent (FTE) staff	165	143	142
Volume per FTE (litres)	4,048	7,881	4,880

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

# GOVERNANCE AND RISK

We understand the obligations that we have as a public sector organisation and have structures in place that promote and instil a culture of openness, transparency and good governance. Above all else we aim to have an environment which ensures that the safety and wellbeing of our staff and our communities remains our number one priority. During the year the Board and Executive Management Team adopted the following theme for safety and wellbeing at Coliban Water – *Tomorrow, your reward for working safely today.*

## Board responsibilities

Our Board comprises seven non-executive directors (including the Chairman) and also the Managing Director. Non-executive directors are appointed by the Victorian Minister for Water.

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

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

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 October 2012, Linda Veronese was appointed to the Board. At this time we also farewelled Director Noel Harvey.

## Board Directors as at 30 June 2012

### Andrew Cairns

#### Chairman

BEng (Electrical), AFAM, MAICD.

Appointed as Chairman on 1 October 2011, Mr Cairns has been with the Board since 2007. He has extensive experience in a variety of industries including manufacturing, pay television and telecommunications.

He has worked both nationally and internationally the past few years, applying that experience to steering start-up organisations to success, including Bendigo Community Telco as the initial Chief Executive Officer.

The success of Bendigo Community Telco has now resulted in the Community Telco project being rolled out to regional communities across Australia. Mr Cairns is now the Head of Customer Led Connections at the Bendigo & Adelaide Bank.

His current directorships include Bendigo Community Telco, Community Telco Australia, Community Solutions Australia, Loddon Mallee Housing Services, The Bendigo Affordable Housing Company, Strategic Payment Solutions and VicWest Community Telco.

### David Beard

#### Deputy Chairman

MAICD, FIEAust, CP Eng., MBus.

Appointed to the Board in October 2005, Mr Beard is currently Group General Manager for Veolia Environmental Services Tasmania and New Zealand and has over 20 years experience in engineering, transport and business.

Mr Beard holds a Bachelor of Engineering, qualification in Water Engineering, Masters of Business and is a Fellow of the Institution of Engineers and Member of ACID.

He has previously worked in local Government as Infrastructure Director for both Murrindindi and Bendigo Councils and has served on the MAV's Transport Advisory Committee, Goulburn Valley and Calder Regional Waste Management Groups, Calder Highway Improvement Committee, the Institute of Engineers Australia and the Victorian Waste Management Association.

Mr Beard current directorships include the Tasmanian Transport Association and Onyx Group Limited New Zealand.

# GOVERNANCE AND RISK

## Jeff Rigby

### Managing Director

BEng (Civil), MEngSc, MBA, CP Eng, MIEAust, GAICD, ACIS

Appointed by the Board and commenced at Coliban Water in December 2011. Mr Rigby has 29 years of experience in the water industry, including 13 years in executive management roles. He was previously the Managing Director of Grampians Wimmera Mallee Water from 2007 until joining Coliban Water in 2011.

Mr Rigby is currently the Chairman and a member of the Loddon Mallee Regional Council for Adult, Community and Further Education (ACFE), and he has previously been a member and Chairman of the Board of two regionally-based, not-for profit disability service organisations (between 1999 and 2009) and the Grampians Regional Council for ACFE (from 2009 to 2011).

## Andrew Skewes

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

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

He is a Non-Executive Director of the Queensland Cyber Infrastructure Foundation and the Principal of Canvass Consulting.

## Russell A Walker

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.

He is President of Guide Dogs Victoria, Board member of Royal Guide Dogs Association of 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.

## Vicki (Jean) Sutherland

FCPA, MAICD, Cert Business Studies (Acc)

Appointed to the Board on 1 October 2011, Ms Sutherland is self-employed, operating a small business consulting practice in Cohuna (2000-current) and was previously a Director of the accounting firm May Partners Pty Ltd (1985-2000).

She is a member of CPA, a fellow of the Australian Institute of Company Directors and member of the Cohuna Progress Association and is a former Board member of Goulburn-Murray Water (2001-2007), North Central Catchment Management Authority (2003-2009) and Ambulance Victoria (2008-2009).

## Rodney Thomson

BEng (Mech), Grad Dip Bus. Admin.

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

He has been a Director of Bendigo Business Council, The Bendigo Trust and Chair of Goldfields Tourism Inc.

## 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.

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

She is a member of CPA, certified member of the Institute of Internal Audit (CMIIA) and a member of the Bendigo Regional Committee of the AICD.

## Committees of the Board

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

### Audit committee

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

- › reviewing and approving internal audit programs
- › providing advice to the Board on the adequacy and effectiveness of our administrative, operating and accounting policies and controls

Members of the Committee as at June 2013 are Russell Walker (Chair), Andrew Skewes and Jean Sutherland. The Committee met five times during 2012/13.

### Sustainability committee

The Sustainability Committee responsibilities include:

- › providing strategic guidance on sustainability issues that have high-level business and reputational implications for Coliban Water
- › review the implementation of the *Sustainability Strategy*, *Biodiversity Strategy* and other related strategies
- › monitor management reporting of performance in relation to these strategies.

Members of the Sustainability Committee as at June 2013 are David Beard (Chair), Rodney Thomson and Jean Sutherland. Andrew Cairns is an ex-officio member. The Committee met four times during 2012/13.

### Remuneration committee

The Remuneration Committee is responsible for:

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

All Non-Executive Board Directors are Members of the Committee. The Board Chair, Andrew Cairns, is also the Chair of the Remuneration Committee. The Committee met four times during 2012/13.

### Special Projects Committee

The Special Projects Committee is responsible for:

- › strengthening the Board's governance of Coliban Water's key projects
- › ensuring key projects are fully scoped, properly planned, well delivered and realise the intended benefits

Member of the Special Projects Committee as at June 2013 are Andrew Skewes (Chair), Linda Veronese and Rodney Thomson. Andrew Cairns is an ex-officio member. The Committee was formally established in November 2012 and met twice during 2012/13.

## Board and Committee Meetings

Director	Board of Directors		Audit Committee		Sustainability Committee		Remuneration Committee		Special Projects	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Noel Harvey*	3	3	1	0	1	1				
David Beard	14	11			4	4	4	4		
Andrew Cairns	14	13					4	4		
Andrew Skewes	14	12	5	4			4	4	2	2
Russell Walker	14	14	5	5			4	4		
Jean Sutherland	14	14	5	5	3	3				
Rod Thomson	14	14			4	4			2	2
Linda Veronese	11	10							2	2
Jeff Rigby**	13	12								

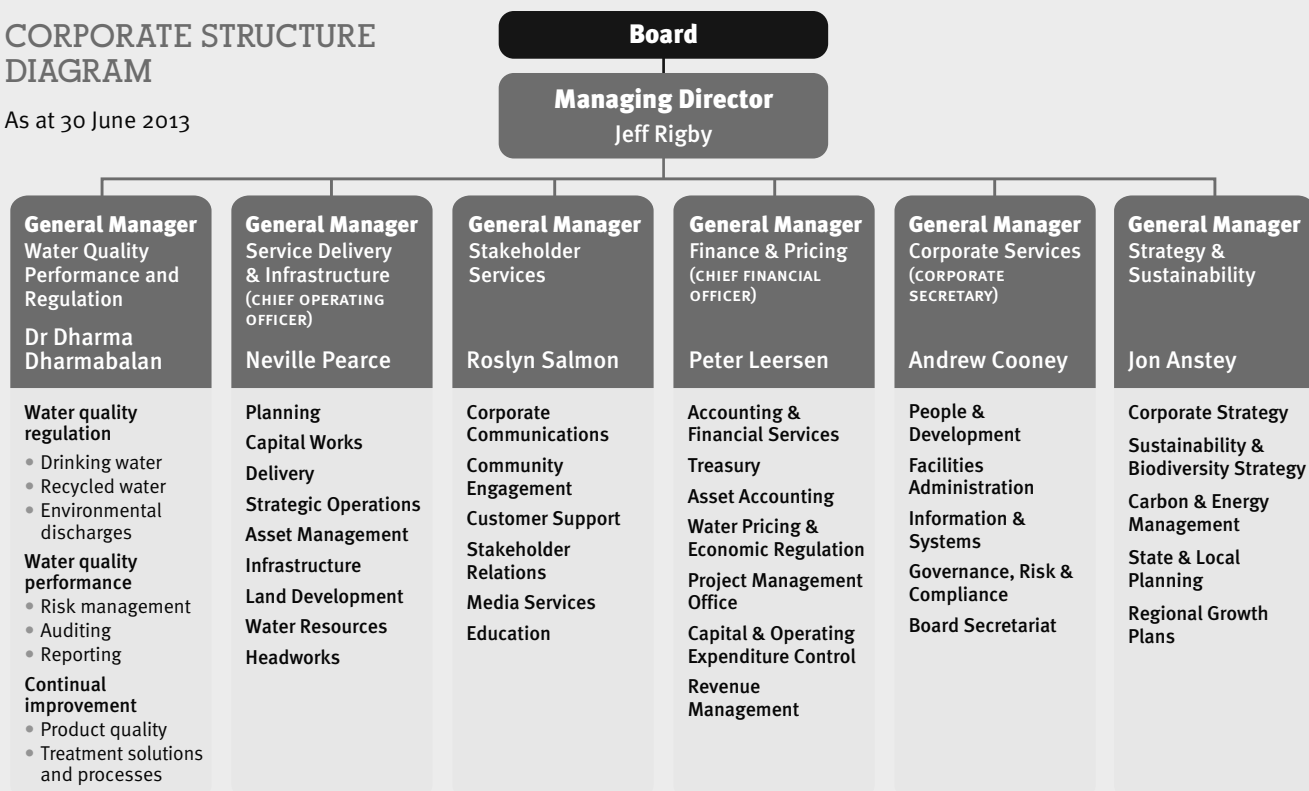
\* Noel Harvey's term expired at 30 September 2012

\*\* The Board met once to consider the Managing Director's annual performance objectives. Jeff Rigby was ineligible to attend this.

# GOVERNANCE AND RISK

## CORPORATE STRUCTURE DIAGRAM

As at 30 June 2013



## Risk management statement

I, Andrew Cairns certify that Coliban Water has risk management processes in place consistent with the International Risk Management Standard 31000:2009 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: 16 August 2013

## Our Emergency Management System

We have continued to develop a greater level of emergency management maturity with continual training of staff in the Australasian Inter-service Incident Management System (AIIMS) as part of our Emergency Management System.

The AIIMS structure is used by all Victorian emergency agencies, providing a common framework for managing all types of hazards. At a local level we actively participate in the nine municipal council meetings across our region to build community resilience in the event of an emergency, through discussing and addressing vulnerabilities and 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, established in 2001 by the Attorney Generals department in Canberra.

Testing our policies, procedures and training of staff is important to validate our preparedness. We have in the past 12 months tested some of our business continuity plans, with a functional exercise that disabled our customer support database and our financial management systems. The exercise was attended by various external stakeholders including the then Department Sustainability and Environment, City of Greater Bendigo and Victoria Police.

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

Planning for 2013/14 exercise commenced in June and will be focused on our businesses preparedness to a Code Red day.

## 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 committee

As part of our OH&S objectives and targets, we held four OH&S committee meetings and 30 Toolbox meetings within our six 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 June 2013 NCS International conducted an onsite assessment of some of our management systems.

We are pleased no major 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 are:

- › 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
- › All role specific training and annual re-training completed by all staff

### OH&S performance measurement and reporting

	2012/13	2011/12	2010/11	2009/10	2008/09
Incidents reported to Coliban Water <sup>(1)</sup>	29	29	43	49	30
Worksafe reportable incidents <sup>(1)</sup>	0	0	5	1	2
Workers compensation claims <sup>(2)</sup>	2	1	1	0	0
Injuries resulting in days lost <sup>(2)</sup>	1	1	2	2	1
Lost time due to injuries (days) <sup>(2)</sup>	30	137	75	5	3
Lost time injury frequency rate <sup>(3)</sup>	4.9	4.8	12.93	13.29	7.71
Average lost time rate <sup>(4)</sup>	9.39	103	37.5	2.5	3

*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

### 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, emergency management system and workstation set-up
- › Employer funded immunisations (whooping cough, influenza and Hepatitis B) for staff identified at risk
- › 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, healthy eating and fitness seminars
- › Provided WorkSafe Health Checks
- › Participated in Bendigo's Biggest Winner (weight loss competition run by St John of God Hospital)
- › Provided role specific training and assessments
- › Provided information sessions from our Employee Assistance Program (EAP)
- › Provided audiometry testing for all staff
- › Provided eye testing for all staff

### OH&S Culture

As part of our commitment to the safety and wellbeing for our staff, we continue to examine the way we do business and identify opportunities that ensure we minimise the risk of harm. We again achieved positive results in the annual audit of our safety culture, which saw an improvement in the results that were achieved in 2011/12.

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.

## 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 \$25.70.

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

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

During 2012/13 we received three FOI applications which were all 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. During 2012/13, following an extensive tender process, we awarded a contract for the Operations and Maintenance Services associated with our business.

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 gain no unfair competitive advantage over the private sector.

## Performance Benchmarking

We participate in annual performance benchmarking studies through:

- › National Water Commission – National Performance Framework
- › Essential Services Commission – Service standards auditing and reporting
- › Department of 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 we can improve our performance.

## Membership of Industry Associations

Our industry and business association memberships help enhance our organisational capability through benchmarking, networking and training. Involvement in these industry groups also allows us to participate in the review and development of industry codes of practice. We are 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)
- › Institute of Public Administration Australia (IPAA).

## 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.

## Whistleblowers Protection Act 2001

During the year no disclosures were made under the Act. The *Protected Disclosure Act 2012* has replaced the *Whistleblowers Protection Act 2001*. The new legislation implements changes to the way disclosures about improper conduct are reported and handled.



## Protected Disclosure Act 2012

The purposes of the *Protected Disclosure Act 2012* are to encourage and facilitate the making of disclosures of:

1. Improper conduct by public officer and public bodies and other persons; and
2. Detrimental action taken in reprisal for a person making a disclosure under the Act.

The Act provides protection to persons who make disclosures and person who may suffer detrimental action in reprisal for those disclosures. The Act also provides for the confidentiality of disclosures and the identity of people that make disclosures.

Coliban Water is not able to receive disclosures under section 13 of the Act. However, the Act requires Coliban Water 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.

Since the Act came into effect in February 2013, Coliban Water has not received any complaints or disclosures considered to be Protected Disclosures in accordance with the Act.

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

**Andrew Cooney**

**Corporate Secretary – Coliban Water**

PO Box 2770 Bendigo VIC 3554

Phone: 1300 363 200

Website: [www.coliban.com.au](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

During 2012/13 we engaged 43 consultants with a value over \$10,000. The total cost, excluding GST, incurred during this period for major capital consultancies was \$2,522,900 and major operational consultancies was \$2,140,100.

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					
<b>Capital</b>						
Acquis	Harcourt Rural System Reconfiguration	1/07/2012	30/06/2013	52.4	52.4	–
Australian Dams & Water Consultants Pty Ltd	Expert advice in completing dams portfolio risk review	1/07/2012	30/06/2013	28.2	28.2	–
Beca Pty Ltd	Planning and design of Coliban Water's capital works program	1/07/2012	19/04/2015	1,841.5	1,033.6	421.2
CommServ Pty Ltd	Harcourt Rural System Reconfiguration	1/07/2012	30/06/2013	16.9	16.9	–
Country Wide Valuers	Harcourt Rural System Reconfiguration	1/07/2012	30/06/2013	118.1	118.1	–
EPM Partners Pty Ltd	Technical software development support	1/07/2012	30/06/2013	11.0	11.0	–
EPS Consultants	Harcourt Rural System Reconfiguration	1/07/2012	30/06/2013	14.1	14.1	–
ESRI Australia Pty Ltd	Support in upgrading GIS functionality	1/07/2012	30/06/2013	39.4	39.4	–
Geoff Michell	Harcourt Rural System Reconfiguration	1/07/2012	30/06/2013	14.0	14.0	–
GHD Pty Ltd	Expert advice in completing dams portfolio risk review	1/07/2012	30/06/2013	379.1	379.1	–
Glen Hobbs & Associates	Expert advice in completing dams portfolio risk review	1/07/2012	30/06/2013	46.6	46.6	–
Infor Global Solutions (ANZ) Pty Ltd	Technical support in upgrading Hansen asset management functionality	1/07/2012	30/06/2013	25.9	25.9	–
Kellogg Brown & Root Pty Ltd	Echuca and Cohuna Water Treatment Plant improvements	1/07/2012	30/06/2013	90.4	90.4	–
Obviate Pty Ltd	Development of the SCADA data management plan	1/07/2012	30/06/2013	20.0	20.0	–
Parasyn Controls Pty Ltd	Development of the SCADA data management plan	1/07/2012	30/06/2013	13.0	13.0	–
RMCG Consulting Group	Harcourt Rural System Reconfiguration	1/07/2012	30/06/2013	107.4	107.4	–
Rural Finance	Harcourt Rural System Reconfiguration	1/07/2012	30/06/2013	40.0	40.0	–
Sinclair Knight Merz	Rural system reconfiguration and dams portfolio risk review	1/07/2012	30/06/2013	241.1	241.1	–
Spatial Vision Innovations Pty Ltd	Support in upgrading GIS functionality	1/07/2012	30/06/2013	37.0	37.0	–
Spiire	Design and project management of the Echuca West land development	15/09/2011	31/12/2013	272.5	58.7	96.8
Taylor Development Strategists	Harcourt Rural System Reconfiguration	1/07/2012	30/06/2013	20.6	20.6	–
Technology One Ltd	Technical support in implementing supply chain module	1/07/2012	30/06/2013	40.0	40.0	–
Terraco Pty Ltd	Survey and engineering design for Markovich Lane backlog sewerage	1/07/2012	30/06/2013	14.6	14.6	–
UMT Consulting Group	Technical software development support	1/07/2012	30/06/2013	25.9	25.9	–
UNSW Global Pty Ltd	Expert advice in completing dams portfolio risk review	1/07/2012	30/06/2013	34.9	34.9	–
				3,544.6	2,522.9	518.0

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					
Operational						
Beadle Engineering Documentation	Development of a SCADA user manual	1/07/2012	30/06/2013	33.1	33.1	–
Beca Pty Ltd	Assistance in developing operational and maintenance plans	1/07/2012	15/01/2016	708.2	669.6	38.6
Biosis Research Pty Ltd	Habitat assessment for Bendigo Water Reclamation Plant	1/07/2012	30/06/2013	18.1	18.1	–
Ch2M Hill Australia Pty Ltd	Professional services provided for assessing key performance obligations and regulatory compliance requirements	1/07/2012	30/06/2013	10.0	10.0	–
DJ O'Brien & Associates	Technical support in completing Business Model Review and transition of repatriated functions into Coliban Water	1/07/2012	30/06/2013	120.8	120.8	–
Environmental Systems & Service Pty Ltd	Seismic monitoring and notification	1/07/2012	30/06/2013	13.8	13.8	–
GHD Pty Ltd	Dam safety inspections	1/07/2012	30/06/2013	124.3	124.3	–
Honeywell Limited	Development of the detailed facility study for the Greener Government Buildings Program	1/07/2012	30/06/2013	262.9	262.9	–
Infor Global Solutions (ANZ) Pty Ltd	Support for the Hansen asset management system	1/07/2012	30/06/2013	20.9	20.9	–
KPMG Australia	Completing the water quality audit in line with regulatory obligation	1/07/2012	30/06/2013	24.0	24.0	–
Leading Teams Australia Pty Ltd	Ongoing performance improvement program	1/07/2012	30/06/2013	50.7	50.7	–
Mercer Consulting (Australia) Pty Ltd	Independent work value, classification and remuneration benchmarking for employee contracts	1/07/2012	30/06/2013	31.5	31.5	–
Metis Advisory Pty Ltd	Technical support in completing Business Model Review	1/07/2012	30/06/2013	170.6	170.6	–
Net Balance Management Group Pty Ltd	Environmental verification of the Castlemaine Reclamation Plant	1/07/2012	30/06/2013	18.0	18.0	–
Oakley Greenwood Pty Ltd	Detailed modelling required for Water Supply Demand Strategy	1/07/2012	30/06/2013	24.3	24.3	–
Parsons Brinckerhoff Aust. Pty Ltd	Pump station vibration investigation	1/07/2012	30/06/2013	59.0	59.0	–
PBJ & Associates	Technical support in completing Business Model Review	1/07/2012	30/06/2013	390.4	390.4	–
Plato Group	Operations and management tender assistance	1/07/2012	30/06/2013	22.2	22.2	–
Strategic Economics Consulting Group	Internal Expenditure Review	1/07/2012	30/06/2013	56.4	56.4	–
Thinking Windows Pty Ltd	Technical support in upgrading Aquarate functionality to implement tariff reform	1/07/2012	30/06/2013	19.5	19.5	–
				2,178.7	2,140.1	38.6

## Minor consultancies

During the year there were 66 minor consultancies at a cost of less than \$10,000 each. The total cost of these minor consultancies was \$467,224 (excluding GST).

## Disclosure of major contracts

One major contract greater than \$10 million was entered into during the year ending 30 June 2013. This contract related to Operational and Maintenance Services for our treatment plants and networks until 2017.

## 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).

## Completed projects

Three projects with VIPP commitments were completed during the year.

Contract details	Value of contract (\$)	Project completion	Full Time Equivalent (FTE) jobs achieved			FTE apprenticeships/ traineeships achieved			Local content achieved (%)
			Existing jobs retained	New jobs created	TOTAL	Existing (retained)	New (created)	TOTAL	
Construction of Bendigo to Raywood Pipeline	\$2,152,976	26/10/2012	5	1	6	1	0	1	100%
Design and construction of standby power generators at four AQUA Plants	\$2,634,649	30/06/2013	VIPP Provisions were not followed for this contract. The contract was awarded to a Victorian company and the prices were significantly cheaper with the preferred tender. The VIPP evaluation would not have changed the tender decision.						
Design and construction of Chemical System Upgrade Project	\$9,479,769	Contractor ceased and new contractor appointed.	VIPP plan has been developed by the new contractors (refer to new projects).						

## New projects

Five projects with VIPP commitments commenced during the year. One project is still in the process of awarding a contract.

Contract details	Value of contract (\$)	Project completion	Full Time Equivalent (FTE) jobs achieved			FTE apprenticeships/ traineeships achieved			Local content achieved (%)
			Existing jobs retained	New jobs created	TOTAL	Existing (retained)	New (created)	TOTAL	
Operations and Maintenance Services Contract	Value not publically disclosed	30/06/2017	Low contestability meant that no VIPP Plans were required. Instead, a local content percentage was requested from bidders.						
Design and construction of Chemical System Upgrade Project – Elmore, Korong Vale, Boort and Trentham Water Treatment Plants	\$2,245,433	25/07/2013	22	0	22	2	0	2	85%
Design and construction of Chemical System Upgrade Project – Lockington, Pyramid Hill and Heathcote Water Treatment Plants	\$2,393,175	25/10/2013							
Rochester Membrane Biological Reactor	\$9,093,895	23/06/2014	The original contract was initiated in 2004. We have been notified by the Industry Capability Network (ICN) that a retrospective VIPP Plan is required and it is currently being completed by the contractor.						

# PERFORMANCE REPORT

FOR THE YEAR ENDED 30 JUNE 2013

## Financial Performance Indicators

Financial Performance Indicator		2011/12 Result	2012/13 Result	2012/13 Target	Variance Target %
F1	<b>Internal Financing Ratio</b> (Net operating cash flow – dividends)/Capital expenditure	6.3%	10.6%	6.5%	64.6%
F2	<b>Gearing Ratio</b> Total debt (including finance leases)/total assets	29.7%	31.9%	32.8%	2.9%
F3	<b>Interest Cover (EBIT)</b> Earnings before net interest and tax expense/net interest cover	0.30	0.33	0.29	14.1%
F4	<b>Interest Cover (Cash)</b> Cash flow from operations before net interest and tax payments/net interest payments	1.10	1.13	1.15	(2.1%)

*Note: The underlying data to support the indicators for the 2011/12 Result now reflects the changed data in the notes to the 2012/13 Financial Statements.*

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

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

**Variance Actual Result 2012/13 to Actual Result 2011/12 and that budgeted as disclosed in the Corporate Plan 2012/13:**

Operating cash flows remained positive this financial year with the result being \$0.5 million more than budgeted due to improved debt collection processes being implemented and increased water consumption following the dry summer period. Capital expenditure was \$13.5 million higher than last year but \$12.8 million less than budgeted due to the re-phasing of the capital delivery program.

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

**Variance Actual Result 2012/13 to Actual Result 2011/12 and that budgeted as disclosed in the Corporate Plan 2012/13:**

The slight decrease in the gearing ratio to that budgeted is a result of total debt for the financial year being less than budgeted due to re-phrasing the capital delivery program. This increase in the actual ratio compared to that achieved last year is due to the majority of new assets being debt funded for the financial year.

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

**Variance Actual Result 2012/13 to Actual Result 2011/12 and that budgeted as disclosed in the Corporate Plan 2012/13:**

Compared to last year our actual earnings before net interest and taxes continued to improve by \$1.4 million as water consumption increased from 165 kilolitres to 194 kilolitres per property. The actual total earnings before net interest and taxes was higher than the budget as a result of the increased water consumption following the dry summer. The indicator continues to disclose a favourable trend.

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

**Variance Actual Result 2012/13 to Actual Result 2011/12 and that budgeted as disclosed in the Corporate Plan 2012/13:**

Our actual interest cover (cash) continues to improve on what was achieved in 2011/12. The net increase in operating cash flow was a result of higher than expected water consumption, improvements in debt collection processes and less interest payments for capital due to the re-phasing of the capital delivery program. Compared to that budgeted, our interest cover (cash) is slightly below that planned. The indicator discloses a favourable trend.

## Service and Environmental Performance Indicators

Service and Environmental Performance Indicators Performance measures are to be provided as per Essential Services Commission definitions		2011/12 Result	2012/13 Result	2012/13 Target	Variance Target %
<b>S1</b>	<b>Water Supply Interruptions</b>				
S1.1	Number of customers receiving five unplanned interruptions in a year	1	8	5	(60.0%)
<b>S2</b>	<b>Interruption Time Indicators</b>				
S2.1	Average duration of unplanned water supply interruptions (minutes)	105.0	113.9	90.0	(26.6%)
<b>S3</b>	<b>Restoration of Water Supply</b>				
S3.1	Unplanned water supply interruptions restored within five hours	99.2%	97.5%	98.0%	(0.5%)
<b>S4</b>	<b>Reliability of Sewer Collection Services</b>				
S4.1	Number of sewer spill from reticulation and branch sewers (priority one and two)	452.0	641.0	n/a	n/a
<b>S5</b>	<b>Containment of Sewer Spillages</b>				
S5.1	Sewer spills contained within five hours (per cent)	100.0%	99.5%	99.0%	0.5%
<b>S6</b>	<b>Customer Complaints Indicators</b>				
S6.1	Water quality complaints per 1,000 customers	5.3	3.0	n/a	n/a
S6.2	Sewer service quality and reliability complaints per 1,000 customers	0.0	0.0	n/a	n/a
S6.3	Billing complaints per 1,000 customers	0.2	0.1	n/a	n/a
S6.4	Sewerage odour complaints per 1,000 customers	1.7	2.2	n/a	n/a
<b>E1</b>	<b>Reuse Indicators</b>				
E1.1	Effluent reuse (volume)	43.0%	40.8%	73.0%	(44.1%)
E1.2	Biosolids reuse (dry mass)	100.0%	100.0%	100.0%	0.0%
<b>E2</b>	<b>Sewerage Treatment Standards</b>				
E2.1	Number of analyses complying with licence agreement as per cent of samples	100.0%	100.0%	100.0%	0.0%

### Notes

Where an n/a appears it means no targets have been set for the performance indicators. Business targets are in place but use different parameters for example sewer blockages per 100 kilometres of pipeline.

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

- |   |  |
|---|--|
| <p><b>S1.1</b> Number of customers receiving five unplanned interruptions has increased due to repeated bursts on certain mains in Bendigo, Castlemaine and Dunolly. The increase rate of failure of these mains is attributed to the increased water volume in the current period following a long period of drought when there was low water volumes.</p> <p><b>S2.1</b> The increase in average duration of unplanned water supply interruptions compared to the established target was due to premature failure of certain mains which proved difficult to repair in a timely manner. The increase rate of failure of these mains is attributed to the increased water volume following a long period of drought when there was low water volumes.</p> <p><b>S4.1</b> The number of sewer spills from reticulation and branch sewers increased substantially from last year due to an increased number of incidents following wet weather events. We remain committed to delivering the 'Stop the Block' capital works program to reduce these occurrences.</p> | <p><b>S6.1</b> The number of water quality complaints per 1,000 customers last year was adversely impacted by minor floods in the Campaspe and Murray supply systems.</p> <p><b>S6.3</b> The number of billing complaints per 1,000 customers has decreased due to our prices only increasing by CPI for 2012/13.</p> <p><b>S6.4</b> The number of sewerage odour complaints per 1,000 customers increased in 2012/13 due to process equipment operating issues at the Bendigo Water Reclamation Plant and at the McKenzie Hill sewer pump station in Castlemaine.</p> <p><b>E1.1</b> The percentage of effluent reused was in line with previous years, but less than the target which was initially set in 2008. This lower than expected volume has been a medium term trend and is due to greater availability of treated urban water supply (limiting the demand for recycled water).</p> |
|---|--|

## DIRECTOR'S CERTIFICATION

In our opinion the accompanying Performance Report of Coliban Region Water Corporation in respect of the year ended 30 June 2013, is presented fairly in accordance with the *Financial Management Act 1994*.

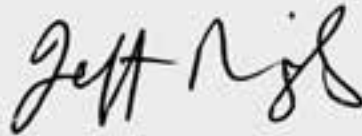
The Report comprises the performance indicators determined by the responsible Minister. We have reported our actual results achieved against pre-determined performance targets and an explanation of any significant variance between the actual results and targets.

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

Signed at Bendigo on the 16th day of August, 2013 on behalf of the Board.



**Andrew Cairns**  
Chairman  
Coliban Region Water Corporation



**Jeff Rigby**  
Managing Director  
Coliban Region Water Corporation

## INDEPENDENT AUDITOR'S REPORT

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

#### *The Performance Report*

The accompanying performance report for the year ended 30 June 2013 of the 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.

#### *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 2013 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 2013 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 this report. 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 2013

  
John Doyle  
Auditor-General

# DISCLOSURE INDEX

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## Further information about Operations and Performance

Information about our operations and performance is available in the following sources; *Water Plan 2013–2018*, previous Annual Reports, the Customer Charter, and our website at [www.coliban.com.au](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 22D 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 result	Plan 2012/13 (\$'000)	Actual 2012/13 (\$'000)	Actual 2011/12 (\$'000)	Actual 2010/11 (\$'000)	Actual 2009/10 (\$'000)	Actual 2008/09 (\$'000)
<b>Revenue</b>						
Service charges	51,214	49,362	46,897	42,746	37,741	34,138
Usage charges	33,797	36,183	34,056	25,875	21,377	16,862
Developer contributions & capital works	10,669	11,367	9,847	6,603	3,705	5,648
Other	1,300	1,440	2,519	856	959	989
Interest	54	63	54	26	30	135
<b>Total Revenue</b>	<b>97,035</b>	<b>98,415</b>	<b>93,373</b>	<b>76,106</b>	<b>63,812</b>	<b>57,772</b>
<b>Expenses</b>						
Operations	39,274	43,146	38,854	33,613	35,375	35,037
Administration	12,053	10,382	11,593	11,540	10,771	8,353
Direct depreciation	34,677	33,293	32,697	26,241	23,073	22,718
Finance charges	31,252	29,107	27,082	24,469	21,042	18,930
Environmental contribution	2,031	2,031	2,031	2,031	2,031	2,031
<b>Total Expenditure</b>	<b>119,287</b>	<b>117,959</b>	<b>112,257</b>	<b>97,894</b>	<b>92,292</b>	<b>87,069</b>
<b>Net Result (deficit) before tax and other economic flows</b>	<b>(22,252)</b>	<b>(19,544)</b>	<b>(18,884)</b>	<b>(21,788)</b>	<b>(28,480)</b>	<b>(29,297)</b>
<b>Total comprehensive result (deficit) for the year</b>	<b>(15,577)</b>	<b>(13,686)</b>	<b>(13,126)</b>	<b>(16,922)</b>	<b>(20,683)</b>	<b>(20,655)</b>
<b>Assets</b>						
Total current assets	20,073	25,847	23,247	21,537	15,840	14,583
Total non-current assets	1,325,215	1,320,344	1,307,724	1,285,653	1,026,660	1,011,457
<b>Total Assets</b>	<b>1,345,289</b>	<b>1,346,191</b>	<b>1,330,971</b>	<b>1,307,190</b>	<b>1,042,500</b>	<b>1,026,040</b>
<b>Liabilities</b>						
Total current liabilities	19,224	21,691	20,380	26,460	40,407	74,710
Total non-current liabilities	494,748	473,792	446,197	408,375	293,716	222,270
<b>Total Liabilities</b>	<b>513,972</b>	<b>495,483</b>	<b>466,577</b>	<b>434,835</b>	<b>334,123</b>	<b>296,980</b>
<b>Total Net Assets</b>	<b>831,317</b>	<b>850,708</b>	<b>864,394</b>	<b>872,355</b>	<b>708,377</b>	<b>729,060</b>
Net cash flows from operations	3,421	3,700	2,721	2,466	(3,728)	(7,307)
Payments for property, plant and equipment	(52,972)	(34,807)	(43,441)	(37,555)	(32,999)	(73,789)

Performance Indicator	Plan 2012/13	Actual 2012/13	Actual 2011/12	Actual 2010/11	Actual 2009/10	Actual 2008/09
Internal financing ratio	6.5%	10.6%	6.3%	6.6%	(11.3%)	(9.9%)
Gearing ratio	32.8%	31.9%	29.7%	27.2%	30.5%	27.1%
Interest cover (EBIT)	0.3	0.3	0.3	0.1	(0.4)	(0.6)
Interest cover (Cash)	1.2	1.1	1.1	1.1	0.7	0.3
Return on assets	0.7%	0.7%	0.6%	0.2%	(0.7%)	(1.0%)
Return on equity	(2.6%)	(2.3%)	(4.4%)	(2.8%)	(4.0%)	(4.0%)

## Major changes or factors affecting performance

Our financial performance continued to improve this year as Management implemented the final actions in the Board's financial viability strategy. The water resource outlook for 2013/14 continues to be positive with large storage volumes available and maximum bulk water allocations from Goulburn-Murray Water (G-MW). This improved position has enabled us to continue to ease water restrictions with all towns now on Permanent Water Saving Rules.

Water consumption was 194 kilolitres per household for the year. Even though our performance to *Corporate Plan* has been impacted by an increase in water usage revenue, there has been a decrease in the service charges due to the relinquishments of water licenses in the Harcourt rural region during the year.

Rural revenue overall decreased also due to the modernising of the Harcourt rural system and the relinquishment of rural licences by some customers. During 2013/14, we will re-engage customers on other rural systems and respond to a range of concerns expressed on the pricing for rural services, water quality and water delivery reliability. During next year, we will develop a tariff structure for the non-modernised rural systems, in consultation with rural customers, and present a revised tariff proposal to the ESC for approval and covering the four years beyond next year.

Increases in service and usage charges were still the primary reason for revenue growth compared to previous years and were in line with the ESC price determination. Water usage increased \$2.1 million as water consumption per household increased from 165 kilolitres to 194 kilolitres per household in 2012/13. The year ended with Permanent Water Savings Rules in place across the region as the pipeline to Raywood and Sebastian was completed.

Developer contributions and gifted assets continued to increase from previous years (\$1.5 million or 15.4 per cent) due to the amount of development occurring in the regions of Bendigo and Echuca. As the new Hospital is built we anticipate that there will be an increase in future developments from 2013/14 onwards.

Total expenditure has decreased \$1.3 million or 1.1 per cent compared to *Corporate Plan*.

Total operational expenditure increased \$3.8 million to *Corporate Plan* as we completed the review of our business model, and this will enable us to further strengthen our operational expenditure efficiency. This review has led us to implementing revised arrangements in terms of strategic partnering for the performance of operations and maintenance activities. Throughout the process, this review has also given us significant industry and market intelligence on the business value of our operational expenditure.

Administration costs decreased \$1.7 million or 13.9 per cent to *Corporate Plan* as we reconfigured core business functions that are supported by a re-aligned corporate structure and implemented our new outsourced services contract and embedding the new 'supervise' business approach under this contract into the corporation. This will ensure 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 \$1.4 million or four per cent due to the change in accounting treatment of leased assets. Leased assets are now depreciated over the useful life of the lease asset and not the lease term.

Financing charges have also decreased \$2.1 million as a result of market interest rates falling over the financial year and the re-phasing of key capital projects.

### Five year comparison of financial results and projection for 2012/13

	Plan 2012/13 (\$'000)	% Change Act – Plan	Actual 2012/13 (\$'000)	% Change 2012/13 – 2011/12	Actual 2011/12 (\$'000)	Actual 2010/11 (\$'000)	Actual 2009/10 (\$'000)	Actual 2008/09 (\$'000)
Total revenue	86,365	0.8%	87,048	4.2%	83,526	69,503	60,107	52,124
Total expenditure	119,287	(1.1%)	117,959	5.1%	112,257	97,894	92,292	87,069
<b>Net result (deficit) before developer income</b>	<b>(32,922)</b>	<b>(6.1%)</b>	<b>(30,911)</b>	<b>7.6%</b>	<b>(28,731)</b>	<b>(28,391)</b>	<b>(32,185)</b>	<b>(34,945)</b>
Developer contributions & capital works	10,669	6.5%	11,367	15.4%	9,847	6,603	3,705	5,648
<b>Net result (deficit) before tax and other economic flows</b>	<b>(22,252)</b>	<b>12.2%</b>	<b>(19,544)</b>	<b>(3.5%)</b>	<b>(18,884)</b>	<b>(21,788)</b>	<b>(28,480)</b>	<b>(29,297)</b>
<b>Total comprehensive result (deficit) for the year</b>	<b>(15,577)</b>	<b>12.1%</b>	<b>(13,686)</b>	<b>(4.3%)</b>	<b>(13,126)</b>	<b>(16,922)</b>	<b>(20,683)</b>	<b>(20,655)</b>

## Significant changes in financial position

Total cash assets continued to improve as operating cash flows remained positive for the third year in a row. The higher than budgeted water usage revenue increased cash flows from operating activities by \$0.3 million to *Corporate Plan*.

We are continuing with our major capital works program with \$179.3 million planned for capital projects over our five year *Water Plan 2013–2018*. New borrowings from Treasury Corporation Victoria totaling \$37.6 million was required to finance procurement of assets during 2012/13, with debt budgeted to peak in the next regulatory period.

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

Our internal financing ratio has remained positive again this year after many years of being negative. Our interest cover (both EBIT and Cash) also improved slightly as on the back of our improvement in cash flows from last year. However, all these indicators remain low due to relatively weak positive cash flows received from operating activities, which will be addressed with new financial strategies proposed in the next *Water Plan 2013–2018*.

Our gearing ratio increased as further borrowings were used to fund capital projects in line with general business practices for like businesses.

## 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 2012/13.

## The Water Plan

The ESC manages its objectives and ensures compliance under the Water Industry Regulatory Order (WIRO) through the assessment of a *Water Plan* from each regulated water corporation. This sets out the prices that will be charged and the performance targets to be achieved during the period to which the *Water Plan* relates.

Pricing under the 2008–2013 *Water Plan* was finally determined by the ESC in June 2008. This year is the final year of this Plan. After a period of extensive consultation, we submitted a new 2013–2018 *Water Plan* to the ESC in September 2012 with revised tariffs to commence 1 July 2013. The ESC released its Final Determination on 18 June 2013.

The outcomes of the Final Determination by the ESC on our 2013–2018 *Water Plan* provided us with:

1. Simplified tariffs that are fair and justified;
2. Reduced revenue volatility by discontinuing inclining block tariffs;
3. Changing the share of variable water charges to 60 per cent of total water charges (excluding wastewater charges); and
4. Setting of all tariffs on a 'similar price for similar service' approach.

## Post balance date events

There are no post balance date events that materially affect our 2012/13 financial statements.

## Outlook 2013/14

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

- The Department of Treasury and Finance (DTF) has provided support through the Treasurer's borrowing approval, that any maturing loans will be refinanced and that Coliban Water will have access to the total borrowings required to fund the projected 2013/14 capital works program.
- The implementation of a financial sustainability strategy has been outlined in our 2013/14 *Corporate Plan*. The strategy includes increased tariff levels and reduced levels of capital expenditure, the impacts of which is a projected increase in the level of positive cash flows from operating activities resulting in a reduced percentage of new capital works being funded from debt financing.
- Coliban Water actively manages its financial risks as disclosed in Note 20 of the financial statements.

Total revenue for 2013/14 is projected to be \$107.2 million, total expenses \$127.6 million – including \$47.9 million to service debt, with a total net result (deficit) after tax of \$14.3 million.

The projected increase in total revenue in 2013/14 is due to the approved tariffs in the ESC Final Determination with water usage remaining around 165 kilolitres 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 15.7 per cent or \$153 in 2013/14. This increase along with increases in rural and recycled water usage is the main factor contributing to the increase in total revenue next year. Developer contributions and gifted assets will also continue to increase over the year.

The increase in total expenditure in 2013/14 is due to higher depreciation charges (\$3.8 million) from the intensive capital works program and higher borrowing costs (\$2.4 million) to fund the program. We will rely on borrowings from Treasury Corporation Victoria to fund the capital works program which has seen an increase in the financial accommodation levy charge from 110 basis points to 279 basis points, based on DTF's BBB- proxy credit rating for Coliban Water. The Environmental Contribution charge has also increased approximately 60 per cent or \$1.2 million per annum for the next three years.

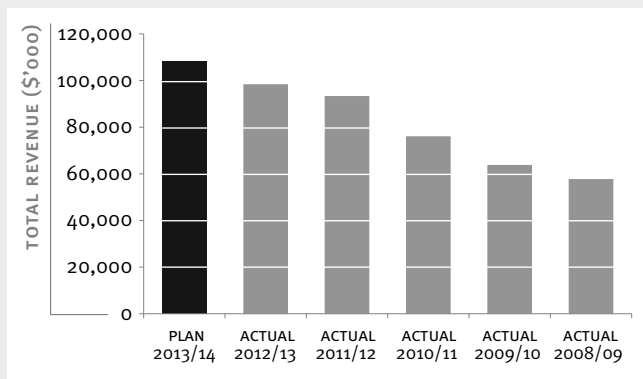
Total operation and administration expenses will increase at a lower rate than inflation (\$1.4 million or 2.6 per cent) as we continue to find efficiencies within the business.

## Revenue

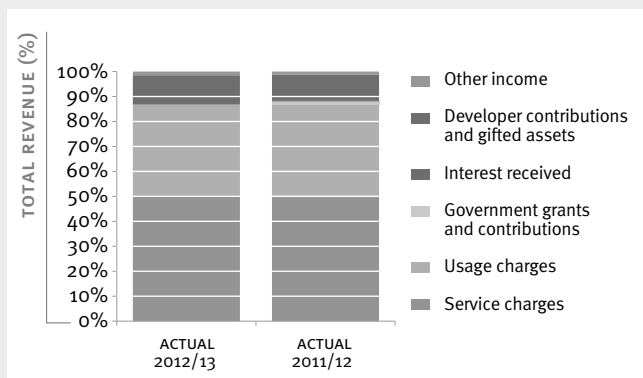
Total revenue increased \$5.0 million or 5.4 per cent in 2012/13 and is budgeted to increase \$8.8 million in 2013/14 due to the tariff increases approved by the ESC in the Final Determination.

Overall service charges increased \$2.5 million or 5.3 per cent in 2012/13 while usage charges increased \$2.1 million or 6.2 per cent. The service charges increase is in line with the ESC approved prices while the usage increase was a result of water consumption increasing from 165 kilolitres per household in 2011/12 to 194 kilolitres per household in 2012/13. By the end of the financial year, all towns in the region were on *Permanent Water Savings Rules* with the pipeline to Raywood and Sebastian being completed.

Developer contributions and gifted assets increased \$1.5 million or 15.4 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 87 per cent of revenue is derived from service charges and usage demand charges, with the remainder being capital works and developer contributions. Revenue received in the current year was in line with the previous year.



## Expenditure

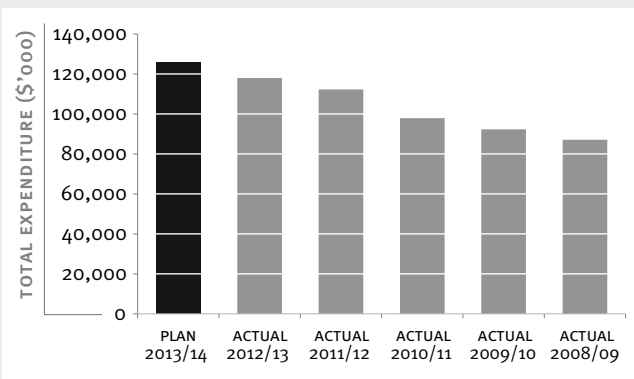
Total expenses increased \$5.7 million or 5.1 per cent in 2012/13 and is budgeted to increase in 2013/14 by \$9.6 million or 8.1 per cent.

Operational and administration expenses increased \$3.1 million compared to last year due to the business model review expenditure and demobilising costs of our previous outsourced contractor. Electricity costs also increased and additional costs were incurred in finalising the *Water Plan 2013–2018*.

Operational and administration expenses are budgeted to increase next year as water consumption costs will increase in line with water usage. We will transition the new contractor into the business and commence 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 \$303.1 million in 2011/12 to \$340.7 million during the year to fund the capital works program with total debt servicing costs also increasing by \$2.0 million or 7.5 per cent. We will rely on borrowings from Treasury Corporation Victoria to fund the capital works program.

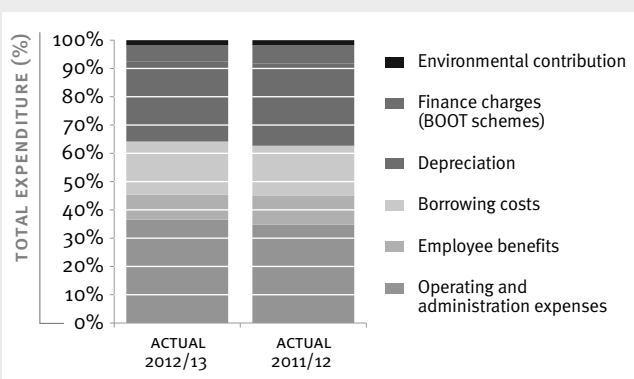
Depreciation expense increases for the year were offset by a change in accounting treatment of the BOOT finance leases. The BOOT finance lease will now be depreciated over the life of the asset and not the life of the lease and a correction has been made in the financial statements this year (refer Note (1xxx)).



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.

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

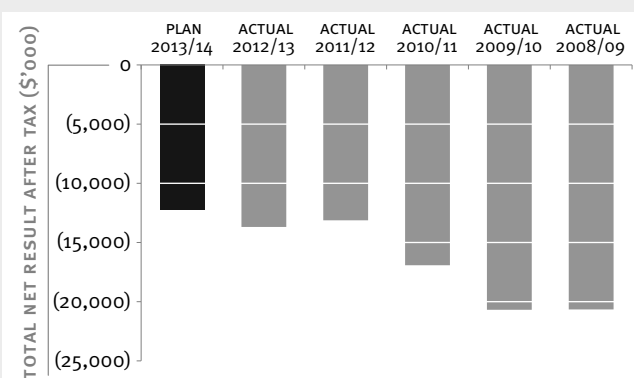
Total operational expenditure for the five years of *Water Plan 2013–2018* will be within the ESC approved revenue requirement.



## Net result (deficit) for the year

The net result (deficit) for the year in 2012/13 was a net loss of \$13.7 million which is a slight decrease on the previous year. Revenue increased \$5.0 million which was offset by an increase in total expenditure \$5.7 million. There were additional business model review expenditure and final demobilisation costs of the outgoing service provider that caused the variance.

The net result (deficit) for the year is budgeted to improve in 2013/14 due to the increases in tariffs from the ESC Final Determination with water usage remaining at 165 kilolitres per household. There will be additional costs incurred with transitioning our newly outsourced service provider into the business and the continued investment in capital projects.



# UNDERSTANDING THE FINANCIAL STATEMENTS

## Operating Statement

The Comprehensive Operating Statement measures our performance over the year and shows if a profit or loss has been made in delivering products and services. The statement includes all sources of income less all expenses incurred in earning that income.

For the year ending 30 June 2013, we made a net result (deficit) for the year of \$13.7 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 (deficit) for the year after tax items charged directly to the equity account from revaluation of assets.

## Cash Flow Statement

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

For the year ending 30 June 2013, we had a net cash flow from operating activities of \$3.7 million.

## Notes to the Financial Statements

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

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

## Statutory Certification and Auditor General's Report

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

# FINANCIAL STATEMENTS

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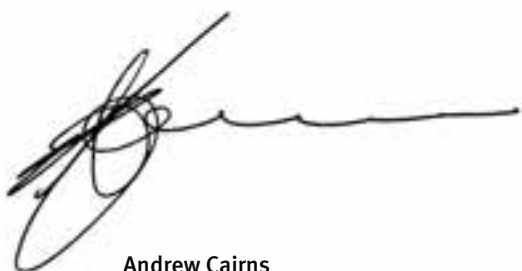
# STATUTORY CERTIFICATION

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

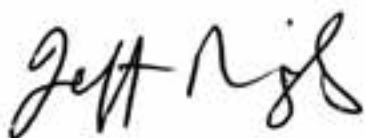
We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the accompanying of notes, presents fairly the financial transactions during the year ended 30 June 2013 and the financial position of Coliban Region Water Corporation at 30 June 2013.

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.

Signed at Bendigo on the 16th day of August, 2013 on behalf of the Board.



**Andrew Cairns**  
Chairman  
Coliban Region Water Corporation



**Jeff Rigby**  
Managing Director  
Coliban Region Water Corporation



**Peter Leersen**  
Chief Financial Officer  
Coliban Region Water Corporation



# COMPREHENSIVE OPERATING STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 (\$'000)	2012 (\$'000)
<b>Revenue</b>			
Service charges	2(a)	49,362	46,897
Usage charges	2(a)	36,183	34,056
Government grants and contributions		–	1,375
Interest received		63	54
Developer contributions and gifted assets	2(a)	11,367	9,847
Other income		1,440	1,144
<b>Total revenue</b>		<b>98,415</b>	<b>93,373</b>
<b>Expenses</b>			
Operating and administration expenses	2(b)	43,128	39,027
Employee expenses	2(b)	10,400	11,420
Borrowing costs		22,161	19,913
Depreciation and amortisation	1(xxx), 2(b)	33,293	32,697
Finance charges		6,946	7,169
Environmental contributions	1(vii), 22(c)	2,031	2,031
<b>Total expenses</b>		<b>117,959</b>	<b>112,257</b>
<b>Net result (deficit) before tax and other economic flows</b>	1(xxx)	<b>( 19,544)</b>	<b>( 18,884)</b>
Income tax (expense)/benefit	1(xxx), 13(b)	5,864	5,752
<b>Net result (deficit) before other economic flows</b>	1(xxx)	<b>( 13,680)</b>	<b>( 13,132)</b>
<b>Other economic flows</b>			
Net gain/(loss) on disposal of assets		( 29)	8
Fair value increase/(decrease) in other financial assets	5	20	–
Income tax (expense)/income relating to components of other economic flows	13(c)	3	( 2)
<b>Other economic flows for the year, net of tax</b>		<b>( 6)</b>	<b>6</b>
<b>Net result (deficit) for the year</b>		<b>(13,686)</b>	<b>(13,126)</b>
<b>Other comprehensive income</b>		<b>–</b>	<b>–</b>
<b>Total comprehensive result (deficit) for the year</b>	1(xxx)	<b>(13,686)</b>	<b>(13,126)</b>

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

# BALANCE SHEET

AS AT 30 JUNE 2013

	Notes	2013 (\$'000)	2012 (\$'000)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	4,810	1,192
Receivables	4	18,585	20,049
Inventories	6	1,267	725
Prepayments		397	493
Assets held for sale	7	788	788
<b>Total current assets</b>		<b>25,847</b>	<b>23,247</b>
<b>Non-current assets</b>			
Receivables	4	1,385	1,562
Other financial assets	5	60	40
Infrastructure assets, property, plant and equipment	1(xxx), 8	1,258,847	1,246,008
Intangible assets	9	60,052	60,114
<b>Total non-current assets</b>		<b>1,320,344</b>	<b>1,307,724</b>
<b>Total assets</b>		<b>1,346,191</b>	<b>1,330,971</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	10	13,844	12,644
Borrowings	11	4,952	5,115
Employee benefits	12	2,895	2,621
<b>Total current liabilities</b>		<b>21,691</b>	<b>20,380</b>
<b>Non-current liabilities</b>			
Payables	10	–	1,258
Borrowings	11	424,512	389,786
Deferred tax liabilities	1(xxx), 14	48,991	54,858
Employee benefits	12	289	295
<b>Total non-current liabilities</b>		<b>473,792</b>	<b>446,197</b>
<b>Total liabilities</b>		<b>495,483</b>	<b>466,577</b>
<b>Net assets</b>		<b>850,708</b>	<b>864,394</b>
<b>Equity</b>			
Contributed capital	15	307,429	307,429
Reserves	16	194,608	194,608
Accumulated funds	1(xxx)	348,671	362,357
<b>Total equity</b>		<b>850,708</b>	<b>864,394</b>

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Contributed capital (\$'000)	Reserves (\$'000)	Accumulated funds (\$'000)	Total (\$'000)
Balance at 1 July 2011		309,754	194,608	367,993	872,355
Net effect of change in accounting treatment	1(xxx)	–	–	7,490	7,490
Restated Balance as at 1 July 2011		309,754	194,608	375,483	879,845
Total comprehensive result (deficit) for the year	1(xxx)	–	–	(13,126)	(13,126)
Transactions with the State in its capacity as owner					
Contributed capital transfer	15	(2,325)	–	–	(2,325)
Balance at 30 June 2012		307,429	194,608	362,357	864,394
Total comprehensive result (deficit) for the year		–	–	(13,686)	(13,686)
Balance at 30 June 2013		307,429	194,608	348,671	850,708

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 2013

	Notes	2013 (\$'000)	2012 (\$'000)
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Service and usage charges		86,626	77,290
Other customer revenue		5,639	3,280
Receipts from Government		–	1,375
GST received from the ATO		7,862	8,538
Interest received		63	54
		<b>100,190</b>	<b>90,537</b>
<b>Payments</b>			
Payments to suppliers and employees		(65,244)	(59,158)
Interest and other costs of finance paid		(29,215)	(26,627)
Environmental contributions		(2,031)	(2,031)
		<b>(96,490)</b>	<b>(87,816)</b>
<b>Net cash inflow from operating activities</b>	<b>1(xxx), 17</b>	<b>3,700</b>	<b>2,721</b>
<b>Cash Flows from Investing Activities</b>			
Payments for infrastructure assets, property, plant and equipment		(34,807)	(43,441)
Proceeds from sale of infrastructure assets, property, plant and equipment		162	123
<b>Net cash outflow from investing activities</b>		<b>(34,645)</b>	<b>(43,318)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		37,596	41,757
Repayment of borrowings		–	–
Contributions to government		–	(2,325)
Repayment of finance lease liabilities		(3,033)	(2,755)
<b>Net cash inflow from financing activities</b>		<b>34,563</b>	<b>36,677</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>3,618</b>	<b>(3,920)</b>
Cash and cash equivalents at the beginning of the financial year		1,192	5,112
<b>Cash and cash equivalents at the end of the financial year</b>	<b>3</b>	<b>4,810</b>	<b>1,192</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 2013

## 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 16th August 2013.

#### 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 certain classes of infrastructure assets, property, plant and equipment.

#### Accounting estimates

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

The most significant accounting estimates undertaken in the preparation of this financial report relate to:

- estimation of useful lives
- the impairment of assets
- recognition of deferred tax balances

- unearned revenue
- employee provisions
- contingent assets and liabilities
- fair value of property, plant and equipment
- actuarial assumptions of the defined benefits superannuation

#### Early adoption of pronouncements

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

### (ii) Changes in Accounting Policy

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

### (iii) Comparative Amounts

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

### (iv) Corrections relating to prior periods

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

- (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- (b) 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:

- (a) 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
- (b) 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 correction 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.

### (v) Going Concern

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

The Department of Treasury and Finance (DTF) has provided support through the Treasurer's borrowing approval, that any maturing loans will be refinanced and that Coliban Water will have access to the total borrowings required to fund the projected 2013/14 capital works program.

The implementation of a financial sustainability strategy has been outlined in our 2013/14 *Corporate Plan* based on the 2008–2013 *Water Price Review and Determination*. The strategy includes increased tariff levels and reduced levels of capital expenditure, the impacts of which is a projected increase in the level of positive cash flows from operating activities resulting in a reduced percentage of new capital works being funded from debt financing.

Coliban Water actively manages its financial risks as disclosed in Note 20.

#### (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 cyclical and therefore an estimation is made at the end of each accounting period of water services used that are recorded on meters which have not been read. The estimation is made by multiplying the number of days since the last reading by an adjusted reading for an equivalent prior period.

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

##### Government grants and contributions

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

##### Interest

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

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 (other than superannuation which is accounted for separately) including wages and salaries, 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 defined benefit and defined contribution 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 the arrangement of finance lease charges.

##### Depreciation and amortisation of non-current assets

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

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

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

Asset	2012/13	2011/12
Buildings	20 to 50 years	20 to 50 years
Plant & Equipment	1 to 20 years	2 to 20 years
Infrastructure	2 to 300 years	2 to 300 years

##### Finance charges

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

##### Environmental contribution

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 financial instruments

At each reporting date, Coliban Water assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale equity investment, a significant or prolonged decline in value of the instrument below its cost is considered as an indicator that the investment is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Comprehensive Operating Statement is removed from equity and recognised as an economic flow. Impairment losses recognised in the Comprehensive Operating Statement on equity instruments classified as available-for-sale are not reversed through the Comprehensive Operating Statement.

### Impairment of assets

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

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

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

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 assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. For not-for-profit entities the recoverable amount is the higher of asset's fair value less costs to sell and its value in use. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

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

## (ix) Cash and Cash Equivalents

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

## (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 the difference between the asset's carrying

amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the 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 for the repair 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, 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.

### Leasehold improvements

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

### 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) 103D – Non-Current Physical Assets.

Revaluations are conducted in accordance with FRD 103D. 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 (must be the Valuer-General of Victoria) to perform detailed assessment of the fair value. If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

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

In accordance with FRD 103D 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 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 revaluation reserve in respect of the same class of assets, they are debited to the revaluation reserve. Revaluation increases and revaluation decreases relating to individual assets within a class of 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. 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 relate to the bulk water purchased to supply regional towns their water. These intangible assets have indefinite useful lives and are therefore not amortised.

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

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

#### (xv) BOOT Schemes

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

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in payables. Each stream of lease payment is allocated between the liability and finance charges. 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 meets the classification of finance lease is depreciated over the asset's useful life.

#### (xvi) Leases

##### Finance leases (other than BOOT schemes)

Leases of property, plant and equipment where Coliban Water has substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance cost is charged to the 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 property, plant and equipment acquired under a finance lease is depreciated over the asset's useful life.

##### 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, 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 settled within 12 months of the reporting date are recognised in employee benefits liabilities in respect of employee services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, at their nominal values. Employee benefits which are not expected to be settled within 12 months are measured 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 settle the liability within 12 months because it does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

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

**Non-current liability** – conditional LSL (representing less than 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.

A liability or asset in respect of defined benefit superannuation is recognised in the provision for employee benefits, and is measured as the difference between the

present value of employees' accrued benefits at the reporting date and the net market value of the superannuation plan's assets at that date. The present value of accrued benefits is based on expected future payments which arise from membership of the plans to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using rates of national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The amount charged to the 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 payroll tax and workers compensation, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

### Performance payments

Performance payments for Coliban Water's Senior Executive Officers are based on a percentage of the annual salary package provided under their 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 by Owners.

## (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 profit or loss immediately. Subsequent to initial recognition, the financial instruments are measured as set out below:

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading or designated at fair value through profit and loss 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 assets at fair value through profit or loss

Other Financial Assets are valued at their market value at 30 June 2013 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.

## Available-for-sale financial assets

Available-for-sale financial assets include those non-derivative financial assets that are designated as available for sale and any financial assets not included in the other categories. Available-for-sale financial assets are measured at fair value. Gains and losses arising from changes in fair value are taken directly to equity and recycled to the Comprehensive Operating Statement upon disposal or the financial asset is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity is included in the Comprehensive Operating Statement of the period.

## 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 a transaction expense.

In assessing impairment of statutory (non-contractual) financial assets which are not financial instruments, Coliban Water applies professional judgement in assessing materiality 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 25) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

## (xxvi) Dividend Policy

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

The process to determine the dividend applicable to the 2012/13 financial year has not yet been completed at the reporting date however it is anticipated that no dividend will be payable.

## (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 2013, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2013. 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 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	1 January 2015	Subject to AASB's further modifications to AASB 9, together with the anticipated changes resulting from the staged projects on impairments and hedge accounting, details of impacts will be assessed. Coliban is yet to assess its full impact.
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 exposure draft ED 238 Consolidated Financial Statements – Australian Implementation Guidance for not-for-profit 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.  Subject to AASB's final deliberations on ED 238 and any modifications made to AASB 10 for not-for-profit entities, the entity will need to re-assess the nature of its relationships with other entities, including those that are currently not consolidated.  Coliban Water is yet to assess its full impact.
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.  Subject to AASB's final deliberations and any modifications made to AASB 11 for not-for-profit entities, the entity will need to assess the nature of arrangements with other entities in determining whether a joint arrangement exists in light of AASB 11.  Coliban Water is yet to assess its full impact.
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 Separate Financial Statements and AASB 131 Interests in Joint Ventures.  The exposure draft ED 238 proposes to add some implementation guidance to AASB 12, explaining and illustrating the definition of a 'structured entity' from a not-for-profit perspective.	1 January 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date.  Impacts on the level and nature of the disclosures will be assessed based on the eventual implications arising from AASB 10, AASB 11 and AASB 128 Investments in Associates and Joint Ventures.  Coliban Water is yet to assess its full impact.
AASB 13 Fair Value Measurement	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other Australian accounting standards. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 January 2013	Disclosure for fair value measurements using unobservable inputs are relatively detailed compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures required assets measured using depreciated replacement cost.  Coliban Water is yet to assess its full impact.
AASB 119 Employee Benefits	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other Economic Flows – other movements in equity') reported on the Comprehensive Operating Statement.	1 January 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date.  While the total superannuation expense is unchanged, the revised methodology is expected to have a negative impact on the net result from transactions a few Victorian public sector entities that report superannuation defined benefit plans.  Coliban Water is yet to assess its full impact.

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. The AASB is assessing the applicability of principles in AASB 127 in a not-for-profit context.  As such, the impact will be assessed by Coliban Water after the AASB's deliberation.  This amendment will not affect the financial statements of Coliban Water.
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	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 128 in a not-for-profit context.  As such, the impact will be assessed by Coliban Water after the AASB's deliberation.
AASB 1053 Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities, and has not decided if RDRs will be implemented in the Victorian public sector.  As such, the impact will be assessed by Coliban Water after the Victorian Government's deliberation.
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 a separate budget to Parliament.	1 July 2013	This Standard is not applicable as no budget disclosure is required.

#### (xxix) Jointly Controlled Assets

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.

(1) Disclosed as Water Infrastructure Assets. Refer to Note 8.

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

As at 30 June 2013, there were \$nil (2011/12: \$nil) outstanding liabilities incurred to Coliban Water and the unincorporated joint venture.

	Coliban Water's share		
Principal activity 2012/13	Interest (\$'000)	Water infrastructure <sup>1</sup> (\$'000)	Operational costs <sup>2</sup> (\$'000)
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	–	–
	Coliban Water's share		
Principal activity 2011/12	Interest (\$'000)	Water infrastructure <sup>1</sup> (\$'000)	Operational costs <sup>2</sup> (\$'000)
Operations and maintenance of pipelines and associated infrastructure			
› Waranga Channel to Lake Eppalock	2/3	61,269	1,182
› Lake Eppalock to Sandhurst Reservoir	2/3	34,835	771
› Sandhurst Reservoir to White Swan Reservoir	100% CHW	–	–

(xxx) **Change in Accounting Treatment**

Based upon previous advice received, assets acquired under BOOT schemes that meet the classification of a finance lease were depreciated over the term of the lease.

During 2012/13, the accounting treatment has been reassessed and it has been determined that BOOT assets will be depreciated over the term of the assets useful life rather than the term of the lease.

The outcome of change in accounting treatment is as follows:

a) **Change in 1 July 2011 accumulated funds**

- › Overstatement of BOOT depreciation of \$10.700 million
- › Understatement of income tax (expense) of \$3.210 million
- › Understatement of accumulated funds of \$7.490 million

The below section shows the restatement of each line item affected by the change in accounting treatment:

	Contributed capital (\$'000)	Reserves (\$'000)	Accumulated funds (\$'000)	Total (\$'000)
<b>Balance at 1 July 2011</b>	309,754	194,608	367,993	872,355
Overstatement of BOOT depreciation	–	–	10,700	10,700
Income tax (expense)/benefit	–	–	(3,210)	(3,210)
<b>Net effect of change in accounting treatment</b>	–	–	<b>7,490</b>	<b>7,490</b>
<b>Restated balance as at 1 July 2011</b>	<b>309,754</b>	<b>194,608</b>	<b>375,483</b>	<b>879,845</b>

b) **Restatement of 2011/12 Comprehensive Operating Statement**

- › Overstatement of BOOT depreciation of \$1.367 million
- › Overstatement of income tax (expense)/benefit of \$0.410 million
- › Overstatement of total comprehensive result (deficit) for the year of \$0.957 million

The below section shows the restatement of each line item affected by the change in accounting treatment:

Comprehensive Operating Statement (Extract)	Notes	Actual 2011/12 (\$'000)	Adjustment (\$'000)	Restated 2011/12 (\$'000)
<b>Total revenue</b>		<b>93,373</b>	<b>–</b>	<b>93,373</b>
Depreciation BOOT schemes		4,442	(1,367)	3,075
Total depreciation and amortisation	2(b)	34,064	(1,367)	32,697
<b>Total expenses</b>		<b>113,624</b>	<b>(1,367)</b>	<b>112,257</b>
<b>Net result (deficit) before tax and other economic flows</b>		<b>(20,251)</b>	<b>1,367</b>	<b>(18,884)</b>
Income tax (expense)/benefit	13(b)	6,162	(410)	5,752
<b>Net result (deficit) before other economic flows</b>		<b>(14,089)</b>	<b>957</b>	<b>(13,132)</b>
Other economic flows for the year, net of tax		6	–	6
<b>Net result (deficit) for the year</b>		<b>(14,083)</b>	<b>957</b>	<b>(13,126)</b>
<b>Total comprehensive result (deficit) for the year</b>		<b>(14,083)</b>	<b>957</b>	<b>(13,126)</b>

c) **Restatement of Balance Sheet as at 1 July 2012**

**Adjustments up to 30 June 2010**

- › Overstatement of BOOT accumulated depreciation of \$10.700 million
- › Understatement of deferred tax liabilities of \$3.210 million
- › Understatement of accumulated funds of \$7.490 million

**Adjustments relating to 2010/11**

- › Overstatement of BOOT accumulated depreciation of \$1.367 million
- › Understatement of deferred tax liabilities of \$0.410 million
- › Understatement of accumulated funds of \$0.957 million

The below section shows the restatement of each line item affected by the change in accounting treatment:

Balance Sheet (Extract)	Notes	Actual 1 July 2011 (\$'000)	Adjustments up to 30 June 2010 (\$'000)	Adjustments relating to 2010/11 (\$'000)	Restated 1 July 2012 (\$'000)
BOOT scheme infrastructure		111,035	–	–	111,035
Less accumulated depreciation		(40,325)	10,700	1,367	(28,258)
<b>BOOT scheme infrastructure</b>	<b>8</b>	<b>70,710</b>	<b>10,700</b>	<b>1,367</b>	<b>82,777</b>
Total infrastructure, property, plant and equipment	8	1,233,941	10,700	1,367	1,246,008
<b>Total Assets</b>		<b>1,318,904</b>	<b>10,700</b>	<b>1,367</b>	<b>1,330,971</b>
Deferred tax liabilities	14	51,238	3,210	410	54,858
<b>Total Liabilities</b>		<b>462,957</b>	<b>3,210</b>	<b>410</b>	<b>466,577</b>
<b>Net Assets</b>		<b>855,947</b>	<b>7,490</b>	<b>957</b>	<b>864,394</b>

## Note 2: Comprehensive Operating Statement Disclosures

	Notes	2013 (\$'000)	2012 (\$'000)
<b>(a) Income from operating activities</b>			
<b>Service Charges:</b>			
Water service charges		7,426	7,133
Rural water service charges		2,716	3,004
Sewerage service charges		35,363	32,744
Trade waste charges		3,825	3,994
Recycled water service charges		32	22
		<b>49,362</b>	<b>46,897</b>
<b>Usage Charges:</b>			
Water usage charges		32,864	31,806
Rural water usage charges		1,132	421
Sewerage usage charges		1,233	1,039
Trade waste usage charges		407	415
Recycled water usage charges		547	375
		<b>36,183</b>	<b>34,056</b>
<b>Developer contributions and gifted assets:</b>			
Developer contributions and gifted assets		7,791	7,364
New customer contributions		3,576	2,483
		<b>11,367</b>	<b>9,847</b>
<b>(b) Expenses from operating activities</b>			
<b>Operating and administration expenses:</b>			
Partnership contract expenses		25,365	23,423
Water purchases		1,758	1,758
General services		3,468	3,077
Electricity		1,692	1,144
BOOT toll service payments		5,940	6,040
Other operating and administration expenses		4,905	3,585
		<b>43,128</b>	<b>39,027</b>
<b>Employee expenses:</b>			
Salaries and wages		8,542	8,302
Annual leave		703	731
Long service leave		143	171
Unfunded superannuation	19	–	1,258
Superannuation	19	1,012	958
		<b>10,400</b>	<b>11,420</b>
<b>Depreciation:</b>			
Buildings		253	252
Plant & equipment		982	996
Infrastructure		28,802	28,371
BOOT schemes		3,194	3,075
		<b>33,231</b>	<b>32,694</b>
<b>Amortisation:</b>			
Temporary water intangibles		62	3
		<b>62</b>	<b>3</b>
<b>Total depreciation and amortisation</b>		<b>33,293</b>	<b>32,697</b>

## Note 3: Cash and Cash Equivalents

	2013 (\$'000)	2012 (\$'000)
Cash at bank	4,810	1,192
<b>Total cash and cash equivalents</b>	<b>4,810</b>	<b>1,192</b>

## Note 4: Receivables

	2013 (\$'000)	2012 (\$'000)
<b>Current receivables</b>		
Rates and charges receivables	8,622	6,054
Sundry debtors receivables	747	1,390
GST receivables	1,076	815
Accrued revenue	8,210	11,901
Provision for doubtful debts	(70)	(111)
<b>Total current receivables</b>	<b>18,585</b>	<b>20,049</b>
<b>Non-current receivables</b>		
Debtors receivables	1,385	1,562
<b>Total non-current receivables</b>	<b>1,385</b>	<b>1,562</b>
<b>Total receivables</b>	<b>19,970</b>	<b>21,611</b>

### (a) Ageing analysis of receivables

The ageing analysis of rates and charges receivables, sundry debtors receivables and debtors receivables at 30 June 2013 is as follows:

Current (up to 1 month)	4,978	5,116
1 to 3 months	2,776	1,108
3 to 12 months	1,615	1,221
More than 12 months	1,385	1,562
	<b>10,754</b>	<b>9,007</b>

As at 30 June 2013, receivables of \$5,706,449 (2011/12: \$3,779,601) were past due (older than 1 month) but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables is as follows:

Current (up to 1 month)	–	–
1 to 3 months	2,776	1,108
3 to 12 months	1,545	1,110
More than 12 months	1,385	1,562
<b>Total receivables past due but not impaired</b>	<b>5,706</b>	<b>3,780</b>

### (b) Provision for doubtful receivables

As at 30 June 2013, receivables of Coliban Water with a nominal value of \$69,613 (2011/12: \$111,012) were impaired and a provision for doubtful receivables has been raised for this amount. The individually impaired receivables mainly relate to wholesalers, which are in difficult economic situations. The ageing of these receivables is as follows:

Current (up to 1 month)	–	–
1 to 3 months	–	–
3 to 12 months	70	111
More than 12 months	–	–
<b>Total receivables</b>	<b>70</b>	<b>111</b>
Movement in the doubtful debts provision is as follows:		
Opening provision balance at 1 July	111	61
Provision recognised during the year	70	111
Unused provision amount reversed	(111)	(61)
Receivables written off during the year as uncollectable	–	–
<b>Closing provision balance at 30 June</b>	<b>70</b>	<b>111</b>

### (c) Nature and extent of risk arising from receivables

Refer to Note 20 for the nature and extent of risks arising from receivables.

## Note 5: Other financial assets

	2013 (\$'000)	2012 (\$'000)
Shares in Bendigo Community Telco Limited	60	40
<b>Total Other Financial Assets</b>	<b>60</b>	<b>40</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 2013.</p> <p>a) <b>Ageing analysis of other financial assets</b> 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> Refer to Note 20 for the nature and extent of risks arising from other financial assets.</p>		

## Note 6: Inventories

	2013 (\$'000)	2012 (\$'000)
Inventories held for distribution	1,267	725
<b>Total Current Inventories</b>	<b>1,267</b>	<b>725</b>

## Note 7: Assets held for sale

	2013 (\$'000)	2012 (\$'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>		

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

Note	2013 (\$'000)	2012 (\$'000)
<b>(a) Classes of infrastructure assets, property, plant and equipment</b>		
Land		
At fair value	40,493	40,493
	<b>40,493</b>	<b>40,493</b>
Buildings		
At fair value	1,681	1,681
Less: accumulated depreciation	(167)	(83)
	<b>1,514</b>	<b>1,598</b>
Buildings–Leasehold Improvements		
At cost	3,477	3,477
Less: accumulated depreciation	(1,925)	(1,756)
	<b>1,552</b>	<b>1,721</b>
Plant and Equipment		
At cost	11,089	10,352
Less: accumulated depreciation	(5,971)	(5,096)
	<b>5,118</b>	<b>5,256</b>
Water Infrastructure		
At fair value	280,749	280,749
At cost	16,874	11,507
Less: accumulated depreciation	(22,430)	(11,096)
	<b>275,193</b>	<b>281,160</b>
Water Distribution Assets		
At fair value	136,108	136,108
At cost	419	6
Less: accumulated depreciation	(6,738)	(3,361)
	<b>129,789</b>	<b>132,753</b>
Wastewater Infrastructure		
At fair value	356,429	356,494
At cost	22,830	15,941
Less: accumulated depreciation	(20,854)	(10,344)
	<b>358,405</b>	<b>362,091</b>
Recycling Infrastructure		
At fair value	50,395	50,395
At cost	1,000	680
Less: accumulated depreciation	(2,866)	(1,432)
	<b>48,529</b>	<b>49,643</b>
Rural Infrastructure		
At fair value	29,312	29,312
At cost	2,232	2,106
Less: accumulated depreciation	(2,114)	(1,052)
	<b>29,430</b>	<b>30,366</b>
Headworks Infrastructure		
At fair value	171,129	171,129
At cost	80	80
Less: accumulated depreciation	(2,162)	(1,084)
	<b>169,047</b>	<b>170,125</b>
<b>Total Infrastructure Assets</b>	<b>1,010,393</b>	<b>1,026,138</b>
BOOT schemes Infrastructure		
At cost	115,110	111,035
Less: accumulated depreciation	(31,452)	(28,258)
	<b>83,658</b>	<b>82,777</b>
Works in Progress		
At cost	116,119	88,025
	<b>116,119</b>	<b>88,025</b>
<b>Total Infrastructure, Property, Plant and Equipment</b>	<b>1,258,847</b>	<b>1,246,008</b>

Land, Buildings and Infrastructure Assets were independently valued at 30 June 2011 by Valuer-General of Victoria.

At 30 June 2013 Coliban Water assessed Land and Building index movements using indices from the Valuer General Victoria – Building Cost Indexation factors for financial year 2012–2013 and determined that there was no material movement that required a managerial revaluation.

At 30 June 2013 Coliban Water assessed Infrastructure asset movements using the Producer Price Index appropriate to Infrastructure Assets. 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.



(b) Movements during the reporting period

2012/13	Opening Written Down Value (WDV) (\$'000)	Transfers (\$'000)	Additions (\$'000)	Works In Progress (WIP) Capitalised (\$'000)	Disposals/ Write-offs (\$'000)	Depreciation (\$'000)	Closing Written Down Value (WDV) (\$'000)
Land							
At fair value	40,493	–	–	–	–	–	40,493
	<b>40,493</b>	–	–	–	–	–	<b>40,493</b>
Buildings							
At fair value	1,598	–	–	–	–	(84)	1,514
At cost	1,721	–	–	–	–	(169)	1,552
	<b>3,319</b>	–	–	–	–	<b>(253)</b>	<b>3,066</b>
Plant & Equipment							
At cost	5,256	–	–	945	(101)	(982)	5,118
	<b>5,256</b>	–	–	<b>945</b>	<b>(101)</b>	<b>(982)</b>	<b>5,118</b>
Infrastructure							
At fair value	996,449	–	–	–	(33)	(27,651)	968,765
At cost	29,689	–	–	13,149	(59)	(1,151)	41,628
	<b>1,026,138</b>	–	–	<b>13,149</b>	<b>(92)</b>	<b>(28,802)</b>	<b>1,010,393</b>
BOOT Schemes							
At cost	82,777	–	–	4,075	–	(3,194)	83,658
	<b>82,777</b>	–	–	<b>4,075</b>	–	<b>(3,194)</b>	<b>83,658</b>
Works in Progress							
At cost	88,025	–	46,263	(18,169)	–	–	116,119
	<b>88,025</b>	–	<b>46,263</b>	<b>(18,169)</b>	–	–	<b>116,119</b>
<b>Totals</b>	<b>1,246,008</b>	–	<b>46,263</b>	–	<b>(193)</b>	<b>(33,231)</b>	<b>1,258,847</b>

2011/12	Opening Written Down Value (WDV) (\$'000)	Transfers (\$'000)	Additions (\$'000)	Works In Progress (WIP) Capitalised (\$'000)	Disposals/ Write-offs (\$'000)	Depreciation (\$'000)	Closing Written Down Value (WDV) (\$'000)
Land							
At fair value	41,281	(788)	–	–	–	–	40,493
	<b>41,281</b>	<b>(788)</b>	–	–	–	–	<b>40,493</b>
Buildings							
At fair value	2,797	(1,115)	–	–	(1)	(83)	1,598
At cost	1,790	100	–	–	–	(169)	1,721
	<b>4,587</b>	<b>(1,015)</b>	–	–	<b>(1)</b>	<b>(252)</b>	<b>3,319</b>
Plant & Equipment							
At cost	5,612	(100)	–	833	(93)	(996)	5,256
	<b>5,612</b>	<b>(100)</b>	–	<b>833</b>	<b>(93)</b>	<b>(996)</b>	<b>5,256</b>
Infrastructure							
At fair value	1,023,095	1,115	–	–	(21)	(27,740)	996,449
At cost	–	–	–	30,320	–	(631)	29,689
	<b>1,023,095</b>	<b>1,115</b>	–	<b>30,320</b>	<b>(21)</b>	<b>(28,371)</b>	<b>1,026,138</b>
BOOT Schemes							
At cost	85,852	–	–	–	–	(3,075)	82,777
	<b>85,852</b>	–	–	–	–	<b>(3,075)</b>	<b>82,777</b>
Works in Progress							
At cost	74,217	–	44,961	(31,153)	–	–	88,025
	<b>74,217</b>	–	<b>44,961</b>	<b>(31,153)</b>	–	–	<b>88,025</b>
<b>Totals</b>	<b>1,234,644</b>	<b>(788)</b>	<b>44,961</b>	–	<b>(115)</b>	<b>(32,694)</b>	<b>1,246,008</b>

Land valued at \$788,408 has been reclassified to 'Assets held for sale'. Refer to Note 7.

## Note 9: Intangible assets

	2013 (\$'000)	2012 (\$'000)
Permanent water entitlements	60,052	60,052
Temporary water entitlements	–	62
<b>Total intangible assets</b>	<b>60,052</b>	<b>60,114</b>
<b>Movements during the year</b>		
Opening balance at 1 July	60,114	60,117
Less: Amortisation		
Temporary water entitlements	(62)	(3)
<b>Closing balance at 30 June</b>	<b>60,052</b>	<b>60,114</b>
In accordance with AASB 136 Impairment of Assets, Coliban Water has reviewed the carrying value of water entitlements at 30 June 2013.		

## Note 10: Payables

	Notes	2013 (\$'000)	2012 (\$'000)
<b>Current payables</b>			
Trade payables		471	2,950
Accrued expenses		10,584	7,766
Other payables		2,789	1,928
		<b>13,844</b>	<b>12,644</b>
<b>Non-current payables</b>			
Superannuation liabilities	19	–	1,258
		<b>–</b>	<b>1,258</b>
<b>Total Payables</b>		<b>13,844</b>	<b>13,902</b>
<b>(a) Maturity analysis of payables</b>			
The ageing analysis of payables at 30 June 2013 is as follows:			
1 month		10,514	10,189
2 to 3 months		1,329	1,306
4 to 12 months		2,001	1,149
More than 12 months		–	1,258
<b>Total payables</b>		<b>13,844</b>	<b>13,902</b>

## Note 11: Borrowings

	Notes	2013 (\$'000)	2012 (\$'000)
<b>Current</b>			
Loans from Treasury Corporation of Victoria		1,678	2,082
Finance lease liabilities – BOOT schemes	23	3,274	3,033
		<b>4,952</b>	<b>5,115</b>
<b>Non-current</b>			
Loans from Treasury Corporation of Victoria		339,000	301,000
Finance lease liabilities – BOOT schemes	23	85,512	88,786
		<b>424,512</b>	<b>389,786</b>
<b>Total Borrowings</b>		<b>429,464</b>	<b>394,901</b>
(a) <b>Maturity analysis of borrowings</b> Refer to Note 21 for the maturity analysis of borrowings.			
(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.			
(c) <b>Defaults and breaches</b> During the current and prior period, there were no defaults or breaches of any of the loans.			
(d) <b>Financing facilities</b> Refer to Note 26 for financing facilities arrangements.			

## Note 12: Employee benefits

	2013 (\$'000)	2012 (\$'000)
<b>Current provisions</b>		
Employee benefits – annual leave:		
› Unconditional and expected to settle within 12 months	1,057	788
› Unconditional and expected to settle after 12 months	117	126
Employee benefits – long service leave:		
› Unconditional and expected to settle within 12 months	103	34
› Unconditional and expected to settle after 12 months	1,618	1,673
<b>Total current</b>	<b>2,895</b>	<b>2,621</b>
<b>Non-current</b>		
Conditional long service leave	289	295
<b>Total non-current</b>	<b>289</b>	<b>295</b>
<b>Total employee benefits</b>	<b>3,184</b>	<b>2,916</b>
<b>Employee numbers at end of financial year</b>	<b>164</b>	<b>133</b>
Additional staff were employed as part of the repatriation of key functions back into the business.		
The following assumptions were adopted in measuring the present value of long service leave entitlements:		
Weighted average increase in employee costs	4.50%	4.58%
Weighted average discount rates	3.79%	4.12%
Weighted average settlement period	7 years	7 years

Coliban Water made no ex-gratia payments during the financial year.

## Note 13: Income tax

	Notes	2013 (\$'000)	2012 (\$'000)
<b>(a) Components of income tax (expense)/benefit:</b>			
Current tax		1,104	3,388
Deferred tax relating to timing differences		4,763	2,273
Adjustments for current tax of prior periods		–	89
		<b>5,867</b>	<b>5,750</b>
Income tax (expense)/benefit is attributable to:			
Loss from continuing operations		5,864	5,752
Other economic flows included in net result		3	(2)
<b>Aggregate income tax (expense)/benefit</b>		<b>5,867</b>	<b>5,750</b>
Deferred tax (expense)/benefit included in income tax expense comprises:			
(Decrease)/increase in deferred tax assets	14	(420)	3
Decrease/(increase) in deferred tax liabilities	14	5,183	2,270
		<b>4,763</b>	<b>2,273</b>
<b>(b) Prima facie tax payable</b>			
Net result (deficit) before tax		(19,544)	(18,884)
Prima facie tax calculated at 30%		5,864	5,665
Tax effect of non-deductible/(non-taxable) amounts in calculating taxable income			
› Non deductible expenses		-	-
› Assessable income		-	(2)
Previously not recognised tax losses now recognised to decrease current tax expense			
› Tax losses brought to account		-	89
Previously recognised tax losses now not recognised to increase current tax expense			
› Tax losses not brought to account		-	–
<b>Income tax (expense)/benefit attributable to profit</b>	<b>1 (xxx)</b>	<b>5,864</b>	<b>5,752</b>
Coliban Water will not pay income tax for 2012/13. Projections show that Coliban Water is likely to generate tax profits in the foreseeable future against which unused tax losses can be utilised. Accordingly tax losses have been brought to account.			
<b>(c) Income tax (expense)/income relating to items of other economic flows</b>			
Net gain/(loss) on revaluation of property, plant and equipment		-	-
Net gain/(loss) on disposal of assets		9	(2)
Fair value increase/(decrease) in other financial assets		(6)	-
<b>Total income tax (expense)/revenue relating to items of other economic flows</b>		<b>3</b>	<b>(2)</b>

## Note 14: Deferred tax

	Notes	2013 (\$'000)	2012 (\$'000)
<b>Deferred tax asset/(liability)</b>			
<b>a) Deferred tax assets</b>			
The balance comprises temporary differences attributable to:			
Doubtful debts		21	33
Book differences in depreciable asset values		21	34
Low value asset pool		–	–
Accruals		3,184	2,373
Employee benefits		956	875
BOOT scheme finance leases		26,636	27,923
Tax losses		58,464	57,360
Intangible assets		–	–
		<b>89,282</b>	<b>88,598</b>
<b>Deferred tax assets – recovery</b>			
Deferred tax assets expected to be recovered within 12 months		4,182	3,315
Deferred tax assets expected to be recovered after more than 12 months		85,100	85,283
		<b>89,282</b>	<b>88,598</b>
<b>Deferred tax assets – movements</b>			
Opening balance		88,598	85,118
Credited/(debited) to the operating statement relating to deferred tax assets	13 (a)	(420)	3
Credited/(debited) to the operating statement relating to tax losses		1,104	3,477
Credited/(debited) to other comprehensive income		–	–
<b>Closing balance</b>		<b>89,282</b>	<b>88,598</b>
<b>b) Deferred Tax Liabilities</b>			
The balance comprises temporary differences attributable to:			
Accrued rates and charges		2,463	3,570
Interest and other income receivables		189	198
Book differences in depreciable asset values		111,734	114,849
BOOT scheme assets		23,875	24,833
Other financial assets at fair value through profit and loss		12	6
		<b>138,273</b>	<b>143,456</b>
<b>Deferred tax liabilities – recovery</b>			
Deferred tax liabilities expected to be recovered within 12 months		2,664	3,774
Deferred tax liabilities expected to be recovered after more than 12 months		135,609	139,682
		<b>138,273</b>	<b>143,456</b>
<b>Deferred tax liabilities – movements</b>			
Opening balance		143,456	145,726
(Credited)/debited to the operating statement	13 (a)	(5,189)	(2,270)
(Credited)/debited to other comprehensive income	13 (a)	6	–
(Credited)/debited to equity		–	–
<b>Closing balance</b>		<b>138,273</b>	<b>143,456</b>
<b>Total net deferred tax asset/(liability)</b>	1 (xxx)	<b>(48,991)</b>	<b>(54,858)</b>
AASB 112 Income Tax requires deferred tax assets arising from temporary differences to be offset against deferred tax liabilities on the basis that the deferred tax assets will be fully utilised against the deferred tax liabilities. Coliban Water's deferred tax liabilities exceed the level of deferred tax assets at 30 June 2013 and therefore a net tax liability has been disclosed in the Balance Sheet.			

## Note 15: Contributed capital

	2013 (\$'000)	2012 (\$'000)
Opening balance at 1 July	307,429	309,754
Contributions to Government *	–	(2,325)
<b>Closing balance at 30 June</b>	<b>307,429</b>	<b>307,429</b>
* Transfer to Goulburn-Murray Rural Water Corporation associated with the East Loddon pipeline project.		

## Note 16: Reserves

	2013 (\$'000)	2012 (\$'000)
<b>Asset revaluation reserve: Land</b>		
Opening balance at 1 July	29,122	29,122
Revaluation increment/(decrement) on non-current assets net of tax effect	–	–
<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
Revaluation increment/(decrement) on non-current assets net of tax effect	–	–
<b>Closing balance at 30 June</b>	<b>827</b>	<b>827</b>
<b>Asset revaluation reserve: Infrastructure</b>		
Opening balance at 1 July	164,659	164,659
Revaluation increment/(decrement) on non-current assets net of tax effect	–	–
<b>Closing balance at 30 June</b>	<b>164,659</b>	<b>164,659</b>
<b>Total Reserves</b>	<b>194,608</b>	<b>194,608</b>

## Note 17: Reconciliation of net result (deficit) for the year to net cash flows from operating activities

	Notes	2013 (\$'000)	2012 (\$'000)
<b>Net result (deficit) for the year</b>	1 (xxx)	(13,686)	(13,126)
<b>Add/(less) non-cash movements in net result</b>			
Add: > Depreciation and amortisation	1 (xxx), 2(b)	33,293	32,697
> (Net gain)/loss on disposal of non-current assets		29	(8)
> Fair value (increase)/decrease in other financial assets		(20)	–
> Payments for fixed assets in payables movement		(3,663)	5,843
Less: > Non cash developer contributions & gifted assets		(7,791)	(7,364)
> Income tax (expense)/revenue	13(a)	(5,867)	(5,750)
		<b>2,295</b>	<b>12,292</b>
<b>Movements in assets and liabilities</b>			
Decrease / (increase) in receivables		1,641	(3,825)
Decrease / (increase) in inventories		(542)	(725)
Decrease / (increase) in prepayments		96	(302)
Decrease / (increase) in other financial assets		–	–
(Decrease) / increase in payables		(58)	(5,679)
(Decrease) / increase in provisions		268	960
<b>Net cash flows from operating activities</b>		<b>3,700</b>	<b>2,721</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 MLA	Minister for Water	01 Jul 2012	30 Jun 2013
Andrew Cairns	Director (Chairperson)	01 Jul 2012	30 Jun 2013
Noel Harvey	Director	01 Jul 2012	30 Sep 2012
David Beard	Director	01 Jul 2012	30 Jun 2013
Russell Walker	Director	01 Jul 2012	30 Jun 2013
Andrew Skewes	Director	01 Jul 2012	30 Jun 2013
Rodney Thomson	Director	01 Jul 2012	30 Jun 2013
Jean Sutherland	Director	01 Jul 2012	30 Jun 2013
Linda Veronese	Director	01 Oct 2012	30 Jun 2013
Jeff Rigby	Managing Director	01 Jul 2012	30 Jun 2013
Peter Leersen	Acting Managing Director	03 Dec 2012	16 Dec 2012
Neville Pearce	Acting Managing Director	12 Jun 2013	17 Jun 2013

b) Responsible persons remuneration		
The number of Responsible Persons whose remuneration for the year ended 30 June 2013 falls within the following bands are:		Total Remuneration
Income Band (\$)	2013 No.	2012 No.
0 – 9,999	–	1
10,000 – 19,999	1	–
20,000 – 29,999	1	3
30,000 – 39,999	5	4
40,000 – 49,999	–	1
50,000 – 59,999	1	–
60,000 – 69,999	–	1
70,000 – 79,999	–	1
80,000 – 89,999	–	1
90,000 – 99,999	–	1
100,000 – 109,999	–	1
110,000 – 119,999	–	1
120,000 – 129,999	1	–
<b>Total Numbers</b>	<b>9</b>	<b>12</b>

### Remuneration of responsible persons

Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet. Other relevant interests are declared in the Register of Members' Interests which each Member of Parliament completes.

Total remuneration received, or due and receivable, during 2012/13 by Responsible Persons including the Managing Director from Coliban Water in connection with the management of the Corporation was \$553,718 (2011/12 – \$585,154).

### Related party transactions

During the financial year ended 30 June 2013, the following related party transactions that were based on normal terms and conditions and conducted on an arms length basis occurred:

- Coliban Water Chairperson Andrew Cairns is a Director of Bendigo Community Telco Limited which provides Coliban Water with various telecommunication voice and data services. Coliban Water paid Bendigo Community Telco Limited a total of \$290,249 during 2012/13 (2011/12 – \$124,261).
- Other than normal water and wastewater services that are levied on normal commercial terms no other related party transactions occurred between the Directors and their related parties and Coliban Water during the reporting period.

### c) Senior executive officers' remuneration

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

One Senior Executive Officer ceased employment in the past year. This decreased the number of Senior Executive Officers reporting to the Managing Director from eight to seven. This role will not be replaced.

The number of Senior Executive Officers whose remuneration for the year ended 30 June 2013 falls within the following bands are:

Income Band (\$)	Total Remuneration		Base Remuneration	
	2013 No.	2012 No.	2013 No.	2012 No.
Less than 100,000	1	1	1	1
100,000 – 109,999	–	–	–	–
110,000 – 119,999	–	–	–	–
120,000 – 129,999	–	–	–	1
130,000 – 139,999	–	1	–	–
140,000 – 149,999	–	2	–	2
150,000 – 159,999	1	–	1	2
160,000 – 169,999	1	2	2	1
170,000 – 179,999	–	2	1	1
180,000 – 189,999	2	–	1	–
190,000 – 199,999	1	–	–	–
200,000 – 209,999	1	–	1	–
<b>Total Numbers</b>	<b>7</b>	<b>8</b>	<b>7</b>	<b>8</b>
<b>Total Amount</b>	<b>1,110,858</b>	<b>1,208,641</b>	<b>1,061,058</b>	<b>1,074,589</b>
<b>Total Annualised Employee Equivalent (AEE)<sup>1</sup></b>	<b>5.97</b>	<b>6.68</b>	<b>5.97</b>	<b>6.68</b>

- FRD 21B requires disclosure of the annualised employee equivalent which represents the equivalent to all executive officers working 38 ordinary hours per week for the reporting period. It is calculated by dividing the total number of ordinary hours paid to the employee over the reporting period by 1,976 (i.e. 38 hours per week for 52 weeks per year). In the 2012/13 reporting period, there were four executives working on a full-time basis for the entire year. In addition, one executive was paid for 38 ordinary hours for the year (1 week) before ceasing employment, one executive was Acting Managing Director for 76 hours (1,900 hours as an executive) and one was Acting Managing Director for 30 hours (1,946 hours as an executive). Therefore, total AEE is 4 plus 0.019 (38/1,976) plus 0.962 (1,900/1,976) plus 0.985 (1,946/1,976) = 5.965. In the 2011/12 reporting period, there were six executives working on a full-time basis for the entire year. In addition, one executive was paid for 76 ordinary hours for the year (2 weeks) before ceasing employment and one executive was Acting Managing Director for 699 hours (1,277 hours as an executive). Therefore, total AEE is 6 plus 0.038 (76/1,976) plus 0.646 (1,277/1,976) = 6.68.

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

### Accumulation superannuation plan

Accumulation superannuation plans receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with the Superannuation Guarantee Legislation – 9 per cent as at 30 June 2013. No other liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the plans.

### Defined benefit plan

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

Coliban Water makes employer contributions to the defined benefit category of the Plan at rates determined by the Trustee on the advice of the Plan's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Plan's Actuary as at 31 December 2011, Coliban Water makes the following contributions:

› 9.25 per cent of members' salaries (9.25 per cent in 2011/12)

In addition, Coliban Water reimburses the Plan 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).

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 Plan. As such, assets accumulate in the Plan to meet member benefits, as defined in the Trust Deed, as they accrue.

### 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.

The projected value of Coliban Waters contribution to the shortfall at 30 June 2012 amounted to \$1,069,353 when excluding contributions tax, but amount to \$1,258,063 when including contributions tax, which was accounted for in the 2011/12 Comprehensive Operating Statement within Employee Benefits (see Note 2) and in the Balance Sheet in Non-current payables (See Note 10). As Coliban Water has not been notified of any shortfall at 30 June 2013, no further amount has been accounted for in the 2012/13 Comprehensive Operating Statement within Employee Benefits (see Note 2) and in the Balance Sheet in Non-current payables (see Note 10).

The Plan's surplus or deficit (i.e. the difference between plan assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions) and for the calculation of accrued benefits a required in AAS to provide the values needed for the AASB disclosure in the Coliban Water's financial statements. AAS25 requires that the present value of the defined benefit liability be calculated based on the 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.

The amount of the unpaid shortfall at 30 June 2013 is \$nil (\$1,258,063 2011/12). This is reflected in the Balance Sheet in Non-current payables (see Note 10).

Accrued benefits			31 Dec 2011 (\$'000)	
The Plan's liability for accrued benefits was determined in the 31 December 2011 actuarial investigation pursuant to the requirements of Australian Accounting Standard AAS25 follows:				
Net Market Value of Assets			4,315,324	
Accrued Benefits (per accounting standards)			4,642,133	
Difference between Assets and Accrued Benefits			(326,809)	
Vested Benefits (Minimum sum which must be paid to members when they leave the fund)			4,838,503	
The financial assumptions used to calculate the Accrued Benefits for the defined benefit category of the Plans were:				
Net Investment Return			7.50% p.a.	
Salary Inflation			4.25% p.a.	
Price Inflation			2.75% p.a.	
Superannuation contributions				
Coliban Water contributes in respect of its employees to the following superannuation schemes:				
Superannuation scheme	Type of scheme	Rate	2013 (\$'000)	2012 (\$'000)
Vision Super	Defined Benefits	12.25%-9.25%	60	58
Vision Super	Accumulated Contribution	9.0%	435	419
Emergency Services & State Superannuation	Defined Benefits	10.3%-9.5%	47	59
VicSuper Scheme	Accumulated Contribution	9.0%	47	55
Other Superannuation Funds	Accumulated Contribution	9.0%	381	302
Employee Personal Superannuation Funds	Accumulated Contribution	9.0%	42	65
Total contributions to all funds			1,012	958
As at the reporting date, there was \$1,114 owing to Vision Super (2011/12 \$1,258,063).				
As at the reporting date, there were no loans to or from Coliban Water to any of the above funds.				

## 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 identifies, evaluates and hedges financial risks in close co-operation with Coliban Water's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risks, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### Risk Exposures

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

### (a) Market risk

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

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

#### (i) Interest rate risk

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

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

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

#### (ii) Other price risk

Coliban Water has no significant exposure to Other Price Risk. Coliban Water holds 40,000 shares in Bendigo Community Telco Limited. Bendigo Community Telco Limited are listed on the National Stock Exchange of Australia and therefore the reported value of the shares at 30 June 2013 – \$60,000 (30 June 2012 – \$40,000) are based on their share value as at that date.

### Market Risk Sensitivity Analysis

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

	Carrying Amount	Interest Rate Risk			
		-1%		+1%	
2012/2013	(\$'000)	Result (\$'000)	Equity (\$'000)	Result (\$'000)	Equity (\$'000)
<b>Financial Assets</b>					
Cash and cash equivalents	4,810	(48)	(48)	48	48
Other financial assets	60	–	–	–	–
<b>Total Financial Assets</b>	<b>4,870</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>2011/2012</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	1,192	(12)	(12)	12	12
Other financial assets	40	–	–	–	–
<b>Total Financial Assets</b>	<b>1,232</b>	<b>(12)</b>	<b>(12)</b>	<b>12</b>	<b>12</b>
<b>Financial Liabilities</b>					
Borrowings – floating interest rate loans	2,082	21	21	(21)	(21)
<b>Total Financial Liabilities</b>	<b>2,082</b>	<b>21</b>	<b>21</b>	<b>(21)</b>	<b>(21)</b>
<b>Total Increase/(Decrease)</b>		<b>9</b>	<b>9</b>	<b>(9)</b>	<b>(9)</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 and financial assets available for sale.

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

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

**(c) Liquidity risk**

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

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

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

	Floating Interest Rate (\$'000)	Fixed Interest Rate Maturing						Non-interest Bearing (\$'000)	Total (\$'000)	Weighted Average Interest Rate (%)
		1 year or less (\$'000)	1 to 2 years (\$'000)	2 to 3 years (\$'000)	3 to 4 years (\$'000)	4 to 5 years (\$'000)	Over 5 years (\$'000)			
<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)	—	—	—	—	—	—	—	13,844	13,844	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>13,844</b>	<b>443,308</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>5,112</b>	<b>(419,544)</b>	
<b>2011/12</b>										
<b>Financial Assets</b>										
Cash and cash equivalents	1,190	—	—	—	—	—	—	2	1,192	1.71%
Receivables (excl. GST)	—	—	—	—	—	—	—	20,796	20,796	n/a
Other financial assets	—	—	—	—	—	—	—	40	40	n/a
<b>Total Financial Assets</b>	<b>1,190</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>20,838</b>	<b>22,028</b>	
<b>Financial Liabilities</b>										
Payables (excl. GST)	—	—	—	—	—	—	—	13,902	13,902	n/a
Finance lease liabilities	—	3,033	3,274	3,535	3,816	4,119	74,042	—	91,819	7.65%
Loans from TCV	2,082	—	23,000	25,000	24,000	25,000	204,000	—	303,082	5.88%
<b>Total Financial Liabilities</b>	<b>2,082</b>	<b>3,033</b>	<b>26,274</b>	<b>28,535</b>	<b>27,816</b>	<b>29,119</b>	<b>278,042</b>	<b>13,902</b>	<b>408,803</b>	
<b>Net Financial Liabilities</b>	<b>(892)</b>	<b>(3,033)</b>	<b>(26,274)</b>	<b>(28,535)</b>	<b>(27,816)</b>	<b>(29,119)</b>	<b>(278,042)</b>	<b>6,936</b>	<b>(386,775)</b>	

## Note 22: Commitments

	2013 (\$'000)	2012 (\$'000)
<b>a) Capital expenditure commitments</b>		
The value of capital expenditure commitments including GST outstanding as at 30 June 2013 totalled \$15.7 million (2011/12: \$14.9 million).		
Capital expenditure commitments		
Not later than one year	14,043	14,468
Later than one year and not later than five years	1,610	456
Later than five years	–	–
<b>Total capital expenditure commitments</b>	<b>15,653</b>	<b>14,924</b>
<b>b) Operating service commitments</b>		
The value of operating service commitments including GST as at 30 June 2013 totalled \$153.0 million (2011/12 – \$132.5 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 to support the delivery of its outputs. Operating expenditure commitments are due and payable as follows:		
Operating expenditure commitments		
Not later than one year	18,320	24,670
Later than one year and not later than five years	59,449	25,721
Later than five years	75,181	82,114
<b>Total operating expenditure commitments</b>	<b>152,950</b>	<b>132,505</b>
<b>c) Environmental contribution commitments</b>		
There were environmental contribution commitments as at 30 June 2013 of \$9.8 million (2011/12 – \$11.8 million). See Note 1(vii) for an explanation of these commitments.		
Environmental contribution commitments		
Not later than one year	3,211	2,031
Later than one year and not later than five years	6,544	9,816
Later than five years	–	–
<b>Total environmental contribution commitments</b>	<b>9,755</b>	<b>11,847</b>

## 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 Veolia Water Australia Pty Ltd for provision of water treatment services for Bendigo, Castlemaine and Kyneton. Commercial acceptance of this facility was granted on 1 June 2002.				
Coliban Water signed a contract deed on 26 November 2002 with Water Infrastructure Group Pty Ltd for the provision of water reclamation and reuse services for Echuca and Rochester. Water Infrastructure Group Pty Ltd is a fully owned subsidiary of Earth Tech Engineering Pty Ltd, which is an Australian subsidiary of the global company, Tyco International Ltd. Commercial acceptance of this facility was granted on 28 September 2004.				
The above contracts, which comprise both fixed and variable components, commit Coliban Water to the payment of significant tolls over the 25 year contract periods.				
As ownership of the asset(s) will be transferred to Coliban Water at the end of the contractual term and this term is for the major part of the economic life of the asset(s), Coliban Water accounts for the asset(s) under the BOOT schemes as a finance lease.				
<b>Value of expected future obligations</b>				
<b>(a) Finance lease commitments</b>				
Commitments for minimum lease payments (excluding GST of \$8.9 million as at 30 June 2013 and \$9.2 million as at 30 June 2012), in relation to finance leases are payable as follows:				
	<b>Nominal</b>		<b>Present Value</b>	
	<b>2013 (\$'000)</b>	<b>2012 (\$'000)</b>	<b>2013 (\$'000)</b>	<b>2012 (\$'000)</b>
Not later than one year	9,979	9,979	3,274	3,033
Later than one year and not later than five years	39,915	39,916	15,917	14,744
Later than five years	100,287	110,265	69,595	74,042
	<b>150,181</b>	<b>160,160</b>	<b>88,786</b>	<b>91,819</b>
Less future interest charges	61,395	68,341	–	–
<b>Total finance lease commitments</b>	<b>88,786</b>	<b>91,819</b>	<b>88,786</b>	<b>91,819</b>

	Nominal	
	2013 (\$'000)	2012 (\$'000)
<b>(b) Represented by lease liabilities</b>		
Current lease liability	3,274	3,033
Non-current lease liability	85,512	88,786
<b>Total finance lease liabilities – BOOT schemes</b>	<b>88,786</b>	<b>91,819</b>
<b>(c) BOOT operating commitments (not including future interest charges but including GST) contracted for but not recognised as liabilities</b>		
Not later than one year	6,126	5,940
Later than one year and not later than five years	26,528	25,721
Later than five years	75,181	82,114
	<b>107,834</b>	<b>113,775</b>
The above BOOT operating commitments are included in operating service commitments – Note 22(b).		

## Note 24: Operating lease commitments

	2013 (\$'000)	2012 (\$'000)
<b>a) Operating lease on head office building</b>		
Coliban Water signed an Operating Lease agreement on 20 September 2000 for lease of the Coliban Water Head Office building at Bridge Street Bendigo. The operating lease is for a period of twenty (20) years commencing 1 September 2000 with lease payments commencing 1 November 2002.		
Coliban Water signed another Operating Lease agreement on 24 December 2010 for lease of a second Head Office building at 30 Bridge Street Bendigo. The operating lease is for a period of five (5) years commencing 1 March 2011.		
Total lease payments over the remaining periods of the leases including GST are expected to be \$1.7 million (2011/12 – \$2.1 million).		
Operating lease expenditure commitments		
Not later than one year	364	361
Later than one year and not later than five years	976	1,394
Later than five years	339	375
<b>Total operating expenditure commitments</b>	<b>1,679</b>	<b>2,129</b>
<b>b) Operating leases on motor vehicles</b>		
Coliban Water also has a number of Cancellable Operating Leases for the lease of motor vehicles. Operating lease rentals paid (including GST) for 2012/13 totalled \$333,645 (2011/12 – \$328,968) have been included in Operating and Administration Expenses in the determination of the operating result for the accounting period.		

## Note 25: Contingent liabilities and contingent assets

There were no material contingent liabilities or contingent assets at 30 June 2013 (2011/12 – \$nil).

## Note 26: Financing facilities

The bank overdraft limit of Coliban Water is \$400,000. This facility is subject to annual review and at 30 June 2013 the amount of unused credit was \$400,000 (2011/12 – \$400,000).

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

Loan facilities from Treasury Corporate of Victoria have various maturity dates through to 2026 and may be extended by mutual agreement.

## Note 27: Auditors remuneration

The fee for auditing the financial statements of Coliban Water excluding GST for 2012/13 has been set at \$76,250 (2011/12 – \$80,750) by the Victorian Auditor-General Office. No other benefits were received or are receivable by the Victorian Auditor-General Office.

## Note 28: Events occurring after the balance sheet date

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

## INDEPENDENT AUDITOR'S REPORT

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

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2013 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.

#### *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 2013 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*

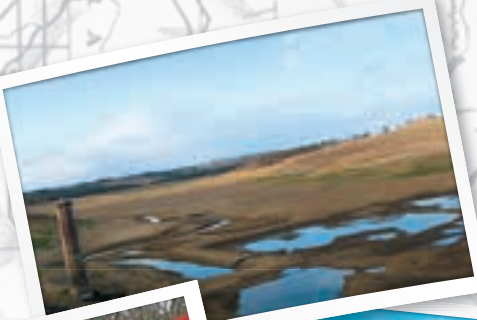
This auditor's report relates to the financial report of the Coliban Region Water Corporation for the year ended 30 June 2013 included both in the Coliban Region Water Corporation's annual report and on the website. The Board Members of the Coliban Region Water Corporation are responsible for the integrity 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 this financial report. 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 2013

  
For John Doyle  
Auditor-General







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