

**Annual Report**  
2009–2010



# Introduction

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## About this report

This Annual Report describes the programs, initiatives and actions we undertook between 1 July 2009 and 30 June 2010.

## Vision

To meaningfully contribute to improving living standards in our region.

## Mission

To realise our vision by:

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

## Our Profile

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

Our shareholder is the Victorian Government. The responsible Minister is The Hon. Tim Holding MP, Minister for Water.

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

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Photography supplied by: Coliban Water, Shooter Photography, Bendigo Advertiser and Bendigo Weekly.

# Introduction

## Connections

	30 June 2010	30 June 2009
Residential	59,592	58,101 <sup>3</sup>
Non-Residential	6,547 <sup>1</sup>	6,445 <sup>3</sup>
Rural Licences	1,698 <sup>2</sup>	1,738

1. This includes non-residential urban customers with recycled water connections
2. Decrease in number due to consolidation of rural licences throughout our system
3. Figure re-calculated and corrected for 2008/09

## Services

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

Our services include:

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

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

## Asset Snapshot

The assets we manage to deliver our services include:

- › 2,201 kilometres of water mains
- › 33 kilometres of recycled water infrastructure
- › 1,763 kilometres of sewer mains
- › 492 kilometres of rural channels
- › 69 kilometres of main channels
- › 19 water treatment plants\*
- › 16 water reclamation plants
- › 48 water reservoirs and service basins
- › 182 wastewater pump stations
- › 65 water pump stations.

\*Previously counted booster chlorination sites.

Raywood is now part of the Bendigo treatment system whilst water carting is in place.

## Asset Values

	Net book value
Land	\$17.593M
Buildings	\$3.019M
Corporate assets	\$1.967M
Water infrastructure	\$273.948M
Water distribution infrastructure	\$93.408M
Sewer infrastructure	\$245.677M
Recycling infrastructure	\$38.602M
Rural	\$12.463M
Headworks	\$111.150M
BOOT <sup>1</sup> schemes infrastructure	\$79.593M
Work in progress	\$72.895M
<b>TOTAL</b>	<b>\$950.315M</b>

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

# Coliban Water Service Region

including water supply systems within the region

VICTORIA



**LEGEND**  
WATER SUPPLY SYSTEMS

<span style="color: blue;">■</span> CAMPASPE	<span style="color: red;">●</span> LODDON
<span style="color: green;">●</span> COLIBAN	<span style="color: orange;">■</span> MURRAY
<span style="color: blue;">●</span> GOULBURN	<span style="color: blue;">●</span> WIMMERA
<span style="color: yellow;">■</span> GROUNDWATER	

Diagram for illustration purposes only.

# Chairman and Managing Director's Message

## Water Security

Our region is reaping the benefits of our substantial investment in water security infrastructure.

Construction of the Goldfields Superpipe, Bendigo Recycled Water Factory and pipelines to smaller communities is expanding our water grid. Access to the open water market has also created greater flexibility enabling us to build a water reserve of more than two years for towns in the Bendigo, Castlemaine and Kyneton areas.

Our overall water storage position has improved by over 19,600 megalitres in the past 12 months, and across our region we have been able to ease restrictions in 29 of our 49 towns.



*Axe Creek channel*

In areas with higher levels of water security our focus has moved away from planning for the worst to guaranteeing supply, so as to offer our customers more choice in their water usage.

For towns not connected to the water grid, we continue to work toward providing a higher level of water security.

In the year ahead, we hope the community will get involved in the review and renewal of our 50-year water security plan *WaterPlan 2055* that has been substantially implemented in the last five years.

## Capital Works

We invested \$30.4 million in capital works across our region this year. With respect to our current *Water Plan 2008–2013*, including some projects carried over from the previous Plan, we have completed 210 projects to date – with 159 in progress and 54 under investigation.

Some key projects include:

- › Construction of a desalination plant at Bridgewater to improve water quality for Bridgewater and Inglewood customers
- › Building sewer systems for fire affected properties in Bendigo
- › Planning for the pipeline to connect Raywood and Sebastian customers to Bendigo
- › Duplication of sections of the Eppalock to Sandhurst pipeline to increase capacity
- › Continuation of our water quality improvement program at treatment plants across our region.

We have also been planning for the upgrade of the Bendigo Water Treatment Plant to allow us to treat water from multiple sources, ease restrictions, and meet demand as Bendigo's population grows.



*Controlled burn off undertaken by CFA near Bendigo Water Treatment Plant, November 2009*

## Financial Position

Our revenue increased by \$6 million to \$64 million this year, but was \$5 million less than we projected at the start of our *Water Plan 2008–2013*.

High rainfall in February and March, our highest revenue months for water sales, significantly impacted on our revenue.

There was a decrease in expenditure as well, meaning the net result for the period (excluding other economic flows and income tax) of \$28.5 million. This loss was slightly worse than what we had planned.

## Pricing Review

It became clear during the first year of our *Water Plan 2008–2013* that assumptions about water availability, water restriction levels and revenue were incorrect. Our operating environment had changed with inflows in the first year of the Water Plan from rainfall being only 25 per cent of the long-term average and 59 per cent of the short-term average.

Being unable to ease water restrictions as quickly as we had planned and having to spend more to provide water to our customers has had a significant impact on our financial position.

During the year, we applied to the Essential Services Commission (ESC) to change the way we charge for water. The ESC's determination to bring our water prices forward will enable us to return to positive cash flow next year, and to break even in the final year of our *Water Plan 2002–2013*.

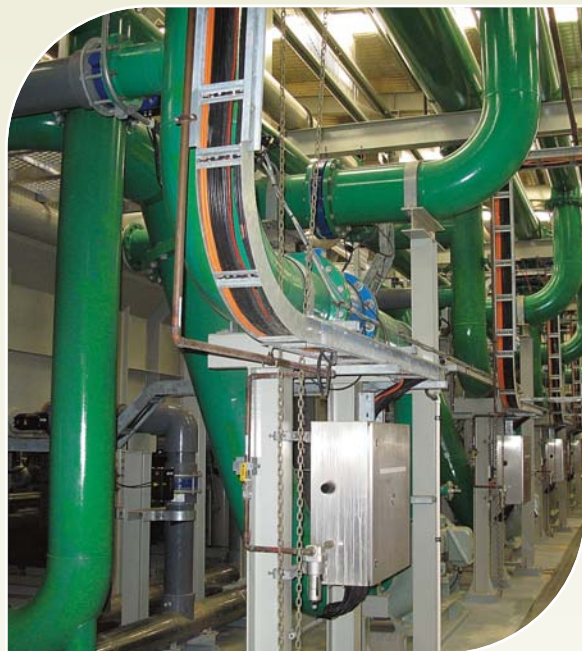


## Our People

This year we continued to build our internal capacity and corporate knowledge to reduce our reliance on consultants.

We thank our own employees for their dedication and commitment. Their ability to adapt to a rapidly changing environment has enabled us to continue deliver for our customers during this very challenging time in our history.

Two Board Directors retired this year, Jenny Dawson served for 10 years and Don Erskine three years. We thank them both for their respective contributions and wish them all the best in their future endeavors.



Above: Bendigo Water Treatment Plant  
Left: Lauriston Reservoir

# Strategic Direction

An outcome of our corporate planning process earlier this year was a focus on sustainable water management and regional sustainability, with key drivers for an increased focus on sustainability being:

- › The carbon foot print of an increase in the size and complexity of our infrastructure projects
- › A continuing reliance on the water market to secure supplies
- › Delivering water security for our customers including reducing the level of restrictions. This includes getting the Coliban System Northern to Stage 1
- › The carbon footprint of an increased reliance on pumping
- › Continued change in the demographics and expectations of our customers to be more sustainable
- › Closer interest and scrutiny of customers and the public in the provision of our services
- › Major upgrade to the Bendigo Water Treatment Plant to allow easing of restrictions in the Coliban System Northern to Stage 1, whilst water is still being largely sourced from the Goulburn System.

Our vision is to meaningfully contribute to improving living standards in our region by:

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

Our strategic focus is about enabling Coliban Water to meaningfully contribute to the well being of the region through creating a sustainable organisation that is customer focused, financially diligent and able to continually adapt to constant change and the opportunities it brings.

This report provides information about each of our Key Result Areas, objectives and our performance.

## Key Result Area

*Engage with the community and stakeholders to understand and meet their water cycle needs.*

**Objective 1** Understand what customers, communities and other stakeholders want.

**Objective 2** Provide customers with information to make informed input into decisions.

**Objective 3** Engage with all stakeholders.

## Key Result Area

*Build, operate and maintain sustainable water cycle infrastructure to meet the needs of our community for now and into the future utilising best practice.*

**Objective 1** Ensure our capital expenditure program meets the immediate and strategic needs of our community.

**Objective 2** Build fit-for-purpose infrastructure on time and on budget.

**Objective 3** Operate our infrastructure to ensure community needs and regulatory standards are met.

## Key Result Area

*Ensure improved services, increased standards of living and commercial viability are incorporated into all our financial plans.*

## Key Result Area

*Ensure our sustainability and actively contribute to the sustainability of the region.*



*Construction at the Korong Vale basins, November 2009*



# Community Engagement

During the year we have maintained our commitment to keeping our communities informed and more involved in our business operations and decision-making. We will continue to seek these engagement opportunities, allowing us to develop a greater understanding of our customers needs.

## Community Committees

We have three committees in place to help us guide planning and decision making for major projects.

### Harcourt Water Services Committee

- › Provides community input into the modernisation of the Harcourt rural system
- › The committee met six times during the year
- › The committee has been a valuable sounding board on key modernisation issues. The group has been involved in the development of the business case for Bendigo-Castlemaine Link project and its relationship to the Harcourt modernisation project
- › The committee is contributing to final proposals regarding the pricing of the system.

### Raywood-Sebastian Water Services Committee

- › Provides community input from both urban and rural customers into the Raywood-Sebastian pipeline project
- › The committee met seven times during the year
- › The committee has assisted in providing customer input to the Raywood-Sebastian pipeline project and the modernisation of our rural system in this area.

### Rural Customer Advisory Group (CAG)

- › Provides a link to our rural community
- › Meetings are held quarterly
- › Has a strong focus on the modernisation of the rural system, providing a sounding board on a range of issues that need to be addressed as part of the modernisation process.

The Urban Customer Advisory Group is no longer operational. We have been exploring a number of other methods to gain customer input, including targeted market research and focus groups.

## Customer and Stakeholder Research

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

This year we commissioned research to understand:

- › Customer needs and aspirations around water security, water restrictions and pricing
- › The performance of our customer centre compared to other water organisations and utilities
- › How customers viewed our performance in dealing with their enquiries
- › If education influences water use behaviour.



*Coliban Water drinking water fountain in action*



# Community Engagement

## Media and General Communications

Based on where customers tell us they get their information, we continued to use media relations, direct mail and our website as our key methods of general communication with customers.

### Media

We issued 81 media releases and information statements this year compared to 94 last year and 46 the previous year.

### Website

Website visits increased by 14.95% from 65,694 to 75,515. We also launched a Blog for our Managing Director in December last year.

## Management of Social and Economic Impacts

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

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

We actively seek to ensure customers receive all relevant concession entitlements, and approved over 7,000 payment arrangement plans during the year. Our customer service staff are trained in assisting customers experiencing hardship, and this training is refreshed regularly.

## Community Service Obligations

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

Concessions for residential customers (tenants or owner-occupiers) are limited to a maximum of 50 per cent off water and sewerage costs up to a maximum of \$216.60 per year, or if a household is billed for only a water or sewerage service, the concession is capped at \$108.30 per year.

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

Concessions and Rebates			
	2009/10	2008/09	2007/08
Not for profit rebates	\$263,878	\$279,878	\$266,268
Pension concessions	\$3,499,256	\$3,180,040	\$2,504,767
Utility Relief Grants	\$8,653	\$7,851	\$2,450
Water concession: life support machines/haemodialysis	\$497	\$345	\$234
Hardship relief grant scheme	\$44,534	\$92,926	*\$108,450

\* Figure re-calculated and corrected for 2007/08

## Customer Contact Centre

We have a dedicated Customer Contact Centre in Bendigo for telephone enquiries and over-the-counter contacts. We have handled almost 100,000 customer contacts during the year.

This year we have consistently exceeded the requirements of the Essential Services Commission Grade of Service, with an annual average of 86.3 per cent of calls answered within 30 seconds against a target of 85 per cent.



*Green Project showerhead exchange program launched by Member for Bendigo East Jacinta Allan MP, October 2009*

## Indigenous Consultation

Cultural heritage assessment of the preferred Raywood-Sebastian pipeline alignment began in early 2010. A representative from the Dja Dja Wurrung Clans Aboriginal Corporation accompanied our consultants, Andrew Long and Associates, on the field survey.

Results of the assessment determined that no Aboriginal cultural heritage places were identified within the preferred alignment corridor. However, due to some small areas identified as having moderate archaeological sensitivity, further assessment and the development of a Cultural Heritage Management Plan is required for the project. This element of works will occur from July 2010 onwards, with input and evaluation from the Dja Dja Wurrung Clans Aboriginal Corporation.

A standard cultural heritage assessment was also undertaken as part of our detailed planning for the Bendigo – Castlemaine Link and Harcourt Rural Modernisation project in late 2009. A representative from the Dja Dja Wurrung Clans Aboriginal Corporation accompanied our consultant, Biosis Research Pty Ltd, on the field survey.

The results identified a number of archaeological sensitive sites and recommended that a complex heritage assessment be undertaken and a Cultural Heritage Management Plan be developed for the project.

Cultural heritage consultant SKM Pty Ltd has been appointed to undertake the complex heritage assessment, with this element of work to commence in July 2010.

## Energy and Water Ombudsman

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

During 2009/10 three complaints were referred to EWOV for investigation and 37 cases were referred to higher level contact for investigation. In addition, 22 enquiries to EWOV were noted for Coliban Water.

EWOV referred the equivalent of 0.6 complaints for every 1,000 customers to us for action during 2009/10, compared to the Essential Service Commission's target of 0.3 per 1,000 customers. Whilst this is an increase on 2008/09 in numerical terms, it does reflect an increasing trend in the water industry generally, and at 3 per cent of water industry cases remains below EWOV's expected target of an equivalent proportion of case share to our customer base share (11 per cent).

## Community Inclusiveness

We comply with the Victorian Government's policy framework on multicultural and gender issues and youth and indigenous affairs.

We respect the diversity of our customers and our employees and try to deliver culturally appropriate communications that meet their needs and expectations.

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

## WaterSmart Rebates

Our customers continued to take advantage of the Victorian Government's Water Smart Gardens and Homes Rebate Scheme. The total amount rebated during 2009/10 was \$84,040.

## Water Restriction Enforcement

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

During the year 97 water restriction offences were reported compared to 620 in 2008/09. All reports were investigated and most found, not in breach of water restrictions, to relate to using grey water systems or rain water supplies.

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

In 2009/10 we had 974 customers register for a potable water 'Water Carter Permit' and 29 register for recycled water.

Water Restriction Compliance 2009/10	Number
Water restrictions offender investigations	97
High water consumption investigations	3
Penalty infringement notices issued	0
Restrictors applied for breach of water restrictions	2
<b>TOTAL ACTIONS</b>	<b>102</b>

# Water Security

## Water Supply Systems

We manage nine separate urban water supply systems in the Coliban Water Region. This includes two separate groundwater supply systems in Elmore and Trentham. Since the connection of the Goldfields Superpipe to Bendigo in 2007, the Coliban supply system is now divided into Coliban System Northern and Coliban System Southern. *Refer to page 3 to see the towns in each of our supply areas.*

## Water Contingency Strategy / Water Resource Plan

Following the release of our *Water Contingency Strategy* in March 2009, we have continued to review our water resource position. The *Water Contingency Strategy* details actions for severe water resource shortages.

This year we developed a detailed *Water Resource Plan*. As a result of improvements in our storage position and improving outlooks, our Plan forecasts either maintaining or easing restriction levels in all of our systems.

### Water Balance Volume Notes:

1. *Water held in storage is 56,388 megalitres, 19,637 megalitres or 53 per cent more than at June 2009.*

*The three largest increases in storage water were: 9,076 megalitres additional water held in storage in the Lauriston Reservoir; 6,995 megalitres delivered by the Goldfields Superpipe from Waranga Western Channel and stored in Lake Eppalock; and 2,304 megalitres of Goulburn Water Shares allocation stored in Lake Eildon.*

*This water is available for supply to the Coliban System Northern area in 2010/11, via the Goldfields Superpipe interconnection with Sandhurst Reservoir.*

2. *69 per cent of our water resource, or 39,176 megalitres, is held in our storages, including our share of Lake Eppalock. The remaining 17,212 megalitres, is held in storages controlled by Goulburn-Murray Water.*
3. *Almost 70 per cent of the water held in Lake Eppalock at 30 June 2010 is managed by Coliban Water.*
4. *Wimmera System – Korong Vale is now supplied via the Wimmera Mallee Pipeline to water storage tanks on site. The pre-existing storage basins have been decommissioned.*

## Water Balance Volumes

	As at 30 June 2009 ML	As at 30 June 2010 ML	% Full 30 June 2010
<b>Storage volume in our region</b>			
Coliban System Northern – Sandhurst Reservoir	1,749	2,110	81%
Coliban System Northern – Caledonia Reservoir	88	120	56%
Coliban System Northern – Lake Eppalock (Coliban Share)	11,556	18,551	34%
Coliban Rural Northern – Spring Gully Reservoir (Recycled Water)	436	680	40%
Coliban System Southern – Upper Coliban Reservoir	128	483	1%
Coliban System Southern – Lauriston Reservoir	6,194	15,270	86%
Coliban System Southern – Malmsbury Reservoir	346	465	2%
Coliban System Southern – McCay Reservoir	1,298	882	65%
Coliban Rural Southern – Barkers Creek Reservoir	73	536	32%
Groundwater – Trentham Storages	59	79	87%
Wimmera System – Korong Vale	194	Note 4	n/a
<b>Total</b>	<b>22,121</b>	<b>39,176</b>	<b>28%</b>
<b>Available water in other systems</b>			
Campaspe System Bulk Entitlement – held in Lake Eppalock	47	70	n/a
Campaspe System – Water shares held in Lake Eppalock	334	317	n/a
Coliban System Northern – held in Lake Eildon	10,913	13,217	n/a
Goulburn System – held in Lake Eildon	223	554	n/a
Loddon System, held in Loddon storages	113	228	n/a
Murray System – held in Murray River storages	3,000	2,826	n/a
<b>Total</b>	<b>14,630</b>	<b>17,212</b>	<b>n/a</b>
<b>TOTAL</b>	<b>36,751</b>	<b>56,388</b>	<b>n/a</b>

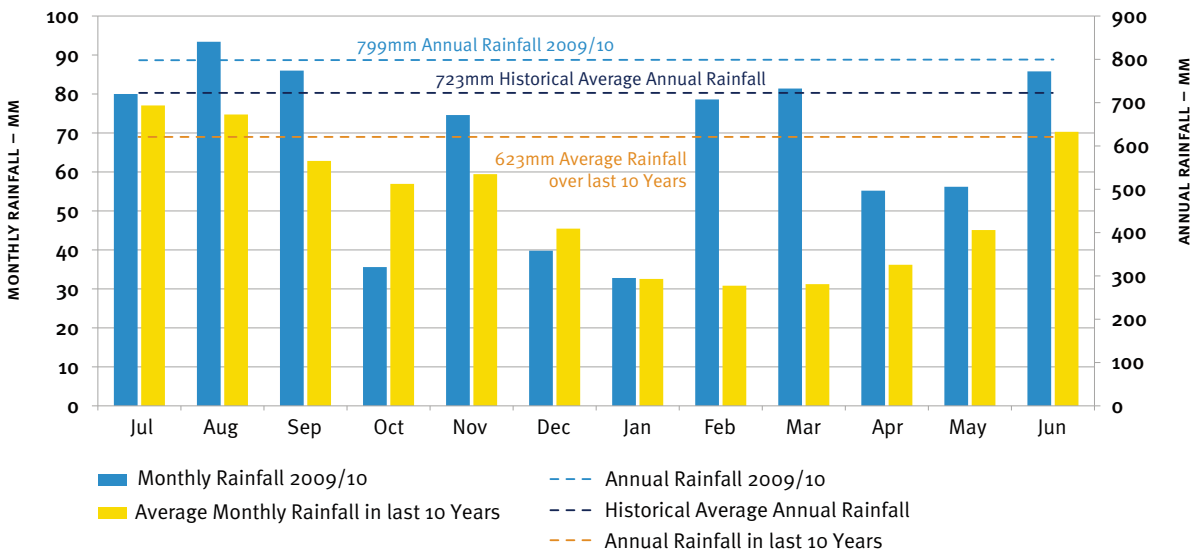
## Rainfall and Water Inflows

Our three main Coliban System catchment storages, Upper Coliban, Lauriston and Malmsbury, are located south of Malmsbury.

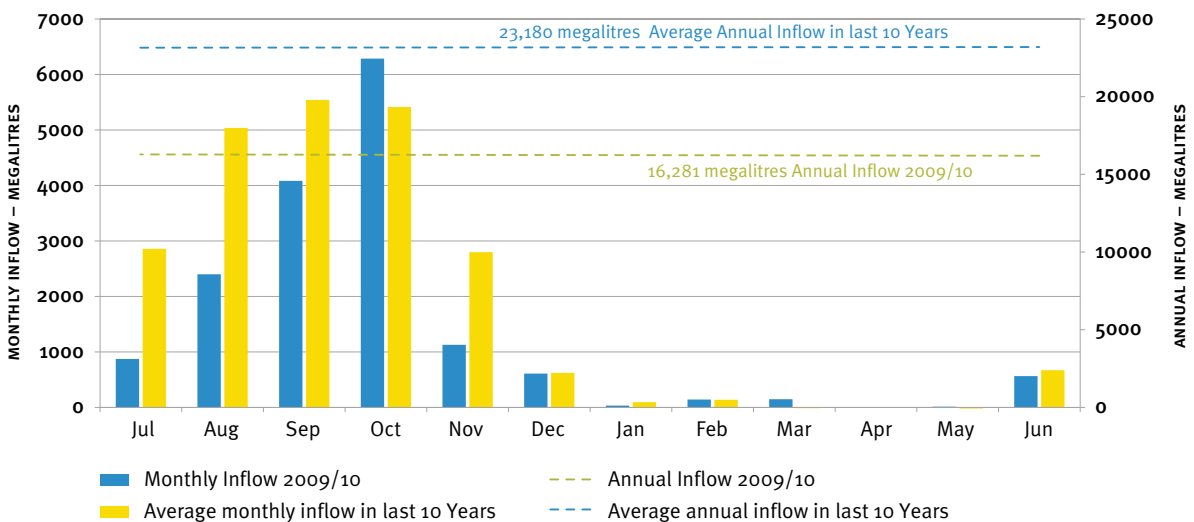
Rainfall at Malmsbury Reservoir was 799 millimetres for the year. This is 28 per cent more than the 10-year average of 623 millimetres and 11 per cent more than the long-term historical average of 723 millimetres. Above-average rainfall fell in all months except October and December.

Inflows to the Coliban storages for the year were 16,281 megalitres. This is the largest inflow in the last six years but is still only 26 per cent of the long-term average inflow of 62,000 megalitres and 70 per cent of the 10-year average inflow of 23,180 megalitres.

**Malmsbury Reservoir Monthly Rainfall 2009/10**



**Coliban Storages Monthly Inflow 2009/10**

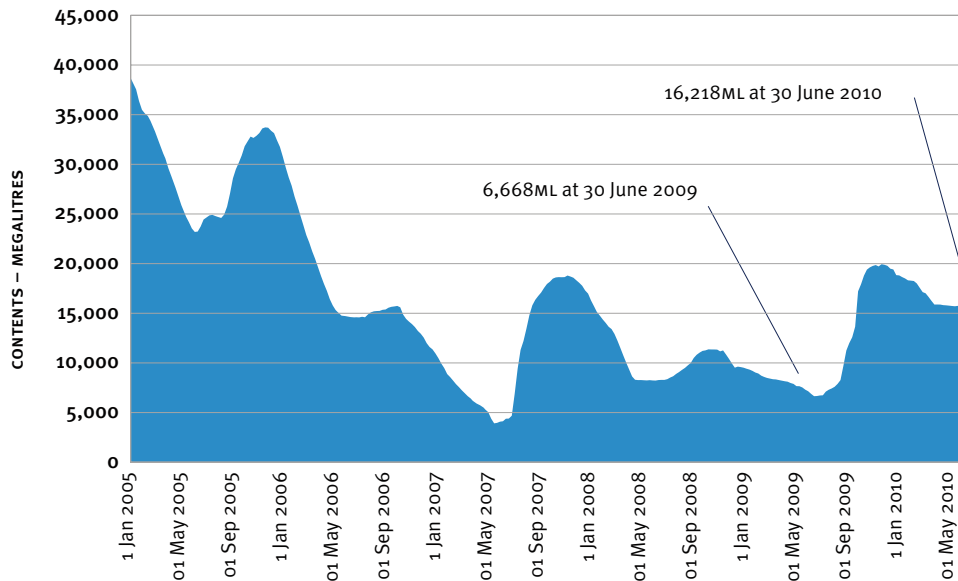


Although autumn inflow received for 2009/10 was still very low, it was the best autumn inflow we have received to our storages for the past nine years and indicates that the catchment is 'wetter' than we have experienced for some time.

Should good follow up winter-spring rains be received in 2010/11, we are hopeful that this will translate into good inflows to our storages.

# Water Security

**Coliban Storage Contents: Upper Coliban, Lauriston and Malmsbury Reservoirs**



## Supplementing Natural Inflows

Part of our water security strategy is to supplement the natural inflow from rainfall with purchases from the temporary water market. In 2009/10 we purchased 7,000 megalitres of temporary water from the Goulburn System for supply to Bendigo (Coliban System Northern).

The Goldfields Superpipe was used to transfer 17,931 megalitres of water from the Goulburn System into Lake Eppalock and to Sandhurst Reservoir in Bendigo. All water in our catchment reservoirs near Malmsbury has been held back to supply our Castlemaine and Kyneton areas and an emergency supply to eligible rural customers which are unable to receive water delivered via the Goldfields Superpipe.

The three Coliban catchment storages started the year at 6,668 megalitres (nine per cent of capacity). The storages rose to 19,945 megalitres (27 per cent) in late November before steadily falling to 15,706 megalitres in late May 2010. At 30 June 2010 they held 16,218 megalitres (22 per cent of capacity).

Our share of Lake Eppalock at the start of the financial year was 11,556 megalitres and at 30 June 2010 we had 18,551 megalitres in storage. Natural inflow into Lake Eppalock was estimated to be 2,500 megalitres with the rest delivered from the Goulburn System through the Goldfields Superpipe.

*Right: Malmsbury Tower refurbishment, April 2010*

## Water extracted by source

2009/2010	Megalitres
Direct river extraction	2,907
Groundwater	223
Draw from dams/impounding reservoirs	3,141
Channel supplies	20,490
<b>TOTAL</b>	<b>26,761</b>



## Bulk Water Entitlements

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

We also hold high and low reliability water shares in the Goulburn and Campaspe systems. The volumes taken during 2009/10 were as follows:

Supply System	Source of Supply	Bulk Entitlement Volume ML	Bulk Entitlement Allocation ML	Carry-over from 2008/09 ML	Raw Water Volume Taken ML	Carry-over to 2010/11 ML	Reporting requirements in accordance with Bulk Entitlement clause
<b>Campaspe</b>	<b>Campaspe River</b>						<b>See Note 1</b>
Bulk Entitlement Reference: Bulk Entitlement (Axedale, Goornong & part Rochester) Conversion Order 1999							
Axedale & Goornong		215	1075	69	73	70	12.1 (c) – Any credits granted – Nil 12.1 (d) – Metering program – Nil 12.1 (e) – Temporary or permanent transfer of all or part of BE – 35 ML to Axedale Golf Club (temporary) 12.1 (f) – Period of restriction – see page 15 12.1 (g)&(h) – Any amendment to BE, or new BE for Axedale, Goornong & Rochester – See Note 6 12.1 (i) – Any failure to comply with BE – Nil 12.1 (j) – Difficulties in complying – Nil
Rochester		134	0	N/A	0	N/A	
<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, Malmesbury & Lauriston and Lake Eppalock.	50,260		N/A	3,141	N/A	18.1 (f) – See Notes 2, 3, 4 & 5 18.1 (g) – Annual evaporation loss 3,270 megalitres 18.1 (h) – No internal spills in Lake Eppalock 18.1 (i) – Passing flows qualified under Temporary Qualification of Rights June 2009 18.1 (j) – Any credits granted – Nil 18.1 (k) – Temporary or permanent transfer of bulk entitlement – Nil 18.1 (l) – Bulk entitlement or licence transferred to CW – Nil 18.1(m) – Period of restriction –see page 15 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 – 2,890 megalitres 18.1 (q) – Any amendment to bulk entitlement – see Note 6 18.1 (r) – Any new bulk entitlement – Nil 18.1 (s) – Implementation of environmental and metering programs – Nil 18.1 (t) – Any failure to comply with BE – Nil 18.1 (u) – Difficulties in complying – Nil 18.1 (v) – Passing flows less than specified – Nil
<b>Goulburn</b>	<b>Waranga Western Channel</b>						
Bulk Entitlement Reference: Bulk Entitlement (Town) Conversion Order 1995							
Boort		425	425	16	202	203	13.1 (c) – Amount and location of water taken from other than specified point – Nil
Dingee		50	50		8	42	
Lockington		130	130	26	84	46	13.1 (d) – Water returned to channel system – Nil
Macorna		40	40		6	34	13.1 (e) – Metering program – Nil
Mitiamo		60	60		23	37	13.1 (f) – Change to security of supply and annual entitlement – Nil
Mysia		15	15		1	14	13.1 (g) – Temporary or permanent transfer of all or part of BE – see Note 7
Pyramid Hill		300	300		132	168	13.1 (h),(i),(j) – Any transfers of entitlement to, amendment of BE, or new BE – see Note 8
Rochester		1,400	1,400	408	1,153	10	
<b>Total</b>			<b>2,420</b>		<b>1,609</b>	<b>554</b>	13.1 (k) – Any failure to comply with BE – Nil 13.1 (l) – Difficulties in complying – Nil
<b>Groundwater</b>	<b>Groundwater</b>						
Elmore		284	185	N/A	130	N/A	
Trentham	Bore Spring Water	48 N/A	48 N/A	N/A N/A	15 78		
<b>Loddon</b>	<b>Loddon River</b>						<b>See Note 9</b>
Bridgewater & Inglewood		820	410	108	187	228	13.1 (c) – Any credits granted – Nil 13.1 (d) – Metering program – Nil 13.1 (e) – Temporary or permanent transfer of all or part of BE – Nil 13.1 (f) – Period of restriction – see page 15 13.1 (g) – Any amendment to BE – See Note 10 13.1 (h) – New BE granted – Nil 13.1 (i) – Any failure to comply with BE – Nil 13.1 (j) – Difficulties in complying – Nil
Laaneccoorie, Dunolly, Bealiba & Tarnagulla.					91		
Serpentine					12		
Jarklin					1		
<b>Total</b>					<b>292</b>		

# Water Security

Supply System	Source of Supply	Bulk Entitlement Volume ML	Bulk Entitlement Allocation ML	Carry-over from 2008/09 ML	Raw Water Volume Taken ML	Carry-over to 2010/11 ML	Reporting requirements in accordance with Bulk Entitlement clause
Wimmera	Wimmera Channel						See Note 11
Bulk Entitlement Reference: Bulk Entitlement (Wimmera and Glenelg Rivers – Coliban Water) Conversion Order 2004							
Korong Vale & Wedderburn. Borung Wychitella		450	380	N/A	37	N/A	17.1 (c) – Amount and location of water taken from other than specified point – Nil 17.1 (e) – Metering program – Nil 17.1 (f) – Change to reliability and annual entitlement – Nil 17.1 (g) – Temporary or permanent transfer of all or part of BE – Nil 17.1 (h) – Any BE or other entitlement transferred to supply primary entitlements under this order – Nil 17.1 (i) – Any amendment to BE – see Note 12 17.1 (j) – New BE granted – Nil 17.1 (k) – Any failure to comply with BE – Nil 17.1 (l) – Difficulties in complying – Nil
<b>Total</b>					45		
Murray River							
Bulk Entitlement Reference: Bulk Entitlement (River Murray – Coliban Water) Conversion Order 1999							
Cohuna Echuca Gunbower Leitchville		6,285	6,285	2,851	577 2,554 53 275	2,826	20.1 (c) – New offtake points – Nil 20.1 (d) – Water returned – Nil 20.1 (e) – Metering program – Nil 20.1 (f) – Temporary or permanent transfer of all or part of BE – Nil 20.1 (g) – Any BE or other entitlement transferred to supply primary entitlements under this order – Nil 20.1 (h) – Any amendment to BE – see Note 13 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>					3,459		
Goulburn	Waranga Western Channel						
Bendigo	Water Shares HR Water Shares LR	22,709 2,857.7	16,059	10,044	17,931	13,217	Temporary market purchase 7,000 megalitres Urban Trading Program purchase 379 megalitres Volume transferred to Bendigo 10,287 megalitres Volume transferred to Lake Eppalock 7,270 megalitres Volume transferred to Heathcote 373 megalitres
Campaspe	Lake Eppalock						
Bendigo	Water Shares HR Water Shares LR	2589 131.6	0	317	0	317	Carryover water from previous years

## Notes:

- Normal Bulk Entitlement is 215 megalitres. An allocation of 50 per cent of the Bulk Entitlement was granted for the year for Axedale and Goornong and zero allocation for Rochester.
- 2,431 megalitres discharged from Malmsbury Reservoir to Coliban Main Channel.
- 710 megalitres discharged from Lauriston Reservoir to Kyneton system.
- Nil pumped from Lake Eppalock to Heathcote.
- Nil pumped from Lake Eppalock to Eppalock-Sandhurst Pipeline.
- Campaspe and Coliban System Bulk Entitlements were amended by Temporary Qualification of Rights in the Campaspe Water System 2009.
- Temporary transfer of Bulk Entitlements and water allocations:
  - › 2375 megalitres from Rochester to Melbourne Water
  - › Urban Trade Program – Temporary transfers of water from irrigators:
    - 379 megalitres to Bendigo
    - 1.2 megalitres to Loddon
- Goulburn System Bulk Entitlements were amended by Temporary Qualification of Rights in the Goulburn Water System – July 2009.
- Normal Loddon Bulk Entitlement restricted to 50 per cent for 2009/10.
- Loddon System Bulk Entitlements were amended by Temporary Qualification of Rights in the Loddon Water System – July 2009.
- Wimmera System deliveries reduced due to Wimmera Mallee Pipeline construction. Town supply maintained by drawdown in storage volumes held from previous year.
- Wimmera System Bulk Entitlements were amended by Bulk Entitlement (Wimmera and Glenelg Rivers – Coliban Water) Conversion Further Amendment Order 2009.
- Murray System Bulk Entitlements were amended by Temporary Qualification of Rights in the Murray Water System – July 2009 and Bulk Entitlement (River Murray-Coliban Water) Conversion Further Amending Order 2009.



## Permanent Water Purchase

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

## Water Restrictions

Our *Drought Response Plan* was first implemented in 2002. At the start of the 2009/10, 48 towns across our region were on some level of water restriction and continued to be so for the entire year. Trentham was our only town on Permanent Water Saving Rules.

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



### Summary of water restrictions

Supply System	Summary 2009/2010
<b>Campaspe</b> Goomong.	<ul style="list-style-type: none"> <li>› Stage 4 in force on 1 July 2009</li> <li>› Stage 3 introduced on 1 November 2009 and remained in force on 30 June 2010</li> </ul>
<b>Coliban Urban Northern</b> Bendigo, Axedale and Heathcote areas. Raywood and Sebastian.	<ul style="list-style-type: none"> <li>› Stage 3 in force on 1 July 2009 and remained in force on 30 June 2010</li> <li>› Stage 4GE (General Exemption) in force on 1 July 2009 and remained in force on 30 June 2010</li> </ul>
<b>Coliban Urban Southern</b> Castlemaine and Kyneton areas.	<ul style="list-style-type: none"> <li>› Stage 4GE in force on 1 July 2009</li> <li>› Stage 3 introduced on 1 December 2009 and remained in force on 30 June 2010</li> </ul>
<b>Coliban Rural</b>	<ul style="list-style-type: none"> <li>› General allocation 0%</li> <li>› Ministerial qualification to allow 30% emergency allocation to eligible licence holders</li> </ul>
<b>Goulburn</b> Boort, Dingee, Lockington, Macorna, Mitiamo, Mysia, Pyramid Hill & Rochester.	<ul style="list-style-type: none"> <li>› Stage 2 in force on 1 July 2009</li> <li>› Stage 1 introduced on 1 November 2009 and remained in force on 30 June 2010</li> </ul>
<b>Groundwater</b> Elmore.	<ul style="list-style-type: none"> <li>› Stage 1 in force on 1 July 2009 and remained in force on 30 June 2010</li> </ul>
<b>Groundwater</b> Trentham.	<ul style="list-style-type: none"> <li>› Permanent Water Saving Rules in force on 1 July 2009 and remained in force on 30 June 2010</li> </ul>
<b>Loddon</b> Bealiba, Bridgewater, Dunolly, Inglewood, Jarclin, Laanecoorie, Serpentine and Tarnagulla.	<ul style="list-style-type: none"> <li>› Stage 4 in force on 1 July 2009 and remained in force on 30 June 2010</li> </ul>
<b>Murray</b> Cohuna & Gunbower. Echuca. Leitchville.	<ul style="list-style-type: none"> <li>› Stage 2 in force at 1 July 2009 and remained in force on 30 June 2010</li> <li>› Stage 2 in force at 1 July 2009. Stage 1 introduced on 1 November and remained in force on 30 June 2010</li> <li>› Stage 2 in force at 1 July 2009. Stage 1 introduced on 24 April 2010 and remained in force on 30 June 2010</li> </ul>
<b>Wimmera</b> Borong, Korong Vale, Wedderburn and Wychitella.	<ul style="list-style-type: none"> <li>› Stage 4 in force at 1 July 2009 and remained in force on 30 June 2010</li> </ul>

# Water Security

## Rural Usage

Rural customers had zero allocation for the season. A total of 69 customers met the criteria for an emergency supply under a Qualification of Rights approved by the Minister for Water. This qualification also allowed recycled water to be supplied to the Ascot and Axe Creek rural channels. This gave an additional 207 customers the opportunity to access water.

Emergency supply customers received an allocation of up to 30 per cent of their licence volume. Channel systems that could be supplied recycled water were allocated 40 per cent of their licence volume.

25 customers took up the opportunity of the rural trading option from the Goulburn System under our Goulburn Water Trading Pilot and one customer received water via our Urban Water Trading program.

System	Number of Rural Licences	Licence Volume (Megalitres)	Number of Licences Supplied	Volume Delivered (Megalitres)	Notes
Abbotts	102	391.32	2	5.5	Priority customers only
Ascot	45	810.72	44	313.0	Supplied recycled water
Axe Creek	85	509.88	84	89.1	Supplied recycled water
Campbells Creek	4	20.80	0	0	No supply
Cockatoo Hill	40	148.30	0	0	No supply
Coliban Main	183	1,616.40	9	176.8	Priority customers only
Cominis	16	190.10	0	0	No supply
Diamond Hill	17	98.80	0	0	No supply
Eagles	29	213.20	0	0	No supply
Ellesmere	45	211.42	44	100.1	Supplied recycled water
Emu No 1 & 2	46	357.40	2	38.8	Priority customers only
Emu Valley	175	977.60	0	0	No supply
Eppalock Pipeline	73	970.78	25	22.4	Supplied via the Goulburn Water Trading pilot
			6	164.8	Priority customers only
Fryers	1	10.00	0	0	No supply
Gaol Hill	5	22.00	0	0	No supply
Goornong	20	395.38	17	89.9	Supplied recycled water
Harcourt	103	2,299.20	18	573.3	Priority customers only
Huntly	6	41.70	6	1.0	Supplied recycled water
Ironstone	10	20.70	0	0	No supply
Jackass Flat	6	33.20	0	0	No supply
Kangaroo	3	43.20	3	14.5	Supplied recycled water
Lockwood	156	703.30	3	8.9	Priority customers only
Maiden Gully	48	344.90	3	74.1	Priority customers only
Mannes	15	156.90	0	0	No supply
Marong	35	309.20	0	0	No supply
Myers Flat	19	400.64	1	121.3	Supplied recycled water
Neilborough	17	39.80	0	0	No supply
Poverty Gully	20	89.80	0	0	No supply
Ranters	1	5.30	0	0	No supply
Raywood	70	371.90	0	0	No supply
Reservoirs	10	20.00	0	0	No supply
Sebastian	10	67.40	0	0	No supply
South Lockwood Pipeline	47	403.70	5	25.9	Priority customers only
			1	31.5	Supplied via the Urban Water Trading program

System	Number of Rural Licences	Licence Volume (Megalitres)	Number of Licences Supplied	Volume Delivered (Megalitres)	Notes
Sparrowhawk	1	5.30	0	0	No supply
Speciman Gully	31	430.40	7	41.2	Priority customers only
Speciman Hill	48	383.10	0	0	No supply
Spring Gully	42	194.90	1	0.8	Priority customers only
Strathfieldsaye	2	5.00	0	0	No supply
Trust	18	276.30	3	25.4	Priority customers only
Warrens	49	787.80	8	109.9	Priority customers only
White Hills	8	247.94	8	100.1	Supplied recycled water
Wilsons Hill	37	283.10	2	24.1	Priority customers only
<b>TOTAL</b>	<b>1,698</b>	<b>14,908.78</b>	<b>302</b>	<b>2,152.4</b>	

### In summary

Sources	Number of Rural Licences	Licence Volume (Megalitres)
Recycled	207	828.97
Priority	69	1,269.57
Goulburn	25	22.39
Urban	1	31.47

## Recycled Water Production and Usage

Recycled water was produced and used from the following water reclamation plants during 2009/10:

### Axedale

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

### Bendigo

The Bendigo Water Reclamation Plant produces Class A, Class B and Class C recycled water.

Class B and C are produced and supplied to Northgate Minerals' Fosterville Gold Mine, the Bendigo Livestock Exchange and local irrigators.

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

### Castlemaine

The Castlemaine Water Reclamation Plant produces Class C recycled water, which is supplied to the Castlemaine Golf Course via a pipeline and to earthworks companies for dust suppression and construction works via tanks in accordance with the Drought Relief Framework.

### Echuca

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

### Heathcote

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

### Kyneton

The Kyneton Water Reclamation Plant produces Class B and Class C recycled water, which is supplied to the Kyneton Racecourse and a local on-site irrigator.

### Rochester and Wedderburn

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

# Water Security



*Bendigo Recycled Water Factory*

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

Water Reclamation Plant	Recycled water usage volume (Megalitres)	
	2009/10	2008/09
Axedale	6	5
Bendigo		
> Class A	2,360	2,327
> Class B & C	1,525	1,123
Castlemaine	111	132
Echuca	1,055	572
Heathcote	88	112
Kyneton	263	262
Rochester	59	68
Wedderburn	16	n/a
<b>TOTAL</b>	<b>5,483</b>	<b>4,601</b>

## Types of Class A recycled water uses

Types of Use	Number of customers	
	2009/10	2008/09
Rural domestic garden watering #	84	175
Toilet flushing #	22	79
Livestock drinking #	97	279
Rural water feature #	7	14
Rural car wash	4	4
Irrigation of pasture for grazing #	58	98
Irrigation of horticulture crop #	31	40
Irrigation of public sporting facilities	20	20
Irrigation of school grounds	6	5
Irrigation of parks and gardens	3	3
Nurseries	1	1
Hospital	1	1
Recreational lake	1	1
Standpipe water carters	29	27

# Influenced by recycled water only being available to two of three potential channel systems in 2009/10 due to operational constraints.

## Types of Class B & C recycled water uses

Types of Use	Number of customers	
	2009/10	2008/09
Irrigation of pasture for grazing	4	4
Mining	1	1
Dust suppression	5	2
Irrigation of sporting facilities	4	4

Please refer to our website [www.coliban.com.au](http://www.coliban.com.au) for further information on recycled water class definitions.

## Recycled Water Management

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

# Capital Projects

During the year we created dedicated project teams to deliver key groups of projects. These teams are Water, Wastewater, Rural and Renewals. In addition there is an Engineering Services team for technical planning and a Land Development team to manage planning applications, new developer works and new connections.

## Capital Projects Expenditure

Projects	2009/10	
	Expenditure (\$'000)	% of total
Carry-Over Projects from our last <i>Water Plan 2005–2008</i>	4,488	14.80
Support Infrastructure – building & fittings, corporate land, SCADA, software & hardware and various renewals (OH&S).	3,665	12.10
Distribution	4,515	14.90
Headworks	199	0.70
Outside the current <i>Water Plan</i>	3,941	13.00
Recycled Water	127	0.40
Wastewater Reticulation	1,618	5.30
Wastewater Treatment	134	0.40
Water Reticulation	6,776	22.30
Water Treatment	4,918	16.20
<b>TOTAL</b>	<b>30,381</b>	<b>100.00</b>

The project teams delivered \$22.8 million of works in the second year of our five year capital works program – *Water Plan 2008 – 2013*. We managed \$5.8 million of works on behalf of the Superpipe Joint Venture operations for Central Highlands Water to increase the Eppalock to Bendigo pipeline capacity for water delivery to Ballarat.



*Reverse Osmosis membranes, Bridgewater Desalination Plant, November 2009*

# Capital Projects

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

Project Name	Location	Purpose	Cost	Start	Completion Target
<b>Water Quality Improvement Program</b>	Boort, Bridgewater, Cohuna, Echuca, Elmore, Goornong, Heathcote, Korong Vale, Laanecoorie, Leitchville, Lockington, Pyramid Hill, Raywood, Rochester, Serpentine and Trentham.	Water Quality	\$31.8 million	2006	Feb 2012
<b>Description:</b> This program involves improvements to water quality by enhancing treatment processes, control and monitoring, occupational health and safety (OH&S) and vehicle access to multiple water treatment plant locations across our region.					
<b>Leitchville and Gunbower Water Treatment Plant (WTP) upgrades</b>	Leitchville and Gunbower	Water Security and Water Quality	\$14.1 million	Detailed planning currently underway	Dec 2011
<b>Description:</b> This project involves the upgrading of both the Leitchville and Gunbower WTP's in order to address water quality issues and OH&S risks at both sites. The works at the Leitchville WTP will also involve the construction of a new treated water storage tank at the treatment plant.					
<b>Raywood-Sebastian pipeline project</b>	Potable pipeline from Eaglehawk to Raywood via Sebastian	Water Security and Water Quality	\$6 million (estimated)	Detailed planning and investigations commenced Mar 2009	Jun 2011
<b>Description:</b> The Raywood-Sebastian pipeline will connect the townships of Raywood and Sebastian to the Bendigo water supply system, providing greater water security and water quality to urban customers.					
<b>Castlemaine Water Reclamation Plant upgrade</b>	Castlemaine	Asset maintenance and process improvements	\$5.2 million	Feb 2010	Sep 2010
<b>Description:</b> This project aims to improve the operation of the Castlemaine Water Reclamation Plant by upgrading existing equipment and installing additional operational controls.					
<b>Coliban Main Channel upgrade</b>	Malmsbury and other potential locations still to be determined	Water Security	\$4.9 million	Detailed planning commenced May 2009	Dec 2011
<b>Description:</b> The work involves the upgrade of the Back Creek siphon and channel sections in various locations of the Coliban Main Channel. The Back Creek siphon was built in 1921 and transports the water of the Coliban Main Channel across the 35 metre deep valley of Back Creek. The current structural condition of the pipe will be assessed in order to identify the most cost effective option to repair the siphon. Replacement will also be considered.					
<b>Bendigo water network augmentation</b>	Bendigo	Water Security	\$4.6 million	Detailed planning commenced May 2009	Dec 2011
<b>Description:</b> The Bendigo water network augmentation strategy identified a number of areas around Bendigo where the network could fail to deliver adequate water pressure to customers in the event that water restrictions are 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 can be delivered and to accommodate continued growth in the area.					
<b>Bridgewater Water Treatment Plant upgrade – Reverse Osmosis plant (desalination), ancillary works, brine disposal option and bore development</b>	Bridgewater	Water Quality	\$4 million	Jun 2009	Dec 2010
<b>Description:</b> A desalination plant and associated works to facilitate operation between the existing treatment plant and the desalination plant was constructed at Bridgewater. This will improve water quality for customers due to the extremely saline raw water supply from the Loddon River. Also planned as part of this project is the construction of brine lagoons to store the additional waste produced by the desalination plant and the development of a local bore to guarantee an alternative raw water supply for Bridgewater.					
<b>Investigating the Bendigo – Castlemaine Link and Harcourt Rural Modernisation project</b>	Bendigo to Castlemaine including the rural area surrounding Harcourt	Water Security	\$3.8 million	Jun 2009	Oct 2010
<b>Description:</b> These investigations involved planning, design, environmental and heritage investigations for two interrelated projects – a pipeline from Bendigo to Castlemaine that would provide greater water security to the Castlemaine and Kyneton areas and the modernisation of the rural water delivery system for the Harcourt area.					

Project Name	Location	Purpose	Cost	Start	Completion Target
Hansen implementation	Bendigo	Asset Management	\$1.93 million	Dec 2007	Jun 2011
<b>Description:</b> Implementation of a new asset management system that will help us to better manage our ageing asset infrastructure. This system will improve maintenance activities and renewal programs to optimise overall asset life cycle costs for the business.					
Raw water storages	Korong Vale	Water Security	\$1.47 million	Jul 2009	Jan 2010
<b>Description:</b> Replacing open earthen raw water storage lagoons with two, two megalitre lined and covered basins to eliminate water losses due to evaporation and seepage. This project was undertaken to meet the conditions of supply from the Wimmera Mallee Pipeline.					
Bendigo Water Reclamation Plant upgrade	Epsom	Asset maintenance and process improvements	\$975,000	Aug 2009	Oct 2010
<b>Description:</b> This project will improve the operation of the Bendigo Water Reclamation Plant by upgrading existing equipment and installing additional operational controls.					
Rochester high lift pump station	Rochester	Water Security	\$690,000	Nov 2008	Apr 2010
<b>Description:</b> Construction of a new high lift pump station with new pumps and an emergency power generator to improve water security for Rochester customers.					
Bulk water meter installation program	Coliban region	Asset Maintenance	\$676,000	Dec 2009	Nov 2010
<b>Description:</b> This project focuses on upgrading the current bulk water flow meters to facilitate greater accuracy in monitoring at various locations throughout our region.					
Raw water storages	Borong & Wychitella	Water Security	\$552,745	Jul 2009	Jan 2010
<b>Description:</b> Replacing open earthen raw water storage basins with 100 kilolitre steel tanks at Borong and Wychitella to eliminate water losses due to evaporation and seepage. This project was undertaken to meet the conditions of supply from the Wimmera Mallee Pipeline.					
Pressure Reducing Valve (PRV) reconfiguration	Duke Street, Castlemaine	Asset Improvement	\$510,000	Feb 2009	May 2010
<b>Description:</b> Installation of an actuated valve in Duke Street, additional signal equipment at McCay Reservoir and Kalimna Basin, cross connection in Johnstone Street and replacement of a major valve in Forest Street Castlemaine. These works were part of a pressure control program for the Castlemaine water network.					
Investigating the Coliban System Rural Modernisation plan	Coliban Rural System	Water Security	\$450,000	Jun 2009	Jul 2010
<b>Description:</b> We were successful in gaining funding from the Department of Environment, Water, Heritage and the Arts to complete an overarching strategy and framework for the modernisation of the Coliban Rural System. This strategy provides us with greater detail to engage customers and develop an action plan for progressing with the modernisation of the rural system.					
Sewer to fire affected properties	West Bendigo	Sewerage Services	\$400,000	Oct 2009	Jun 2010
<b>Description:</b> Provision of sewerage services to facilitate the re-building of 12 properties in West Bendigo that had homes destroyed during the Black Saturday fires in February 2009. Partial funding provided via the Victorian Bushfire Reconstruction & Recovery Authority.					
Kyneton Water Reclamation Plant upgrade – trade waste lagoon	Kyneton	Asset Maintenance	\$367,000	Apr 2010	Nov 2010
<b>Description:</b> Replace four existing aerators in the trade waste lagoon and upgrade existing electrical equipment. Other works include reconfiguring the recycled water line and filter operation, upgrading the septic tank unloading area and general access around the lagoon. These works will improve plant operations and overall efficiency.					
Big Hill clear water tanks	Bendigo	Water Security	\$335,380	Jun 2009	Jul 2010
<b>Description:</b> To enhance water security and accommodate future growth through the replacement of leaking storage tanks with two 125 kilolitre steel tanks and the installation of a generator to provide back-up power to water supply pumps.					

# Capital Projects

Project Name	Location	Purpose	Cost	Start	Completion Target
<b>Odour control</b>	Echuca, Pyramid Hill & Kyneton	Asset Performance	\$223,400	Jun 2009	Dec 2010
<b>Description:</b> Installation of odour control systems for more effective odour management at four sites, which include Echuca Sewer Pump Stations (SPS) 1 and 16, Pyramid Hill SPS 1 and Harpers Lane air relief valve at Kyneton.					
<b>Wedderburn Water Reclamation Plant reuse</b>	Wedderburn	Operations	\$154,850	Sep 2009	Jan 2010
<b>Description:</b> Installation of sub-surface irrigation system for utilisation of reclaimed water by on-site irrigator.					
<b>Eppalock pipeline – air valve pit lid replacement</b>	Pipeline between Lake Eppalock and Bendigo	Occupational Health & Safety (OH&S)	\$115,000	Nov 2009	Apr 2010
<b>Description:</b> Replacement of heavy lids with lightweight lids on 92 pits along Eppalock pipeline to eliminate lifting risk to personnel.					
<b>Cohuna SPS Numbers. 1 &amp; 2 – access upgrade</b>	Cohuna	OH&S	\$95,000	Apr 2010	Jul 2010
<b>Description:</b> To provide improved access for personnel and address hazards associated with confined space entry into these sewer pump stations.					
<b>Lyons Street sewer aqueduct</b>	Bendigo	Asset Maintenance	\$84,200	Mar 2010	May 2010
<b>Description:</b> Replacement of sewer aqueduct across Bendigo Creek that was washed away during flood water in December 2009.					
<b>View Street water main replacement</b>	Bendigo	Asset Maintenance	\$75,000	Mar 2010	Jun 2010
<b>Description:</b> Replacement and lowering of aged water supply main to allow for redevelopment in View Street Bendigo.					



*Construction at the Korong Vale basins, November 2009*



# Water Quality and Reliability

We provide water to 66,139 properties in our region and with our partners we operate 19 water treatment plants.

## Customer Service Objectives – water reticulation

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

Compliance was achieved with 13 standards. The target for the average duration of unplanned supply interruptions (95 minutes) was exceeded by seven minutes.

## Safe Drinking Water Act 2003

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

- › Passing the regulatory audit of the implementation of risk management plans for our drinking water systems
- › Reporting of water quality performance to the Department of Health (DoH)
- › Achieving closure with the formal commitment (Undertaking) with the DoH to improve the water quality in Gunbower.

Notes to the Water Quality table, right:

1. *Bealiba experienced one monthly non-compliant result for Trihalomethane (THM). It was concluded that the elevated THM formation was due to factors affecting raw water quality (ie drought and large storm event in March 2010).*
- 2 & 4. *Bridgewater and Inglewood both experienced one monthly non-compliant result for Aluminium. Although the cause was not readily apparent, the increased volumes used by the customers, due to the reverse osmosis facility providing improved water quality, may have caused mobilisation of sedimentation within the distribution pipes.*
3. *Annual compliance with E.coli was achieved at Harcourt (98.1%). However, one result from weekly sampling at Harcourt was non-compliant for E.coli. This triggered an immediate investigation and the likely source of the contamination was identified as holes in tank cover. A boil water notice was in place at Harcourt for five days until we were certain that the contaminated water had been removed from the system.*
5. *Inglewood experienced one monthly non-compliant result for Trihalomethane (THM). It was concluded that the elevated THM formation was due to the chlorination levels being raised temporarily as part of the process for cleaning the town storage tank.*
- 6 & 7. *Lockington experienced one monthly non-compliant result and Wedderburn experienced two monthly non-compliant results for Aluminium where the cause was not obvious. Flushing of the mains has seen the subsequent results compliant.*

## Water Quality

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

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

Borong, Dingee, Jarklin, Macorna, Mitiamo, Mysia and Wychitella were supplied with non-potable water during 2009/10.

## Water Treatment Process

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

Water Treatment Plant Location	Water Sampling Locality	Treatment Process							Added Substances							
		Coagulation	Clarification	Filtration	Taste / Odour / Algae Toxin Removal	pH Correction	Desalination	Disinfection	Alum / Alum Chlorohydrate	Polyelectrolyte	Activated Carbon	Ozone	Lime/Soda Ash/Caustic Soda/Carbon Dioxide/Sulphuric Acid	Chlorine	Ammonia	Flouride
<b>Bendigo</b>	Axedale Bendigo Northern Bendigo Southern Bendigo Spring Gully Big Hill Epsom – Huntly Junortoun Maiden Gully – Marong Raywood Sebastian Strathfieldsaye	✓		✓	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓
<b>Boort</b>	Boort	✓	✓	✓		✓		✓	✓	✓		✓	✓			
<b>Bridgewater</b>	Bridgewater Inglewood	✓	✓	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓	
<b>Castlemaine</b>	Castlemaine Fryerstown Guildford Harcourt Maldon Newstead Taradale – Elphinstone	✓		✓	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓
<b>Cohuna</b>	Cohuna (Rural) Cohuna (Urban)	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓		
<b>Echuca</b>	Echuca	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓		✓
<b>Elmore</b>	Elmore					✓		✓					✓			
<b>Goornong</b>	Goornong	✓	✓	✓		✓		✓	✓				✓	✓		
<b>Gunbower</b>	Gunbower <sup>2</sup>			✓				✓						✓		
<b>Heathcote</b>	Heathcote Tooborac	✓	✓	✓		✓		✓	✓	✓			✓	✓	✓	
<b>Korong Vale</b>	Korong Vale Wedderburn	✓	✓	✓		✓		✓	✓	✓			✓	✓	✓	
<b>Kyneton</b>	Kyneton Malmsbury Tylden	✓		✓	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓
<b>Laanecoorie</b>	Bealiba Dunolly Laanecoorie Tarnagulla	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓	✓	
<b>Leitchville</b>	Leitchville (Rural) Leitchville (Urban)	✓	✓	✓	✓	✓		✓	✓		✓		✓	✓		
<b>Lockington</b>	Lockington	✓	✓	✓		✓		✓	✓	✓			✓	✓		
<b>Pyramid Hill</b>	Pyramid Hill	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓		
<b>Rochester</b>	Rochester	✓	✓	✓		✓		✓	✓	✓			✓	✓		
<b>Serpentine</b>	Serpentine <sup>1</sup>	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓	✓	
<b>Trentham</b>	Trentham			✓	✓			✓			✓			✓	✓	

### Notes:

1. Some water trucked from Bendigo throughout 2009/10
2. Some water trucked from Leitchville to Gunbower from 4/3/10 to 20/4/10

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

Water Supply System	Wastewater	Water Supply Residential		Water Supply Non Residential		Total		3 Year Average Annual Demand	Consumption Variation	Non Revenue Water <sup>1</sup>
	No.	No.	ML	No.	ML	No.	ML			
<b>Campaspe</b>										
Goormong	0	142	22	25	7	167	29	29	0%	21
<b>Total</b>	<b>0</b>	<b>142</b>	<b>22</b>	<b>25</b>	<b>7</b>	<b>167</b>	<b>29</b>	<b>29</b>	<b>0</b>	<b>21</b>
<b>Coliban Northern</b>										
Axedale	102	97	16	17	3	114	18	18	0%	Note 7
Bendigo <sup>8</sup>	37,888	37,026	5,784	3,191	2,462	40,217	8,246	7,639	8%	936
Heathcote	799	1,005	119	127	55	1,132	174	168	4%	153
Raywood	0	77	13	15	<1	92	14	16	-13%	6
Sebastian	0	62	10	5	<1	67	11	11	0%	2
Tooborac	0	49	8	8	2	57	10	10	0%	Note 4
<b>Total</b>	<b>38,789</b>	<b>38,316</b>	<b>5,950</b>	<b>3,363</b>	<b>2,521</b>	<b>41,679</b>	<b>8,473</b>	<b>7,862</b>	<b>8%</b>	<b>1,097</b>
<b>Coliban Southern</b>										
Castlemaine <sup>9</sup>	4,458	5,132	667	452	467	5,584	1,133	1127	1%	215
Elphinstone/Taradale	0	205	28	16	3	221	31	33	-6%	Note 2
Kyneton	2,415	2,275	303	406	257	2,681	560	566	-1%	86
Maldon	702	836	96	111	35	947	132	135	-2%	Note 2
Malmsbury	235	261	30	20	18	281	48	46	4%	Note 3
Newstead	292	296	37	41	6	337	44	43	2%	Note 2
Tylden	124	120	13	11	3	131	16	18	-11%	Note 3
<b>Total</b>	<b>8,226</b>	<b>9,125</b>	<b>1,175</b>	<b>1,057</b>	<b>789</b>	<b>10,182</b>	<b>1,964</b>	<b>1,968</b>	<b>0%</b>	<b>301</b>
<b>Goulburn</b>										
Boort	462	390	94	105	33	495	127	132	-4%	96
Dingee	0	29	4	12	2	41	6	7	-14%	1
Lockington	204	188	33	25	7	213	41	43	-5%	45
Macorna	0	8	<1	3	<1	11	1	1	0%	1
Mitiamo	0	42	6	10	2	52	8	9	-11%	8
Mysia	0	8	<1	2	<1	10	1	1	0%	1
Pyramid Hill	285	254	47	52	33	306	80	118	-32%	70
Rochester	1,334	1,303	312	177	574	1,480	886	931	-5%	116
<b>Total</b>	<b>2,285</b>	<b>2,222</b>	<b>497</b>	<b>386</b>	<b>652</b>	<b>2,608</b>	<b>1,150</b>	<b>1,242</b>	<b>-7%</b>	<b>338</b>
<b>Groundwater</b>										
Elmore	384	373	74	69	46	442	119	174	-32%	11
Trentham	456	434	52	65	16	499	68	73	-7%	27
<b>Total</b>	<b>840</b>	<b>807</b>	<b>126</b>	<b>134</b>	<b>61</b>	<b>941</b>	<b>187</b>	<b>247</b>	<b>-24%</b>	<b>38</b>
<b>Loddon</b>										
Bealiba	0	77	8	12	2	89	9	9	0%	Note 5
Bridgewater	193	184	20	32	11	216	30	35	-14%	Note 6
Dunolly	375	385	38	62	10	447	48	53	-9%	Note 5
Inglewood	343	387	40	40	20	427	61	70	-13%	72
Jarklin	0	6	<1	3	<1	9	1	2	-50%	0
Laanecoorie	0	35	4	4	<1	39	4	5	-20%	21
Serpentine	0	65	8	19	3	84	11	13	-15%	2
Tarnagulla	0	105	7	13	2	118	10	11	-9%	Note 5
<b>Total</b>	<b>911</b>	<b>1,244</b>	<b>125</b>	<b>185</b>	<b>48</b>	<b>1,429</b>	<b>175</b>	<b>198</b>	<b>-12%</b>	<b>95</b>
<b>Murray</b>										
Cohuna	1,078	1,036	260	354	214	1,390	474	538	-12%	111
Echuca	6,305	5,817	1,386	808	1,044	6,625	2,431	2,527	-4%	117
Gunbower	176	150	31	39	15	189	47	53	-11%	7
Leitchville	176	150	39	121	185	271	224	316	-29%	54
<b>Total</b>	<b>7,735</b>	<b>7,153</b>	<b>1,716</b>	<b>1,322</b>	<b>1,458</b>	<b>8,475</b>	<b>3,175</b>	<b>3,434</b>	<b>-8%</b>	<b>289</b>
<b>Wimmera</b>										
Borong	0	20	2	3	<1	23	2	2	0%	0
Korong Vale	0	117	11	8	<1	125	12	13	-8%	30
Wedderburn	436	433	45	63	14	496	59	60	-2%	10
Wychitella	0	13	2	1	<1	14	2	2	0%	1
<b>Total</b>	<b>436</b>	<b>583</b>	<b>60</b>	<b>75</b>	<b>14</b>	<b>658</b>	<b>75</b>	<b>77</b>	<b>-2%</b>	<b>41</b>
<b>TOTALS</b>	<b>59,222</b>	<b>59,592</b>	<b>9,674</b>	<b>6,547</b>	<b>5,555</b>	<b>66,139</b>	<b>15,229</b>	<b>15,057</b>	<b>1%</b>	<b>2,220</b>

## Notes

1. Non revenue water is water that is lost from within the urban system through leaks, bursts, meter inaccuracy, theft etc. It is not included in the total consumption.  
2. Included with Castlemaine

4. Included with Heathcote  
5. Included with Laanecoorie  
6. Included with Inglewood  
7. Included with Bendigo

8. Includes the towns/areas of Eaglehawk, Huntly, Kangaroo Flat, Maiden Gully, Marong and Strathfieldsaye  
9. Includes the towns/areas of Campbells Creek, Chewton, Fryerstown, Guildford and Harcourt

## Non Revenue Water % (Unaccounted for water)

The term *Non-Revenue Water*, refer table on page 25, 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 2009/10 was calculated to be 2,220 megalitres (12.7 per cent). The ESC target of less or equal to 20 per cent non-revenue water was achieved, however we do not have a high level of confidence in the accuracy of bulk meters and flow meters.

The strategy for implementing a calibration program of bulk meters and flow meters is anticipated to be complete in 2010/11 which will help improve the quality of the data produced in 2011/12.



*Bendigo Water Treatment Plant*

## Non-Residential Consumption

### WaterMAPs

In 2007/08 the Victorian Government made it mandatory for non-residential customers that use more than 10 megalitres a year to produce a *Water Management Action Plan (WaterMAP)*. All non-residential customers using more than 50 megalitres a year must also be listed in our annual reporting.

In 2009/10 the number of *WaterMAP* customers in our region decreased, we now have 49 customers compared with 59 in 2008/09.

### Major Non-Residential Customers by volume range

Usage range – megalitres per year	Number of customers
50ML – 100ML	6
100ML – 200ML	4
200ML – 300ML	2
300ML – 400ML	1
400ML – 500ML	1
500ML – 750ML	0
750ML – 1,000ML	0
Greater than 1,000ML	0
<b>TOTAL CUSTOMERS</b>	<b>14</b>

### Major Non-Residential Customers

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

Name of customer (in alphabetical order)	Water Conservation Plan
Bendigo Health Care Group	✓
Cedenco Australia	✓
Fonterra Brands (Australia) Pty Ltd	✓
H J Heinz Company Australia Limited	✓
Hardwicks Meatworks Pty Ltd	✓
Hazeldenes	✓
Murray Goulburn Co-Operative Co Ltd*	✓
Don KRC	✓
Parmalat Australia Ltd	✓
Rivalea (Australia) Pty Ltd*	✓
Riverside Meats	✓
Simplot Australia (Properties) Pty Ltd	✓

*Note: \* Two sites included in previous table*

# Sewer System

We provide wastewater services to 59,222 properties in our region and with our partners we operate 16 water reclamation plants.

## Customers Service Objectives – sewerage collection

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

Compliance was achieved with four service standards. The target for the average time to rectify a sewer blockage was exceeded by 14 minutes. We are currently revising our targets with the ESC concerning the average time to rectify a sewer blockage.

## Water Reclamation – sewerage influent and treated effluent volumes

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

The following volumes were treated and discharged during 2009/10:

Town	Sewerage influent (ML)	Total effluent discharged (ML)	Effluent discharged to waterways (ML)	Effluent discharged for reuse (ML)
Axedale	8	6	0	6
Boort	69	0	0	0
Bendigo	6,224	5,163	1,278	3,885
Bridgewater/Inglewood	51	0	0	0
Castlemaine/Harcourt/Maldon/Newstead	1,049	965	854	111
Cohuna	167	0	0	0
Dunolly	28	0	0	0
Echuca	1,467	1,055	0	1,055
Elmore	50	0	0	0
Gunbower/Leitchville	32	0	0	0
Heathcote	161	88	0	88
Kyneton/Trentham/Tylden	591	482	219	263
Lockington	22	0	0	0
Pyramid Hill	30	0	0	0
Rochester	199	59	0	59
Wedderburn	28	16	0	16
<b>TOTAL</b>	<b>10,176</b>	<b>7,834</b>	<b>2,351</b>	<b>5,483</b>

## Sewer Blockages

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

We are currently developing a sewer blockage and renewal strategy to meet future Essential Services Commission targets, anticipated to be completed early next year.

This strategy will be focused on developing a risk based model to identify and develop a program for the following:

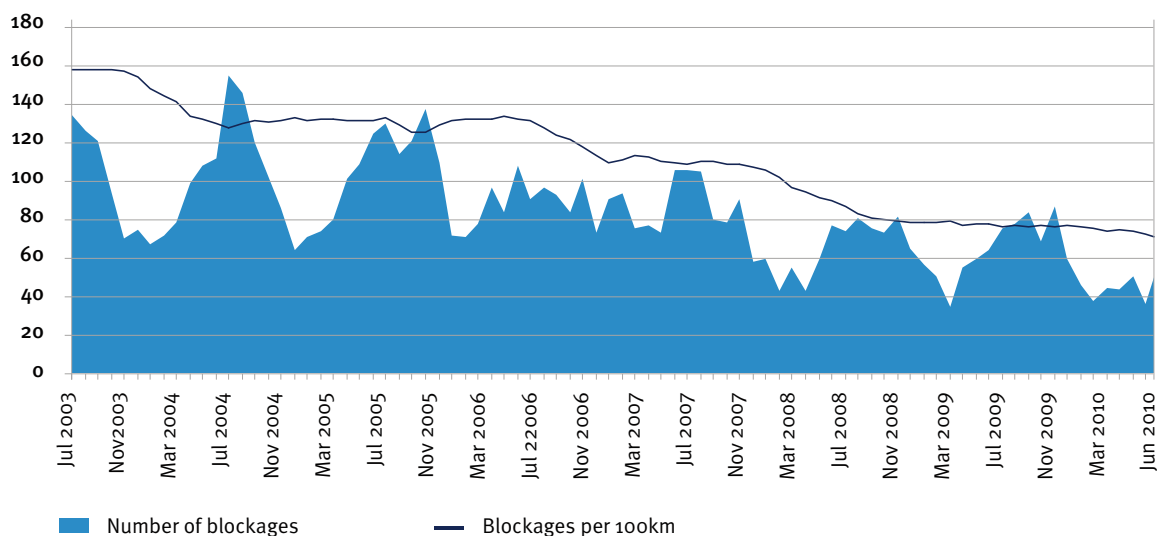
- › condition assessment and sewer main renewal
- › strengthening our current approach of reactive maintenance
- › identifying high risk areas and
- › developing a strategy to mitigate the risk.

A \$3.5 million capital investment into this program will see further system improvements over the next three years.



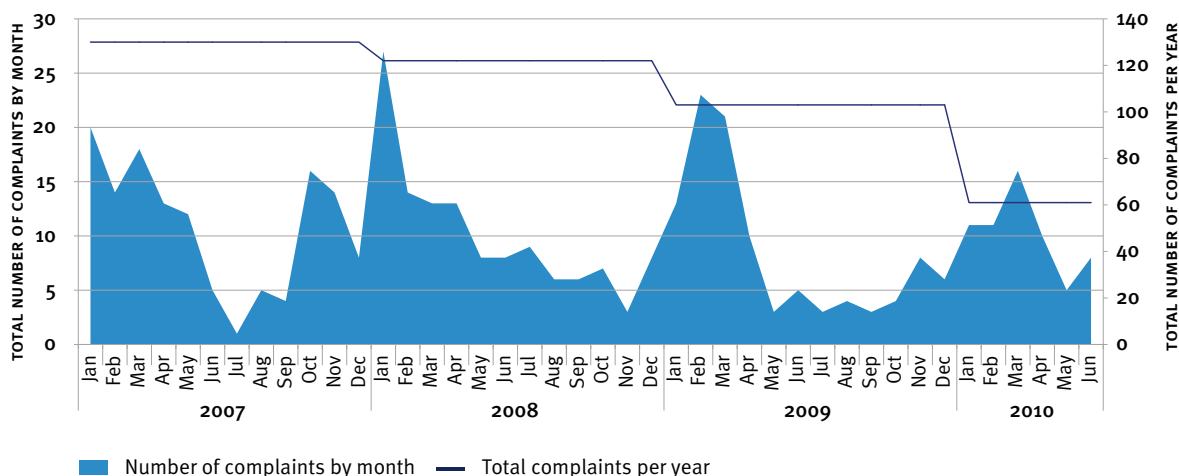
## Sewer Blockages continued...

Blockages rate chart (blockages per 100 kilometres)



## Odour Management

Number of odour complaints



We have had a significant reduction in the number of odour complaints this year. Odour management works have included:

- › Odour reduction is a part of a \$5.2 million project to upgrade the Castlemaine Water Reclamation Plant. The project commenced in May 2010 and will include the installation of tank covers and odour filtration facilities.
- › Odour monitoring program conducted at Hopkins Avenue in Eaglehawk in June 2010. This program investigating options to address an ongoing odour issue at the sewer pump station. Customers were

invited to take part in the monitoring with the provision of an 'odour diary'. The results from this program will be used to develop a more effective long term odour removal system at the sewer pump station.

- › Extensive investigations, monitoring and rectification works at the High Street sewer pump station in Echuca. We are continuing to monitor the site to ensure odour removal measures are effective.

# People and Culture

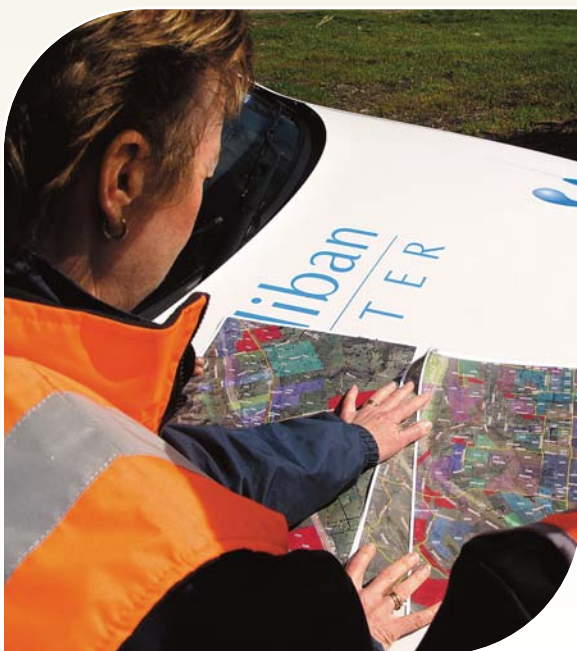
## Building our capability

Our aim is to have a collaborative workforce that engenders trust and confidence amongst our employees and with our customers, community, business partners and stakeholders.

We have added to our internal workforce this year, reducing our reliance on external consultants to invest more in our corporate knowledge and culture.

Highlights during the year included:

- › Welcoming 20 new full/part time employees (18.65 Full Time Equivalent FTE)
- › Implemented a major change to our Planning and Infrastructure organisational design to deliver better business outcomes, provide more career opportunities and improve succession planning
- › Conducted a staff alignment survey, identifying what we are doing well and where we could make improvements
- › Followed up the alignment survey with a staff workshop in December 2009 to discuss feedback from the alignment survey and devise implementation initiatives
- › Introduction of an Intranet as one initiative to improve internal communication
- › Updated our emergency management systems holding training on fire preparedness and Code Red responses for all staff
- › Hosted a successful engineer scholarship program for four students from La Trobe University.



## Working at Coliban Water

Our employees have expertise and experience in a variety of disciplines including customer service, engineering, environmental science, project management, plumbing, accounting and commerce, human resources, corporate communications, management and administration.

### Employee statistics

Employees	2009/10	2008/09
Full-time	88*	77
Part-time	13*	14
<b>Total</b>	<b>101**</b>	<b>91</b>
Full-time equivalent	96.5	84.6
Casual	10	3
Female	42 (42%)	36 (40%)
Male	59 (58%)	55 (60%)

\* *Inactive staff members who are on maternity leave (1 x Full time; 0.8 x Part time)*

\*\* *This figure represents the total number of current staff, taking into account cessations throughout the year*

### Employee Relations

Our *Enterprise Agreement 2008 (EA)* requires an Employee Consultative Committee. This committee provides staff with a mechanism to ensure that the EA is correctly implemented within the business.

With the implementation of *Fair Work Act 2009 (FWA)* we have reviewed our policies and processes to ensure compliance. Our conditions are equal to or above the minimum standards within the FWA. We had no time lost due to industrial disputes during the year.

### Structure Change

Changes to some team structures were made to improve productivity, customer and community outcomes.

Structure changes have been completed for:

- › Planning and Infrastructure
- › Finance
- › Customer Service – including Rural, Urban, Industrial and Commercial service areas.

A review is underway in the Operations and Headworks area.

Our corporate structure can be found on page 37.

# People and Culture

## Employee Training and Development

All employees participate in our Performance Development Program (PDP). This process helps set individual expectations in line with business objectives and coaches employees to meet their aspirations.

All staff have been offered opportunities to undertake training and development over the past year.

	2009/10	2008/09
Total training hours	3,757	2,740
Total training investment	\$193,196	\$176,348
Average investment per employee	39 hours / \$2,002	30 hours / \$1,960

We continue to support employees who wish to undertake formal study at undergraduate and postgraduate levels. For example, we are currently supporting two staff completing further studies at La Trobe University Bendigo.

## 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 create over 220 jobs in our region.

## Our Business Partners

### Campaspe Asset Management Services Pty Ltd (CAMS)

CAMS is a consortium comprising United Utilities Australia and the APA Group. Under a 10-year contract that started on 1 July 2003, CAMS provides services, that include:

- › operation and maintenance of water and wastewater networks, including treatment plants
- › other asset management
- › information technology systems
- › revenue collection and processing.

The sale of the United Utilities interests in Australia to the Mitsubishi Corporation is proceeding.

### Bendigo Water Services Pty Ltd (BWS)

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

### Veolia Water Australia

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

### ETE Coliban Pty Ltd (ETEC)

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



# Environmental Performance

## Introduction

We aim to be leaders in environmental performance. This leadership can be demonstrated by increasing opportunities to reuse treated wastewater throughout the region, improving plant performance to minimise impacts on the environment and investing in biodiversity on our land.

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

Significant work has continued throughout the year to improve the environmental aspects of capital works projects and operational activities. An assessment of the ecological risks of our three major water reclamation plants was conducted. The purpose of the assessment was to improve our monitoring regimes and understanding of our impacts on the surrounding environments.

## Environmental Stakeholders

We have continued to work in partnership with the North Central Catchment Management Authority (NCCMA), Goulburn-Murray Water, the Department Sustainability and Environment (DSE), Environment Protection Authority (EPA), Parks Victoria and the Department Primary Industries (DPI) over the past year through proactive resource planning, workshops, reference groups and steering committees.

The Bendigo Field Naturalists, Bird Observers Club Echuca, and Field and Game Australia have undertaken fauna surveys during 2009/10 on our behalf. Our project managers and environmental staff liaised with Landcare and Catchment Groups such as Friends of Campbells Creek in relation to the Castlemaine Water Reclamation Plant upgrade and the Longlea and District Landcare Group for works associated with the Axedale pipeline.

## Biodiversity & Catchment Management

We manage approximately 5,700 hectares of land across five bioregions in north central Victoria. We must ensure that our operations and activities do not impact negatively on biodiversity. We maintain a biodiversity register of threatened flora and fauna found on our land. This register was updated during the year. All our flora and fauna records are provided to DSE under our data share agreement, contributing to state-wide databases.

The following threatened species were recorded on our land this year:

Threatened Fauna	Conservation Status*
Australasian Shoveller	Vulnerable
Freckled Duck	Endangered
Hardhead	Vulnerable
Blue-billed Duck	Endangered
Musk Duck	Vulnerable
Growling Grass Frog	Endangered
Threatened Flora	Conservation Status*
Slender Tick-trefoil	Poorly known
Late-flower Flax-lily	Vulnerable

\* *Advisory List of Threatened Vertebrate Fauna in Victoria – 2009*  
*Advisory List of Rare or Threatened Plants in Victoria – 2005*

We registered the Bendigo Water Reclamation Plant as a Land for Wildlife property in recognition of its high biodiversity value. It is home to several threatened bird species and the endangered Growling Grass Frog. During the year we undertook fencing at the site to control stock access and weed control works. These actions have improved habitat conditions for the seven frog species on site.

Biodiversity was also enhanced through the re-vegetation of two properties at Lauriston and Malmsbury. A total of 4,400 native trees, shrubs and grasses were planted and 3.6 kilometres of direct seeding was completed using Community Water Grant funding. Re-vegetation also improves catchment health through the stabilisation of soils, reducing impact to water quality.

Our environmental ground works focused on the management of pest animals and weeds. These works complemented those projects already being undertaken by natural resource management organisations across the region with the aim of improving catchment health.

# Environmental Performance



Key achievements include:

- › Increased focus on weed management around our catchment storages. The drought has provided an opportunity to treat areas normally difficult to access around the upper perimeter of our catchment storages.
- › Significant weed mulching and spraying undertaken in the south western areas of Malmsbury Reservoir, declared as a Gorse Control Area by DSE. Most of the Coliban Water land in the declared area has been treated and will receive follow up spraying in a long term program to control gorse in the area.

The river floodplain downstream of Upper Coliban Reservoir has been cleared in an ambitious effort to improve an area of private/public land that has been almost inaccessible in the past to the public as it was overgrown with willows and gorse. Ongoing weed control will be required for two years before fencing and re-vegetation are proposed.

- › Native re-vegetation following willow removal at the southern end of Upper Coliban Reservoir on the Little Coliban River.
- › Rabbit control around the dam structures and recreational areas at Lauriston and Malmsbury Reservoirs.
- › Road frontages around the Trentham Reservoir groomed and boundary fencing replaced to improve the aesthetic amenity of the area and maintain a stock proof area for water quality management.

## River Health

A Ministerial Qualification in place throughout 2009/10 meant 50 per cent of the normal environmental Bulk Entitlement was available for environmental releases down the Coliban River from Malmsbury Reservoir.

On advice from NCCMA the environmental water reserve was used to provide low flows to the Coliban River from December to May, with a stepped release of 490.1 megalitres in March 2010. A total of 1,146.9 megalitres was released as environmental flows this year.

The declaration of an Emergency Rural Allocation in September 2009 meant that the environmental reserve reverted to original Bulk Entitlement conditions. The environmental reserve held in the Coliban storages on 30 June 2010 was 1,101.92 megalitres.

*Left: Land for Wildlife recognition, Bendigo Water Reclamation Plant, May 2010. L-R Gavin Hanlon and Lisa Cox, Coliban Water, Peter Johnson, Land for Wildlife and Peter Forbes, Department Sustainability and Environment.*

## Sustainability Initiatives

We have embraced the principle of reduce-reuse-recycle by separating recyclable material from waste going to landfill. The Greener Office Program continues to implement initiatives such as the purchase and lease of lower emission vehicles, the collection of redundant electrical equipment and use of stationery items with recycled paper content.

### Corporate water consumption

Head office water consumption			
	2009/10	2008/09	2007/08
Total water consumption (litres)	677,000	546,000	759,000
Full-time equivalent staff including contractors	118.9	130.4	115
Volume per FTE (litres)	5,694	4,032	6,600

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

The 2009/10 water consumption represents 15.6 litres per day per full-time equivalent staff member working in our head office. The total corporate water consumption per unit of space is 239L/m<sup>2</sup>.

## Energy Use and Greenhouse Gas Emissions

Greenhouse Gas emissions are generated from all water and wastewater service provision activities, including those managed through public/private partnerships with Campaspe Asset Management Services, Veolia and the Water Industry Group.

Operation of the Bendigo Recycled Water Factory and the Goldfields Superpipe also contributed to the energy emissions generated.

During 2009/10 there were no greenhouse gas offsets purchased. Our business activities generated approximately 51,287 tonnes of CO<sub>2</sub>-equivalent emissions predominantly through water treatment, wastewater treatment and the operation of the Goldfields Superpipe.

	Total tonnes CO <sub>2</sub> Equivalent
Water Treatment and Supply	30,822
Sewerage Treatment and Supply	18,872
Transport	1,045
Depots and Offices	548
<b>TOTAL</b>	<b>51,287</b>

## Environmental Compliance

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

- > working with major commercial customers to reduce water use and achieve cleaner production
- > reduction of greenhouse gas emissions.

We are continuing to explore opportunities to reuse treated wastewater and improve the process of treatment through infrastructure works.

We received no Penalty Infringement Notices for significant environmental incidents from the Environment Protection Authority (EPA) during the year. Sewer spills into the natural environment are a high risk to our environmental performance.



*Castlemaine Water Reclamation Plant*

While no EPA regulated penalties were received, we identified 29 environmentally significant sewer spills during the year. Immediate response and priority clean up is given to these sewer spills, particularly in areas with unrestricted public access or where sensitive land uses are at risk.

Our corporate licence allows us to discharge to waterways, subject to conditions, from three treatment sites. Compliance with discharge conditions to waterways was achieved.



# Governance and Risk

We believe that effective corporate governance structures encourage innovation and development while providing appropriate control systems for risks.

## Board Responsibilities

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

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

The Board is responsible for overall corporate governance including:

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

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

A Statement of Obligations outlining the service, accountability and reporting obligations of the Board is available from our website at [www.coliban.com.au](http://www.coliban.com.au)

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

## Board Directors as at 30 June 2010

**John Brooke, OAM, BCom., BEd., FCPA, CA, Chairman.**

Appointed as Chairman on 8 November 2007, Mr Brooke farms beef cattle and walnuts near Pyramid Hill. He is a Director of Goulburn–Murray Water, member of the Remuneration Committee, joint Northern Victorian Irrigation Renewal Project (NVIRP) Goulburn-Murray Water Co-ordinating Committee, and Chairman of their Pricing Review Committee.

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

**Noel Harvey, OAM, MIPA, MAICD, Deputy Chairman**

Appointed to the Board in October 2001, Mr Harvey has been involved in local government in Central Victoria since 1991. He was twice President of the Shire of Kyneton and served three terms as Mayor of Macedon Ranges Shire Council. Mr Harvey is a Board Member of Parks Victoria, Chairman of the Victorian Mineral Water Committee and a former board member of the North Central Catchment Management Authority. He has extensive experience in the travel, transport and tourism industries and is currently involved in the natural resource management and carbon offset industry.

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

Appointed to the Board on his commencement as Managing Director on 2 July 2008. Mr Hanlon is a Williamson Fellow and has a background in environmental management and business. He has extensive experience in leadership roles in both catchment management authorities and local government.

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

### **Jennifer Dawson, BBus, MAICD, FCA.**

Appointed to the Board in October 2001, Ms Dawson has extensive experience in accounting and auditing, leading Bendigo Bank's Internal Audit Group until her appointment as a non-executive Director of the bank in 1999. She had 10 years experience with an international accounting firm and is a member of the State Government Regional Development Advisory Committee.

### **David Beard, MAICD, FIEAust, CP Eng, MBus.**

Appointed to the Board in October 2005, Mr Beard is General Manager Commercial Services Victoria for Veolia Environmental Services. He has over 15 years experience in civil engineering, and from 2000 to 2005 was a Director with the City of Greater Bendigo.

Mr Beard served on the Municipal Association of Victoria's Transport Advisory Committee, Goulburn Valley and Calder Regional Waste Management Groups, Calder Highway Improvement Committee, and the Institute of Engineers Australia. He is Vice-President of Victorian Waste Management Association.

### **Andrew Cairns, BEng (Electrical), AFAIM, MAICD.**

Appointed to the Board in October 2007, Mr Cairns is Chief Executive Officer of Community Telco Australia and has held management positions in several industries locally and internationally. He has applied his experience of start-up organisations to Bendigo Community Telco and is responsible for the implementation of the community telco model around Australia. He is a Director of Bendigo Community Telco Limited and iTEL Community Telco Limited.

### **Don Erskine, BMechEng.**

Appointed to the Board in November 2007, Mr Erskine is Managing Director of Industrial Conveying (Aust) Pty Ltd, Director of Bendigo Regional Institute of TAFE and a Director of Bendigo Community Telco. He is also Chairman of the Bendigo +25 Reference Group.

### **Jane Holt, BAppSc (WineSc), AssocDegAppSc (Wine-growing), GAICD**

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

## **Committees of the Board**

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

### **Remuneration Committee**

The Remuneration Committee meets at least half-yearly and is responsible for:

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

Members the Committee are John Brooke (Chair), Noel Harvey and Don Erskine. The Committee met twice during 2009/10.

This Committee was formerly known as the Executive Management Review Committee. In May 2010 the Board reviewed the Committee Charter and made several amendments to enhance its operations. These amendments included a change to the name to better reflect the main objective of the Committee.

For the purpose of the table of attendance on page 37, the Remuneration Committee incorporates the activities of the former Executive Management Review Committee.

# Governance and Risk

## Environment Committee

The Board restructured this Committee in September 2009 on recommendation of the Committee.

### *From 1 July 2009 to 17 September 2009*

This Committee was known as the Works/Environment Committee. The Committee was established in December 2007 and met a minimum of four times each year. It was responsible for:

- › reviewing and monitoring financial and physical progress of our *Water Plan* capital program and any amendments
- › ensuring adequate and appropriate reporting of capital works projects to the Committee and the Board
- › considering environmental issues that may have strategic, business and reputational implications for us
- › monitoring compliance with the Environmental Management System and associated environmental legislation, standards, codes of practice and licences.

Members of the Works/Environment Committee were Noel Harvey (Chair), Jane Holt, Andrew Cairns, David Beard and Don Erskine. John Brooke is an ex-officio member. The Committee met once during 2009/10.

### *From 18 September 2009 to 30 June 2010*

In September 2009 the Board reviewed the Works/Environment Committee Charter on recommendation of the Committee. The Board changed the name of the Committee to the Environment Committee and re-constituted its responsibilities as:

- › considering environmental issues that may have strategic, business and reputational implications for us
- › monitor performance and compliance with the Environmental Management System and associated environmental legislation, standards, codes of practice and licences
- › receive reports concerning environmental audits and incidents
- › oversee Coliban Water's sustainability strategy including reductions in greenhouse gases.

In re-constituting the Committee, the Board noted that Coliban Water had significantly enhanced its capital works reporting. These enhancements meant that the Board would now directly undertake the capital works responsibilities previously reserved for the Committee.

Members of the Environment Committee are Noel Harvey (Chair), Jane Holt and David Beard. John Brooke is an ex-officio member. The Committee met twice during 2009/10.

For the purpose of the table of attendance opposite, the Environment Committee includes the activities of the former Works/Environment Committee.

## Audit Committee

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

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

Members of the Committee are Jennifer Dawson (Chair), John Brooke and David Beard who are all independent. The Committee met five times during 2008/09.

In April 2010 the Charter of the Committee was reviewed and updated for best practice.

## Meetings

The number of meetings of the Board of Directors and Committees of the Board held during the year ended 30 June 2010 and the numbers of meetings attended by each Director were:

Director	Board of Directors <sup>1</sup>		Audit Committee		Remuneration Committee <sup>2</sup>		Environment Committee <sup>2</sup>	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
J Brooke	16	15	5	5	2	2		
N Harvey	16	14			2	2	3	3
J Dawson	16	16	5	5				
D Beard	16	13	5	5			3	3
G Hanlon	16	16						
D Erskine	16	13			2	2	1	1
A Cairns	16	14					1	1
J Holt	16	16					3	3

Notes:

1. The Board held 16 meetings 2009/10: consisting of 11 ordinary meetings, two special meetings and three resolutions outside of meetings.
2. Please refer to commentary on pages 35 & 36 concerning changes made to the Remuneration Committee and Environment Committee.

## Corporate Structure



# Governance and Risk

## Risk Management Statement

I, John Brooke certify that Coliban Water has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard 4360 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Board verifies this assurance and that the risk profile of Coliban Water has been critically reviewed within the last 12 months.

**John Brooke**  
Chairman

26 August 2010

## Occupational Health & Safety

During 2009/10 we continued to manage our Occupational Health and Safety (OH&S) responsibilities in accordance with legislation and our commitment to continuous improvement.

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

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

### OH&S outcomes and achievements

#### OH&S Committee

The OH&S Committee met five times during the year in accordance with its Terms of Reference. 29 toolbox meetings were held by six Designated Work Groups (DGWs) during the year.

One new health and safety representative and one new management representative joined the Committee.

#### External Audit – OH&S Management System

An external audit of our OH&S management system was completed in May 2010. The audit's purpose was to challenge current processes and practices and highlight areas for improving performance. The auditors recommended our continuing certification to the relevant benchmark standard AS/NZS 4801:2001

#### Health Assessments

This year health interventions consisted of:

- › Seasonal flu vaccinations
- › Swine flu vaccinations.

#### Take 5 Checklist Risk Assessments

We developed an on-site risk assessment tool, *Take 5*, to be used by all our field staff. This pocket checklist is used before engaging in any activity to ensure all hazards are identified, assessed and controlled.

#### Hazard Reporting Program

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

- › OH&S auditing of construction contractors
- › Participation in the Victorian Water Industry OH&S Network
- › OH&S induction of all new employees and re-induction of existing employees
- › Upgrading assets to current safety standards through the \$1.5 million OH&S Hazard Rectification Program.

	2009/10	2008/09	2007/08	2006/07	2005/06
Incidents reported to Coliban Water <sup>1</sup>	49	30	27	26	12
Worksafe reportable incidents <sup>1</sup>	1	2	2	2	4
Workers' compensation claims <sup>2</sup>	0	0	0	1	2
Injuries resulting in days lost <sup>2</sup>	2	1	0	1	0
Lost time due to injuries (days) <sup>2</sup>	5	3	0	12	0
Lost time injury frequency rate <sup>3</sup>	13.29	7.71	0	8.91	0
Average lost time rate <sup>4</sup>	2.5	3	0	12	0

#### Notes:

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



# Statutory Information

## Freedom of Information

The *Freedom of Information Act 1982* allows public access to documents held by government entities. All requests must be in writing to the Authorised Officer at Coliban Water, PO Box 2770 Bendigo DC 3554, or via email at [foi@coliban.com.au](mailto:foi@coliban.com.au) and accompanied by a fee of \$23.90.

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

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

During 2009/10 we received five FOI applications which were processed in accordance with the Act and none went to review.

## Competition Policy

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

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

We continue to monitor developments in National Competition Policy.

## Taxation

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

## External Financing

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

## Performance Benchmarking

We participate in annual performance benchmarking studies through:

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

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



*Bendigo Water Treatment Plant*

# Statutory Information



*Storage lining at Korong Vale, November 2009*

## Membership of Industry Associations

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

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

## Information Privacy Act 2000

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

## Building Act 1993

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

## Whistleblowers Protection Act 2001

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

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

## Major Consultancies

During 2009/10 we engaged 26 major consultancies with a value over \$100,000. The total value of the major consultancies was \$37.6 million excluding GST.

Consultant	Project	Amount (\$)	Future Commitment (\$)
CCB ENVICO Pty Ltd	Design and construction of inlet structure at the Bendigo Water Reclamation Plant. Bendigo biosolids dewatering equipment. Eppalock to Sandhurst Augmentation – Augmentation of Lake Eppalock Pump Station. Echuca Sewer Pump Station No.4 – construction of pump station.	6,044,611	261,227
NAP – National Australian Pipelines	Eppalock to Sandhurst Augmentation – staged construction of pipelines.	5,252,633	71,248
Belminco Pty Ltd	Castlemaine Water Reclamation Plant upgrades.	4,110,000	2,975,343
Laurie Curran Water	Water Quality Improvement Program – backwash system upgrade project.	3,501,474	507,327
CB&M	Water Quality Improvement Program – programmable logic controller and instrumentation upgrade project. Eppalock to Sandhurst Augmentation – supply and delivery of electrical equipment. Echuca SPS No.4 – supply of switchboard. Castlemaine Sewer Pump Station – SCADA intergration project.	2,925,056	109,147
Osmoflo	Bridgewater Water Treatment Plant Upgrade – containerised reverse osmosis plant.	1,956,000	149,800
Midwest Civil Pty Ltd	Raw water storages at Borung and Wychitella. Raw water storages at Korong Vale.	1,879,731	229,953
Campaspe Asset Management Services	Dedicated water quality sampling tap installation. Pyramid Hill booster pump station. Bendigo Water Reclamation Plant upgrade. ATAD Upgrade at Bendigo Water Reclamation Plant.	1,796,622	886,344
Tenix Alliance	Water Quality Improvement Program – SCADA and digital radio upgrade project.	1,663,502	2,185
Beca Pty Ltd	Water Quality Improvement Program – detailed design of chemical system upgrade project.	1,319,540	3,318
R&R McClure Excavation & Drilling	Water main replacement at Castlemaine and Marong. Design and construction of sewer main Bendigo Creek. Water main replacement, High Street, Reef Street and Little Reef Street in Wedderburn. Field monitoring for hydraulic model calibration in Echuca.	1,268,666	130,580
SKM	Bendigo to Castlemaine Link and Harcourt Rural Reconfiguration projects.	1,146,045	537,695
Leighton Contractors Pty Ltd	Design and installation of pump, switchboard and generator at Rochester Water Treatment Plant. Design and construction of bulk water meter upgrade program. Design and construction of raw water pump Dingee.	830,963	290,497
GHD Pty Ltd	Coliban Rural Modernisation Plan. Bendigo and Echuca sewerage augmentation strategies. Preliminary design of the Bendigo Creek sewer. Raywood-Sebastian Pipeline – planning and environmental assessment.	759,029	86,101
Cec. Hopper & Sons	Design and construction of pressure monitoring stations.	467,538	471,218

# Statutory Information

Consultant	Project	Amount (\$)	Future Commitment (\$)
Slingo Earthmoving Pty Ltd	Water main replacement, Roberts Avenue Castlemaine. Duplication of sewer main, Tucker Street Malmsbury. Water main replacement, Ray Street Castlemaine. Sewer to fire affected areas, West Bendigo.	398,439	119,933
Austin Earthmoving	Powell Street sewer trunk main, Bendigo.	398,040	26,625
RMCG	Bendigo to Castlemaine Link and Harcourt Rural Reconfiguration – agricultural assessment.	395,000	342,662
Geotechnical Testing Services Pty Ltd (GTS)	Bendigo to Castlemaine Link and Harcourt Rural Reconfiguration – geotechnical investigation.	284,940	130,312
AQUACON	Big Hill replacement tanks, Bendigo.	257,100	257,100
Steve Standen Drainage Pty Ltd.	Design and construction of a sewer pump station, Metcalfe Road Kyneton.	250,605	4,200
Watters Electrical	Bendigo Water Reclamation Plant PLC upgrade – networks and hardware contract.	199,420	12,704
Taylor's Development Strategists	Bendigo to Castlemaine Link and Harcourt Rural Reconfiguration – survey specifications.	150,800	2,300
Utility Services	Supply and installation of new smart meters across our region.	125,843	125,843
KSB Ajax	Echuca Sewage Pump Station No.4 – supply of pumpsets. High lift pumpsets for Rochester Water Treatment Plant.	112,226	1,000
SMEC Australia Pty Ltd	Water Quality Improvement program – clear water storages and high lift tank upgrade, Stage 1 – Axedale, Bridgewater, Boort, Cohuna, Echuca, Elmore, Goornong, Gunbower, Heathcote, Korong Vale, Laanecoorie, Leitchville, Lockington, Pyramid Hill, Raywood, Rochester, Serpentine and Trentham.	106,185	34,154
TOTAL		37,600,008	7,768,814

## Minor Consultancies

During the year there were 31 minor contracts at a cost of less than \$100,000 each. The total cost of these minor consultancies was \$1.63 million excluding GST.

## Disclosure of Major Contracts

There were no major contracts greater than \$10 million during the year ending 30 June 2010.

## 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.

### Completed projects

Contract Details	Date of Project		Full Time Equivalent Jobs Committed	Full Time Equivalent Jobs Achieved	Local Content (%)
	Name	Commencement	Completion	Total	Total
<b>Project: Eppalock to Sandhurst Augmentation</b>					
<b>Description:</b> Construction of Stage 1, 2a & 2b pipelines.	8/04/2008	13/05/2010	15	15	100%

### New projects

Contract Details	Project Commencement	Full Time Equivalent Jobs Committed	Local Content Committed (%)
<b>Project: Construction of raw water storages at Korong Vale</b>			
<b>Description:</b> Construction of two, two megalitre lined and covered earthen basin for storage of raw water at Korong Vale.	28/07/2009	1	95%
<b>Project: Water Quality Improvement Program – chemical system upgrade project</b>			
<b>Description:</b> Upgrading various chemical dosing systems at treatment plants throughout the region along with site facility upgrades.	23/06/2010	38	96%
<b>Project: Castlemaine Water Reclamation Plant</b>			
<b>Description:</b> General upgrade of the plant including new inlet works, covering anaerobic tank, aeration upgrades, plant wide electrical upgrades and chemical storage bunding.	23/02/2010	17	85%

# Statutory Information

## Performance Report

### Financial Performance Indicators

#### a) Financial Performance

Financial Performance Indicators	Actual Result 2008/09	Actual Result 2009/10	Corporate Plan Target 2009/10	Variance from Target 2009/10
1. Long Term Profitability Indicator <sup>1</sup>	(1.1%)	(0.7%)	(0.7%)	2.6%
2. Owners Investment Indicator <sup>2</sup>	(4.0%)	(4.0%)	(4.0%)	0.2%
3. Long Term Financial Viability Indicator <sup>3</sup>	27.1%	30.5%	32.1%	5.2%
4. Liquidity and Debt Servicing Indicator (Interest Cover) <sup>4</sup>	(0.6)	(0.4)	(0.3)	(2.2%)
5. Immediate Liquidity and Debt Servicing Indicator (Cash Cover) <sup>5</sup>	0.3	0.5	0.6	(6.2%)
6. Operating Efficiency Indicator <sup>6</sup>				
6.1 – Water Supply Bulk (Headworks)	\$92.40	\$90.39	no target set	n/a
6.2 – Water Supply Reticulation	\$599.40	\$470.87	no target set	n/a
6.3 – Water Supply Treatment	\$672.55	\$422.14	no target set	n/a
6.4 – Wastewater Reticulation	\$382.03	\$257.27	no target set	n/a
6.5 – Wastewater Treatment	\$1,238.33	\$906.45	no target set	n/a

Note: No targets were set in the Corporate Plan for the operating efficiency indicators.

#### Reasons for variations greater than 10 per cent

1 The Long Term Profitability Indicator measures profit/(loss) before net interest and tax for the current financial year as a percentage of average total assets over the current and previous financial years.

Variance Actual Result 2009/10 to Actual Result 2008/09 and Corporate Plan 2009/10: The net loss for the year was in line with the Corporate Plan and the result was an improvement on the previous financial year.

2 The Owners Investment Indicator measures profit/(loss) after tax for the current financial year as a percentage of average total equity over the current and previous financial years.

Variance Actual Result 2009/10 to Actual Result 2008/09 and Corporate Plan 2009/10: The net loss for the year was in line with the Corporate Plan. The result was also in line with the previous financial year.

3 The Long Term Financial Viability Indicator measures net debt as a percentage of total assets.

Variance Actual Result 2009/10 to Actual Result 2008/09 and Corporate Plan 2009/10: Total debt was less than the Corporate Plan which improved the gearing ratio. Total debt has increased from the previous year by \$39.8 million to fund the capital works program, which has increased the gearing ratio. The gearing ratio will continue to increase for the remainder of the Water Plan as further capital works are completed and debt financed.

4 The Liquidity and Debt Servicing Indicator (Interest Cover) measures the number of times net interest expense is covered by earnings before net interest expense.

Variance Actual Result 2009/10 to Actual Result 2008/09 and Corporate Plan 2009/10: The current year result was in line with the Corporate Plan and the result was an improvement on the previous financial year.

During the year we submitted a re-pricing proposal to the Essential Services Commission (ESC) to address unforeseen and uncertain events caused by the continuing drought which has adversely affected operating cash flows. The re-pricing was approved with tariff increases commencing 1 July 2010, and it is projected that our immediate liquidity and debt serving improve dramatically.

5 The Immediate Liquidity and Debt Servicing Indicator (Cash Cover) measures the number of times net interest payments are covered by cash flow from operations before net interest payments.

Variance Actual Result 2009/10 to Actual Result 2008/09 and Corporate Plan 2009/10: The negative cash flow from operating activities of \$5.8 million has impacted the Cash Cover indicator. The result was an improvement on the previous financial year and it is projected to continue next financial year due to the ESC approving additional price increases on 1 July 2010.

6 Operating Efficiency Indicator measures the cost per related volume.

Variance Actual Result 2009/10 to Actual Result 2008/09 and Corporate Plan 2009/10: The improvement in water supply reticulation and treatment efficiency indicators compared to the previous year is due to less temporary water purchased and treated as a result of increased rainfall in the region. The reduction in water demand directly relates to a decrease in wastewater expenditure for the year. This is the reason for the improvement on the previous financial year wastewater reticulation and treatment efficiency indicators.

## Service Delivery Performance Indicators

### a) Water Supply

	2008/09 Result	2009/10 Result	2009/10 Target	Variance from Target
<b>Water supply interruptions</b>				
Number of customers receiving five unplanned interruptions in a year <sup>1</sup>	0	1	5	(80.00%)
<b>Interruption time indicators</b>				
Average duration of unplanned water supply interruptions	102	101	95	6.3%
Average duration of planned water supply interruptions <sup>2</sup>	81	54	290	(81.4%)
<b>Restoration of water supply</b>				
Unplanned water supply interruptions restored within five hours	98.0%	98.7%	98.0%	0.7%
<b>Reliability and sewer collection service indicators</b>				
Sewer spill from reticulation and branch sewers (priority 1 and 2) <sup>3</sup>	553	501	n/a	n/a
Sewer spills from ERS and pump stations (% of volume transported)	0.000006	0.000005	n/a	n/a
<b>Containment of sewer spills</b>				
Sewer spills contained within five hours (%)	100.0%	100.0%	99.0%	1.0%
<b>Customer complaints indicator</b>				
Water quality complaints per 1,000 customers <sup>4</sup>	3.85	4.81	n/a	n/a
Water supply reliability complaints per 1,000 customers	0.06	0.11	n/a	n/a
Sewer service quality and reliability complaints per 1,000 customers	0.06	0.05	n/a	n/a
Affordability complaints per 1,000 customers	0	0.11	n/a	n/a
Billing complaints per 1,000 customers	0.19	0.58	n/a	n/a
Pressure complaints per 1,000 customers	0	0.13	n/a	n/a
Sewerage complaints per 1,000 customers <sup>3</sup>	2.81	1.62	n/a	n/a
Other complaints per 1,000 customers	1.5	0.73	n/a	n/a
<b>Reuse indicators</b>				
Effluent reuse (vol)	78.0%	70.0%	67.0%	4.5%
Biosolids reuse (dry mass)	100.0%	100.0%	100.0%	0.0%
<b>Sewerage treatment standards</b>				
Number of analyses complying with licence agreement as % of samples	100.0%	100.0%	n/a	n/a

#### Note:

'n/a' means no targets set to performance indicators above. Business targets use different parameters. For example sewer blockages and spills per 100km.

#### Reasons for variations greater than 10 per cent or significant variation to prior year:

1 Only one customer received five unplanned interruptions during the year

2 Use of different technology has significantly reduced the number of planned water supply interruptions, particularly those of extended duration

3 Effective preventative maintenance program has significantly reduced sewer blockages and spills, therefore reducing complaints

4 Increase in water quality complaints due to water main works

# Statutory Information

## Service Delivery Performance Indicators

### b) Quality of Wastewater Discharge (by treatment facility)

Aggregate annual performance of town or sewerage systems	2009/10 Result
Number of individual test results meeting EPA licence conditions x 100 / total number of individual tests for the year	
Axedale <sup>1</sup>	*
Bendigo	100%
Boort <sup>1</sup>	*
Bridgewater/Inglewood <sup>1</sup>	*
Castlemaine	100%
Cohuna <sup>1</sup>	*
Dunolly <sup>1</sup>	*
Echuca <sup>2</sup>	100%
Elmore <sup>1</sup>	*
Gunbower/Leitchville <sup>1</sup>	*
Heathcote <sup>1</sup>	*
Kyneton	100%
Lockington <sup>1</sup>	*
Pyramid Hill <sup>1</sup>	*
Rochester <sup>1</sup>	*
Wedderburn <sup>1</sup>	*

Short term/persistent compliance with EPA licence	2009/10 Result
Number of sets of test results meeting EPA licence conditions x 100 / total number of sets of routine tests for the year	
Axedale <sup>1</sup>	*
Bendigo	100%
Boort <sup>1</sup>	*
Bridgewater/Inglewood <sup>1</sup>	*
Castlemaine	100%
Cohuna <sup>1</sup>	*
Dunolly <sup>1</sup>	*
Echuca <sup>2</sup>	100%
Elmore <sup>1</sup>	*
Gunbower/Leitchville <sup>1</sup>	*
Heathcote <sup>1</sup>	*
Kyneton	100%
Lockington <sup>1</sup>	*
Pyramid Hill <sup>1</sup>	*
Rochester <sup>1</sup>	*
Wedderburn <sup>1</sup>	*

Notes <sup>1</sup> Due to EPA Corporate Licence, EPA licence tests are not required

<sup>2</sup> EPA licence held by other parties

\* No test conducted

### c) Environmental Performance Indicators

Wastewater effluent reused	2009/10 Result
Volume effluent reused x 100 / total volume of effluent produced	
Axedale	100.0%
Bendigo <sup>1</sup>	75.0%
Boort	#
Bridgewater/Inglewood	#
Castlemaine <sup>1</sup>	12.0%
Cohuna	#
Dunolly	#
Echuca	100.0%
Elmore	#
Gunbower/Leitchville	#
Heathcote	100.0%
Kyneton <sup>1</sup>	55.0%
Lockington	#
Pyramid Hill	#
Rochester	100.0%
Wedderburn	100.0%

Wastewater sludge reused / recycled	2009/10 Result
Volume effluent reused x 100 / total volume of effluent produced	
Axedale	100.0%
Bendigo	100.0%
Boort	^
Bridgewater/Inglewood	^
Castlemaine	100.0%
Cohuna	^
Dunolly	^
Echuca	^
Elmore	^
Gunbower/Leitchville	^
Heathcote	^
Kyneton	^
Lockington	^
Pyramid Hill	^
Rochester	^
Wedderburn	100.0%

<sup>1</sup> EPA Licence allows waterway discharge at these sites

# Effluent produced was evaporated or retained in storages for future reuse

^ Sludge still being treated and dried to allow future reuse



# Directors' Declaration

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## Statutory Certification

In our opinion, the accompanying Performance Report of Coliban Region Water Corporation for the year ended 30 June 2010, 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.



**John Brooke**  
Chairman



**Gavin Hanlon**  
Managing Director

26 August 2010

# VAGO

Victorian Auditor-General's Office

## 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 2010 of Coliban Region Water Corporation comprises the statement, the related notes and the statutory certification.

#### *The Board Members Responsibility for the Performance Report*

The Board Members of Coliban Region Water Corporation are responsible for the preparation and the fair presentation of the performance report in accordance with the *Financial Management Act 1994*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the performance report that is free of material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

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

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

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

This auditor's report relates to the performance report published in both the annual report and on the website of the Coliban Region Water Corporation for the year ended 30 June 2010. The Board Members of Coliban Region Water Corporation are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statement named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this performance report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited performance report to confirm the information included in the audited performance report presented on the Coliban Region Water Corporation website.

#### *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.

#### *Auditor's Opinion*

In my opinion, the performance report of Coliban Region Water Corporation in respect of the 30 June 2010 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

MELBOURNE  
26 August 2010

*T. D. Pearson*  
For  
D D R Pearson  
Auditor-General

# Disclosure Index

The 2009/10 Annual Report of Coliban Region Water Corporation is prepared in accordance with all relevant Victorian legislation. This index is verification of our compliance with statutory disclosure requirements.

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## Further information about Operations and Performance

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

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

# Financial Performance Summary

## Financial summary

	Plan 2009/10 (\$'000)	Actual 2009/10 (\$'000)	Actual 2008/09 (\$'000)	Actual 2007/08 (\$'000)	Actual 2006/07 (\$'000)	Actual 2005/06 (\$'000)
<b>Revenue</b>						
Service charges	37,809	37,741	34,138	30,712	28,922	28,878
Usage charges	25,100	21,377	16,862	10,798	10,535	12,430
Developer contributions & capital works	4,752	3,705	5,648	5,875	5,322	6,794
Other	1,116	959	989	2,396	1,939	789
Interest	206	30	135	287	677	1,435
<b>Total Revenue</b>	<b>68,983</b>	<b>63,812</b>	<b>57,772</b>	<b>50,068</b>	<b>47,395</b>	<b>50,326</b>
<b>Expenses</b>						
Operations	37,764	35,375	35,037	35,453	25,716	24,604
Administration	9,634	10,771	8,353	8,625	8,984	8,348
Depreciation	26,549	23,073	22,718	20,473	19,452	19,890
Finance Charges	20,911	21,042	18,930	13,147	8,156	8,170
Environmental Contribution	2,031	2,031	2,031	1,740	1,740	1,740
<b>Total Expenditure</b>	<b>96,888</b>	<b>92,292</b>	<b>87,069</b>	<b>79,438</b>	<b>64,048</b>	<b>62,752</b>
<b>Net result for the year (before other economic flows and income tax)</b>	<b>(27,905)</b>	<b>(28,480)</b>	<b>(29,297)</b>	<b>(29,370)</b>	<b>(16,653)</b>	<b>(12,426)</b>

	Plan 2009/10 (\$'000)	Actual 2009/10 (\$'000)	Actual 2008/09 (\$'000)	Actual 2007/08 (\$'000)	Actual 2006/07 (\$'000)	Actual 2005/06 (\$'000)
<b>Assets</b>						
Total Current Assets	16,025	15,840	14,583	13,932	16,074	25,543
Total Non-Current Assets	1,021,885	1,026,660	1,011,457	966,059	892,700	815,893
<b>Total Assets</b>	<b>1,037,910</b>	<b>1,042,500</b>	<b>1,026,040</b>	<b>979,991</b>	<b>908,774</b>	<b>841,436</b>
<b>Liabilities</b>						
Total Current Liabilities	40,898	40,407	74,710	51,024	35,174	23,081
Total Non-Current Liabilities	307,874	293,716	222,270	179,661	121,098	95,873
<b>Total Liabilities</b>	<b>348,772</b>	<b>334,123</b>	<b>296,980</b>	<b>230,685</b>	<b>156,272</b>	<b>118,954</b>
<b>Total Net Assets</b>	<b>689,138</b>	<b>708,377</b>	<b>729,060</b>	<b>749,306</b>	<b>752,502</b>	<b>722,482</b>

## Major changes or factors affecting performance

The recent rainfall experienced in our region from February to June in 2010 has improved our water supply position but has also had an impact on water consumption demand. Revenue was in line to budget up until January 2010 but since then, consumption has been lower than expected.

Increases in usage charges were still the primary reason for revenue growth from previous years and were in line with the Essential Services Commission (ESC) price determination. Water restriction levels remained at Stage 3 for the Bendigo region during the year, which is higher than the Permanent Water Saving Rules predicted in the *Water Plan 2008–2013*.

During the year we submitted to the ESC a revised price proposal under the 'Unforeseen and Uncertain Events' mechanism to address the impacts the continuing drought was having on the business. The ESC approved the revised price proposal that will bring forward already agreed water prices by two years in 2010/11 and Consumer Price Index (CPI) thereafter until the end of the *Water Plan* in 2013. These increases will take effect on 1 July 2010 and will significantly increase water usage and service charges revenue next year.

We are also undertaking major upgrade works at the Bendigo Water Treatment Plant to improve the capacity of the plant to treat Goulburn water and enable the easing of water restrictions in the Bendigo area when it is responsible to do so.

The reality of the current drought and the capacity of the water treatment plant to treat Goulburn water has meant we will remain on Stage 3 water restrictions until the conditions improve.

Total expenditure has increased due to the drought as we have incurred additional temporary water purchases and water cartage costs. Many large capital work projects needed to be fast tracked to ensure water security for towns affected by the drought, causing a significant increase in borrowing costs and depreciation.

This year's result has been impacted by an impairment loss to our temporary water currently stored in Lake Eildon. The market price for temporary water purchases has decreased dramatically from \$333 per megalitre to \$100 per megalitre following the good rainfall received in 2010 and subsequent improvement in the water supply outlook. This is an accounting valuation adjustment not a physical water adjustment.

The severity of the drought on our financial viability can be seen in the net result since 2005/06. This is due to lower revenue and an increase in operating costs. Large infrastructure assets such as the Goldfields Superpipe and Bendigo Recycled Water Factory were built and we purchased permanent water entitlements to increase water security.

Our outlook is positive, following the pricing approval by the ESC to ensure we have a pathway to financial viability. Our financial performance will improve next year and continue for the remainder of the *Water Plan* period.

## Five year comparison of financial results and projection for 2010/11

	Plan 2010/11 (\$'000)	% Change Act – Plan	Actual 2009/10 (\$'000)	% Change 2009/10 – 2008/09	Actual 2008/09 (\$'000)	Actual 2007/08 (\$'000)	Actual 2006/07 (\$'000)	Actual 2005/06 (\$'000)
Total Revenue	78,868	31.2%	60,107	15.3%	52,125	44,194	42,073	43,532
Total Expenditure	102,221	6.0%	96,464	10.5%	87,277	79,438	64,048	62,752
Net Profit before developer income	(23,353)	35.8%	(36,357)	(3.4%)	(35,152)	(35,244)	(21,976)	(19,220)
Developer contributions & capital works	5,219	40.9%	3,705	(34.4%)	5,648	5,875	5,322	6,794
Net Result for the year before Tax	(18,135)	44.5%	(32,652)	(10.7%)	(29,505)	(29,370)	(16,653)	(12,426)

# Financial Performance Summary

## Significant changes in financial position

Approved price increases have seen total cash assets improve as cash flows have increased on the previous year. The price increases approved for 1 July 2010 will see cash assets improve dramatically as cash flows from operating activities will become positive again.

We are continuing with our major capital works program with \$214 million committed in capital projects over our five year plan. New borrowings from Treasury Corporation Victoria totaling \$40 million were required to finance assets during 2009/10, with further borrowings proposed over the remainder of the *Water Plan* period.

There has been a significant increase in total assets due to the capital works program, which has seen our long term financial viability indicator increase. Our gearing ratio has been traditionally very low and as further borrowings are proposed, the gearing ratio will increase and align with general business practices.

## Shareholder dividend

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

No shareholder dividend was paid for 2009/10.

## The Water Plan

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

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

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

## Post balance date events

There are no post balance date events that materially affect our 2009/10 financial statements.

## Outlook 2010/11

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

- › We submitted to the ESC a revised tariff proposal on 15 March 2010. This proposal was to change our price path to increase short term revenue over the remaining regulatory period. The ESC approved a revised proposal with all price increases to commence 1 July 2010. It is projected the new tariff increases will see our short term financial position improve with operating cash flows becoming positive in 2010/11 and a strengthening of our operating result. The improvement in the financial position will continue substantially in 2011/12 and 2012/13.
- › The DTF has provided support that we have the ability to draw upon the new financial accommodation during 2010/11 to pay costs arising from our operating activities and capital works program.
- › The DTF has also provided support that any maturity loans will be refinanced. Our low working capital is influenced considerably by borrowings to fund the large capital works program in the approved *Water Plan 2008–2013*. Loan maturities are mixed to minimise interest rate risk. We will rely on borrowings to fund the \$214 million capital works program over the next three years.
- › The Treasurer has provided approval for \$48 million of new financial accommodation to fund the approved 2010/11 *Corporate Plan*.

Total revenue for 2010/11 is projected to be \$84.1 million, total expenses \$102.2 million – including \$22.8 million to service debt, with a total deficit after tax of \$18.1 million. The projected increase in total revenue in 2010/11 is due to the ESC approving a revised tariff proposal based on 'Unforeseen and Uncertain Events' mechanism due to the continuing drought.

The average household's water bill in Bendigo (based on 170 kilolitres per annum) will increase on average \$109 during 2010/11. This increase is the main factor contributing to the 31.8 per cent increase in total revenue next year.

The increase in total expenditure in 2010/11 is due to higher depreciation charges from the intensive capital works program and higher borrowing costs to fund the program. We will rely on borrowings from Treasury Corporation Victoria to fund the capital works program over the next three years.

Total operation and administration expenses will remain in line with 2009/10 expenditure. Due to the continuing drought, this will include \$3 million for temporary water purchases and additional water cartage costs.

## Revenue

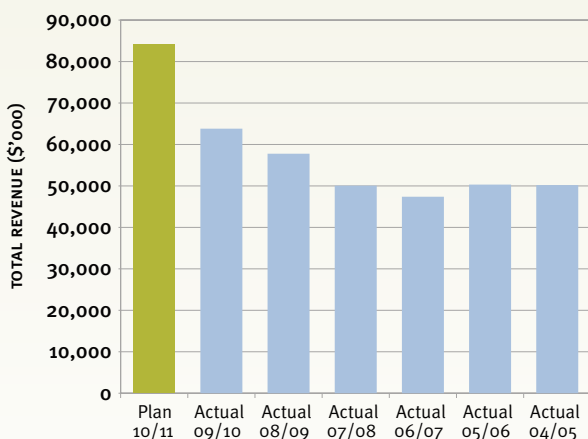
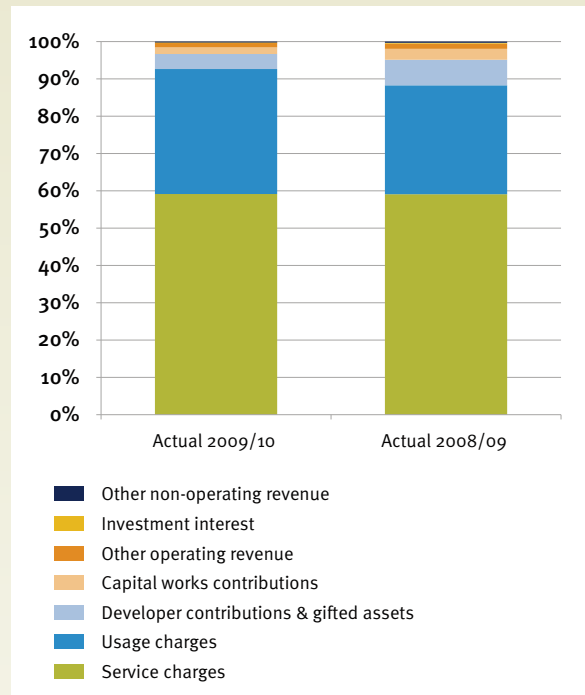
Total revenue increased \$6 million or 10.5 per cent in 2009/10.

Overall service charges increased \$3.6 million or 10.6 per cent in 2009/10. In line with the ESC price determination, service charges for water increased slightly due to the reduction in fees which is offset by urban growth in the major towns. Rural service fees decreased and sewerage service fees increased \$4.3 million or 19.7 per cent in line with the ESC price determination. Trade waste fees decreased \$0.7 million due to water conservation and cleaner production processes by businesses.

Usage charges increased \$4.5 million or 26.8 per cent in 2009/10 in line with the ESC price determination. Water consumption remained at Stage 3 during the year which was higher than the Permanent Water Saving Rules predicted in *Water Plan 2008–2013*.

Total revenue is projected to significantly increase in 2010/11 due to the ESC approved tariff increases from 1 July 2010.

About 92 per cent of income is derived from service charges and consumption usage charges, with the remainder being capital works and developer contributions. The increase in percentage is attributed to the approved ESC price determination.



# Financial Performance Summary

## Expenditure

Total expenditure, including other economic flows, increased \$9 million or 10.5 per cent in 2009/10.

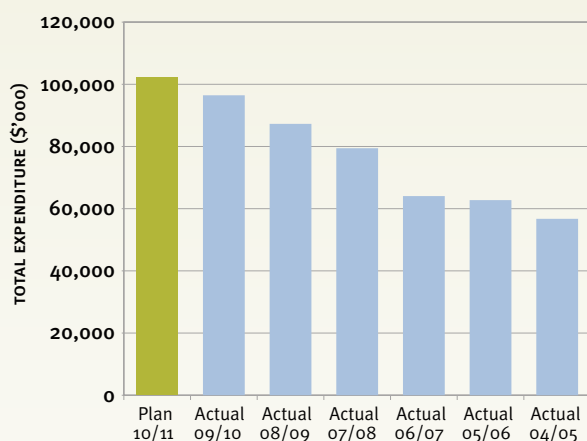
Operational and administration expenses increased \$1.2 million or 3.3 per cent on last year's figures.

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

As debt levels continued to grow from \$178 million in 2008/09 to \$220.3 million during the year to fund the capital works program, the debt servicing cost increased by \$2.3 million or 11.2 per cent. We will rely on borrowings from Treasury Corporation Victoria to fund the capital works program over the next three years.

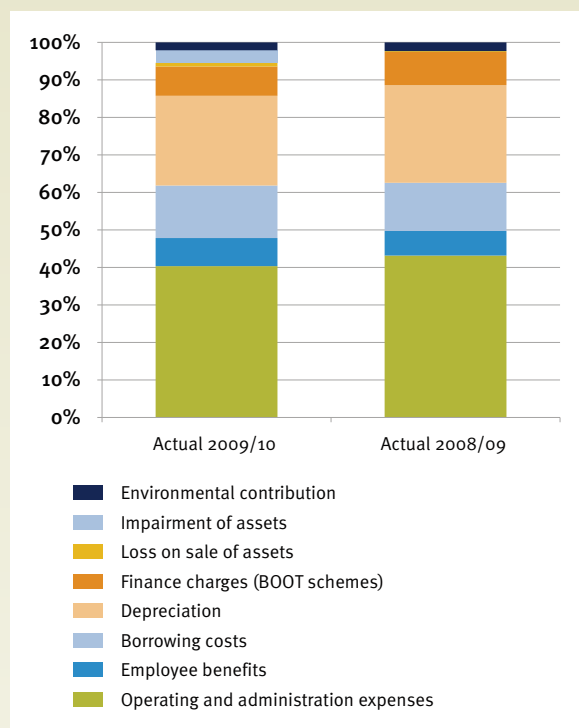
Depreciation has increased marginally over the year as capital projects are completed. There was a \$958,000 write down of assets during the year.

Expenditure was also impacted by an impairment loss to the finite life intangible asset (temporary water) of \$3.2 million due to the volatile temporary water market. This adjustment is shown through the statement of comprehensive income.



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

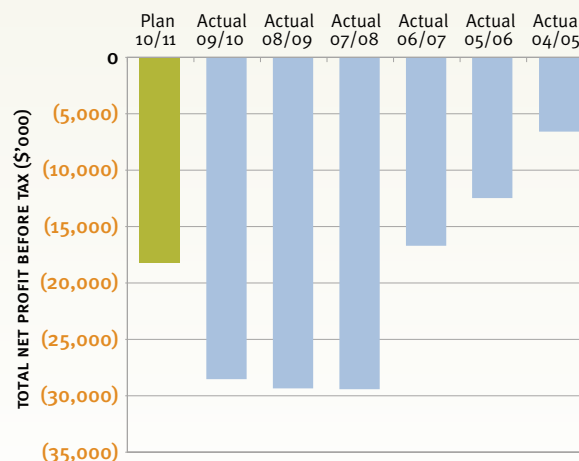
Borrowing costs and depreciation have increased substantially over the last few years and will continue to increase as the capital works program continues.



## Net result before tax

The net result before tax in 2009/10 was a slight decrease on the previous year with total revenue increasing by \$6 million and total expenditure increasing by \$9 million. The large losses are due to the continuation of the drought and the impacts of water restrictions. The net result was also impacted by the impairment loss to temporary water.

The net result before tax is budgeted to dramatically improve in 2010/11 due to the increases in water consumption usages charges based on the ESC approval of our revised tariff proposal.





# Understanding the Financial Statements

## Operating Statement

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

For the year ending 30 June 2010, we made a net result before tax of \$28.5 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, reserves and accumulated profits that have been reinvested in the business over the years.

## Statement of Changes in Equity

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

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

## Cash Flow Statement

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

For the year ending 30 June 2010, we had a negative net cash flow from operating activities of \$5.8 million.

## Notes to the Accounts

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

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

## Statutory Certificate and Auditor General's Report

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

# Financial Statements

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# Statutory Certification

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

We further state that, in our opinion, the information set out in the Operating Statement, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2010 and the financial position of Coliban Region Water Corporation at 30 June 2010.

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

Signed at Bendigo on the 26th day of August, 2010 on behalf of the Board.



**Mr John Brooke**  
Chairman  
Coliban Region Water Corporation



**Mr Gavin Hanlon**  
Managing Director  
Coliban Region Water Corporation



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

# Operating Statement

For the reporting period ended 30 June 2010

	Notes	2010 (\$'000)	2009 (\$'000)
<b>Revenue from operating activities</b>			
Service charges	2(a)	37,741	34,138
Usage charges	2(a)	21,377	16,862
Developer contributions & gifted assets		2,570	3,960
New customer contributions		1,135	1,688
Investment interest		30	135
Other income		797	796
		<b>63,650</b>	<b>57,579</b>
<b>Revenue from non-operating activities</b>			
Other non-operating income		162	193
		<b>162</b>	<b>193</b>
<b>Total revenue</b>		<b>63,812</b>	<b>57,772</b>
<b>Expenses from operating activities</b>			
Operating and administration expenses	2(b)	38,920	37,678
Employee benefits	2(b)	7,226	5,712
Borrowing costs		13,506	11,217
Depreciation	2(b)	23,073	22,718
Finance charges (BOOT schemes)		7,536	7,713
Environmental contribution		2,031	2,031
<b>Total expenses</b>		<b>92,292</b>	<b>87,069</b>
<b>Net result before tax</b>		<b>( 28,480)</b>	<b>( 29,297)</b>
Income tax (expense)/revenue	11(b)	10,718	8,850
<b>Net result after tax</b>		<b>( 17,762)</b>	<b>( 20,447)</b>
<b>Other economic flows</b>			
Net gain/(loss) on disposal of assets			
Proceeds on disposal of assets		-	12
Written down value of assets sold		(958)	(220)
		<b>(958)</b>	<b>(208)</b>
Impairment of intangible assets	7	(3,206)	-
Fair value increase/(decrease) in other financial assets	5	(8)	-
Income tax (expense)/revenue relating to components of other economic flows	11(c)	1,251	-
<b>Other economic flows for the year, net of tax</b>		<b>(2,921)</b>	<b>(208)</b>
<b>Net result for the year</b>		<b>(20,683)</b>	<b>(20,655)</b>

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

# Statement of Other Comprehensive Income

For the reporting period ended 30 June 2010

	Notes	2010 (\$'000)	2009 (\$'000)
<b>Net result for the year</b>		<b>(20,683)</b>	<b>(20,655)</b>
<b>Other comprehensive income</b>			
Other comprehensive income		-	-
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>(20,683)</b>	<b>(20,655)</b>

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

# Balance Sheet

For the reporting period ended 30 June 2010

	Notes	2010 (\$'000)	2009 (\$'000)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	1,798	772
Receivables	4	13,626	13,411
Prepayments		416	400
<b>Total current assets</b>		<b>15,840</b>	<b>14,583</b>
<b>Non-current assets</b>			
Receivables	4	2,024	1,474
Other financial assets	5	56	64
Property, plant and equipment	6	950,315	944,048
Intangible assets	7	61,429	65,004
Deferred tax assets	12(a)	12,836	867
<b>Total non-current assets</b>		<b>1,026,660</b>	<b>1,011,457</b>
<b>TOTAL ASSETS</b>		<b>1,042,500</b>	<b>1,026,040</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	8	15,181	17,754
Borrowings	9	23,870	55,416
Employee benefits	10	1,356	1,540
<b>Total current liabilities</b>		<b>40,407</b>	<b>74,710</b>
<b>Non-current liabilities</b>			
Borrowings	9	293,575	222,182
Deferred tax liabilities	12(a)	-	-
Employee benefits	10	141	88
<b>Total non-current liabilities</b>		<b>293,716</b>	<b>222,270</b>
<b>TOTAL LIABILITIES</b>		<b>334,123</b>	<b>296,980</b>
<b>NET ASSETS</b>		<b>708,377</b>	<b>729,060</b>
<b>EQUITY</b>			
Contributed capital	13	309,864	309,864
Reserves	14	13,598	13,598
Accumulated funds		384,915	405,598
<b>TOTAL EQUITY</b>		<b>708,377</b>	<b>729,060</b>

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

# Statement of Changes in Equity

For the reporting period ended 30 June 2010

	Notes	Contributions by owners (\$'000)	Reserves (\$'000)	Accumulated funds (\$'000)	Total (\$'000)
<b>Balance at 1 July 2008</b>		<b>309,455</b>	<b>13,598</b>	<b>426,253</b>	<b>749,306</b>
Total comprehensive income for the year as reported in the 2009 financial report		-	-	(20,655)	(20,655)
Transactions with the State in its capacity as owner:					
Contributed capital	13	409	-	-	409
<b>Balance at 30 June 2009</b>		<b>309,864</b>	<b>13,598</b>	<b>405,598</b>	<b>729,060</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>(20,683)</b>	<b>(20,683)</b>
Transactions with the State in its capacity as owner:					
Contributed capital	13	-	-	-	-
<b>Balance at 30 June 2010</b>		<b>309,864</b>	<b>13,598</b>	<b>384,915</b>	<b>708,377</b>

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

# Cash Flow Statement

For the reporting period ended 30 June 2010

	Notes	2010 (\$'000)	2009 (\$'000)
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Service and usage charges		57,394	48,264
Other customer revenue		2,504	4,283
Receipts from Government		-	250
GST received from the ATO		8,738	10,669
Interest received		30	150
		<b>68,666</b>	<b>63,616</b>
<b>Payments</b>			
Payments to suppliers and employees		(58,962)	(56,845)
GST paid to the ATO		(776)	(1,725)
Interest and other costs of finance paid		(12,720)	(10,322)
Environmental contributions		(2,031)	(2,031)
		<b>(74,489)</b>	<b>(70,923)</b>
<b>Net cash (outflow) / inflow from operating activities</b>	<b>15</b>	<b>(5,823)</b>	<b>(7,307)</b>
<b>Cash Flows from Investing Activities</b>			
Payments for infrastructure, property, plant and equipment		(31,273)	(36,441)
Payments for intangible assets		(1,726)	(37,348)
Proceeds on disposal of infrastructure, property, plant and equipment		-	12
<b>Net cash (outflow) / inflow from investing activities</b>		<b>(32,999)</b>	<b>(73,777)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		42,264	86,000
Repayment of borrowings		-	(4,000)
Proceeds from contributions of owners		-	409
Repayment of finance lease liabilities		(2,416)	(2,229)
<b>Net cash (outflow) / inflow from financing activities</b>		<b>39,848</b>	<b>80,180</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,026</b>	<b>(904)</b>
Cash and cash equivalents at the beginning of the financial year		772	1,676
<b>Cash and cash equivalents at the end of the financial year</b>	<b>3</b>	<b>1,798</b>	<b>772</b>

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



# Notes to the Financial Statements

For the reporting period ended 30 June 2010

## Note 1: Significant Accounting Policies

### (i) Basis of Accounting

#### General

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

Coliban Water is classified for the purpose of financial reporting as not-for-profit.

This financial report has been prepared on an accrual and going concern basis.

#### Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being Coliban Water's operational cycle – see Note 1 (ixx) Employee Benefits for a variation in relation to employee benefits.

#### Rounding

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

#### Historical cost convention

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

#### Critical accounting estimates

The preparation of financial statements in conformity with the Australian Accounting Standards (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.

#### Financial statement preparation

The entity has applied the revised AASB 101 Presentation of Financial Statements which became effective for reporting periods existing on or after 1 January 2009. The revised standard requires the separate presentation of a statement of other comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of other comprehensive income. As a consequence, the entity had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

### Early adoption of pronouncements

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

### (ii) Changes in Accounting Policy

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Where appropriate, comparative figures have been amended to accord with current presentation and disclosure made of material changes to comparatives.

### (iii) Comparative Amounts

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

### (iv) Going Concern Basis

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

- › Coliban Water submitted to the Essential Services Commission a revised tariff proposal on 15 March 2010. This proposal was to change our price path to increase short term revenue over the remaining regulatory period. The Essential Services Commission approved a revised proposal with all price increases to commence 01 July 2010. It is projected these new tariff increases will see the short term financial position of Coliban Water improve with operating cash flows becoming positive in 2010/11 and a strengthening of our operating result. The improvement in the financial position will continue substantially in 2011/12 and 2012/13.
- › The Department of Treasury and Finance (DTF) has provided support that Coliban Water has the ability to draw upon the new financial accommodation during 2010/11 to pay costs arising from their operating activities and capital works program.
- › The DTF has also provided support that any maturing loans will be refinanced: Coliban Water's low working capital is influenced considerably by borrowings to fund the large capital works program in the approved 2008-2013 Water Plan. Loan maturities are mixed to minimise interest rate risk. Coliban Water will rely on borrowings to fund the \$214 million capital works program over the next three years.
- › The Treasurer has provided approval for \$48 million of new financial accommodation to fund the approved 2010/11 Corporate Plan.

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

## (v) Revenue Recognition

### Service and usage charges

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

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

Trade waste charges are recognised as revenue at the end of the service delivery period. Volume meters are read and appropriate charges levied as per the trade waste agreements. Major trade waste customers meters are read monthly with accounts sent monthly. All other trade waste customers meters are read quarterly with accounts sent quarterly.

### Developer contributions and fees paid by developers

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

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

### Government contributions

Government grants and contributions are recognised as operating revenue on receipt or when an entitlement is established, whichever is the sooner, and disclosed in the operating statement as government contributions. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity – Contributed by Owners.

### Interest and rents

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

## (vi) Other Economic Flows

### Impairment of financial instruments

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

## Impairment of assets

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

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

All assets are tested for indication of impairment on an annual basis. Assets will be carried at the lower of carrying value and recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount, with the difference being written-off by a charge to the operating statement, except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. For not-for-profit entities the recoverable amount is the higher of the 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 statement of other comprehensive income, a reversal of that impairment loss is also recognised in the operating statement.

## (vii) Borrowing Costs

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

## (viii) Web Site Costs

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

## (ix) Property, Plant and Equipment

Property, plant and equipment represent non-current assets comprising land, buildings, water, sewerage and drainage infrastructure, plant, equipment and motor vehicles, used by Coliban Water in its operations. Items with a cost value in excess of \$1,000 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed. Where assets are constructed by Coliban Water, the cost at which they are recorded includes an appropriate share of fixed and variable overheads. Assets acquired at no cost or for

nominal consideration by Coliban Water are recognised at fair value at the date of acquisition.

#### Repairs and maintenance

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

#### Valuation of non-current physical assets

Land and buildings are measured at fair value which is determined as the amount for which assets could be exchanged between knowledgeable, willing parties, in an arm's length transaction. All other non-current physical assets except water infrastructure assets are recognised initially at cost and subsequently measured 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 using management expertise and are classified as a managerial revaluation.

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.

Water infrastructure assets are measured at cost less any accumulated depreciation and any accumulated impairment losses. These assets comprise substructures or underlying systems held to facilitate the harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and drainage systems. For Whole-of-government reporting at 30 June 2009 and 30 June 2010, water infrastructure assets are measured at fair value less any accumulated depreciation and any accumulated impairment losses, in accordance with FRD 121 Infrastructure Assets – Water/Rail.

For the year ended 30 June 2010, the temporary exemption for regional water corporations, granted under FRD 121 Infrastructure Assets – Water/Rail, will continue to be effective until further direction is provided by DTF.

#### Revaluations of non-current physical assets

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

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the revaluation reserve in respect of the same class of assets, they are debited to the revaluation reserve. Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes. Revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset.

#### Non-Current Assets Classified as Held for Sale

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

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

#### Leasehold improvements

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

#### (x) Depreciation and Amortisation of Non-Current Assets

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

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

Depreciation rates used are listed below and are consistent with the prior year, unless otherwise stated:

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

#### (xi) Leases

##### Finance leases

Leases of property, plant and equipment where Coliban Water has substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance cost is charged to the operating statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability

for each period. The property, plant and equipment acquired under finance lease is depreciated over the shorter of the asset's useful life and the lease term.

#### **Operating leases**

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

#### **(xii) Cash and Cash Equivalent Assets**

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

#### **(xiii) Receivables**

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

#### **(xiv) Intangibles**

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to Coliban Water. The intangible assets recognised by Coliban Water have indefinite useful lives and are therefore not amortised.

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

Intangible Assets are represented by water entitlements purchased in the Goulburn water supply system that have been capitalised under the provisions of AASB 138 Intangible Assets.

#### **(xv) Finance Lease Liabilities – BOOT Schemes**

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

the contractual term and this term is for the major part of the economic life of the asset, Coliban Water accounts for the asset under the BOOT scheme as a finance lease.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in payables. Each stream of lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The interest element of the finance cost is charged to the operating statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset(s) acquired in a BOOT scheme that meets the classification of finance lease is depreciated over the shorter of the asset's useful life and the lease term.

#### **(xvi) Trade and Other Payables**

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

#### **(xvii) Borrowings**

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

#### **(xviii) Financial Instruments**

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

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

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

Other Financial Assets are valued at their market value at 30 June 2010 and are classified as non-current assets based on maturity dates of individual investments. All gains and losses of other financial assets are recorded in other economic flows in the operating statement.

##### **Loans and receivables**

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

##### **Fair value**

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

## Impairment of financial assets

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

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

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

## (ixx) Employee Benefits

### Wages and salaries and annual leave

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

### Long service leave

**Current Liability** – unconditional LSL (representing 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 operating statement in respect of superannuation represents the contributions made by Coliban Water to the superannuation plan in respect of the current services of Coliban Water staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

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

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

### Employee Benefit On-Costs

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

### Performance payments

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

## (xx) Contributed Capital

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

In accordance with a direction from the Minister for Finance, capital contributions received from the State Government during 2009/10 was nil (2008/09 – \$409,000) were treated as equity and appeared in the Balance Sheet as Equity – Contributed by Owners.

### (xxi) Environmental Contribution

The Water Industry (Environmental Contributions) Act 2004 amended the Water Industry Act 1994 to make provision for environmental contributions to be paid by water supply authorities. The Act establishes an obligation for Coliban Water to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments. The contribution period has been extended to cover the period 1 July 2008 until 30 June 2012.

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

The environmental contributions for 2009/10 were \$2.031 million (2008/09 – \$2.031 million) and are disclosed separately within expenses. Future contributions required by Coliban Water are \$2.031 million per year for the next two years (see Note 21(c)).

### (xxii) Operating Results of Retail Services

The financial report includes a note reporting the retail services of Coliban Water, in accordance with the Ministerial Direction under Section 51 of the Financial Management Act 1994. (See Note 20).

### (xxiii) Taxation

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

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

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

### (xxiv) Dividend Policy

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

The process to determine the dividend applicable to the 2009/10 financial year has not yet been completed at the reporting date however it is anticipated that no dividend will be payable.

### (xxv) Goods and Services Tax

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

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

### (xxvi) Jointly Controlled Assets

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

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

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

Principal Activity	Interest 2010 (\$'000)	Water Infrastructure (\$'000)	Operational Costs (\$'000)
Operation and maintenance of pipelines and associated infrastructure:			
› Waranga Channel to Lake Eppalock	2/3	66,184	1,970
› Lake Eppalock to Sandhurst Reservoir	2/3	-	492
› Sandhurst Reservoir to White Swan Reservoir	100% CHW	-	-

As at 30 June 2010 there are no outstanding liabilities incurred to Coliban Water and the unincorporated joint venture.

(xxvii) New Accounting Standards and Interpretations

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on departmental financial statements
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	In May 2009, the AASB issued a number of improvements to existing Australian Accounting Standards. The entity will apply the revised standards from 1 July 2010.	1 January 2010	Coliban Water does not expect that any adjustments will be necessary as a result of applying the revised rules.
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.	1 February 2010	Coliban Water has not made any such rights issues, therefore the amendment will not have any effect on the financial statements.
AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the entity's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.	1 January 2013	Coliban Water is yet to assess its full impact. However, initial indications are that it may affect Coliban Water's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards	In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party.	1 January 2011	When the amendments are applied, Coliban Water and the parent will not need to disclose any transactions between Government and other Government Agencies.
AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19	AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.	1 January 2010	It is not expected to have any impact on Coliban Water's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and Coliban Water has not entered into any debt for equity swaps since that date.
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.	1 January 2011	Coliban Water does not make any such prepayments. The amendment is therefore not expected to have any impact on Coliban Water's financial statements.

## Note 2: Operating Statement Disclosures

	2010 (\$'000)	2009 (\$'000)
<b>(a) Income from operating activities</b>		
<b>Service Charges:</b>		
Water service charges	7,205	7,108
Rural water service charges	1,211	1,266
Sewerage service charges	26,305	21,981
Trade waste charges	3,007	3,751
Recycled water service charges	13	32
	<b>37,741</b>	<b>34,138</b>
<b>Usage Charges:</b>		
Water usage charges	19,402	15,389
Rural water usage charges	611	422
Sewerage usage charges	849	712
Recycled water usage charges	515	339
	<b>21,377</b>	<b>16,862</b>
<b>(b) Expenses from operating activities</b>		
<b>Operating and Administration expenses:</b>		
Partnership contract expenses	18,708	17,959
Water purchases	4,120	4,510
Other services	5,857	5,661
Electricity	3,273	3,472
BOOT toll service payments	4,627	4,193
Materials	431	182
Other operating and administration expenses	1,904	1,701
	<b>38,920</b>	<b>37,678</b>
<b>Employee expenses:</b>		
Salaries and wages	5,874	4,652
Annual leave	411	307
Long service leave	114	69
Termination benefits	171	183
Post employment benefits		
› defined contribution superannuation	519	374
› defined benefit superannuation	137	127
	<b>7,226</b>	<b>5,712</b>
<b>Depreciation:</b>		
Water infrastructure	6,090	5,913
Water distribution	1,693	1,673
Wastewater infrastructure	7,308	7,156
Recycling infrastructure	1,583	1,598
Rural infrastructure	241	335
Headworks infrastructure	1,183	1,157
BOOT schemes	4,441	4,441
Buildings	241	245
Plant & equipment	293	200
	<b>23,073</b>	<b>22,718</b>



## Note 3: Cash and Cash Equivalents

	2010 (\$'000)	2009 (\$'000)
Cash on hand	1	1
Cash at bank	1,797	771
<b>Total cash and cash equivalents</b>	<b>1,798</b>	<b>772</b>

## Note 4: Receivables

### Current Receivables

Rates and charges receivables	4,990	3,960
Sundry debtors receivables	1,885	2,569
GST receivables	719	1,043
Accrued revenue	6,119	5,906
Provision for doubtful debts	(87)	(67)
<b>Total current receivables</b>	<b>13,626</b>	<b>13,411</b>

### Non-Current Receivables

Debtors receivables	2,024	1,574
Provision for doubtful debts	-	(100)
<b>Total non-current receivables</b>	<b>2,024</b>	<b>1,474</b>
<b>Total receivables</b>	<b>15,650</b>	<b>14,885</b>

### (a) Ageing analysis of receivables

The ageing analysis of rates and charges receivables, sundry debtors receivables, income receivables and debtors receivables at 30 June 2010 is as follows:

Current	5,004	4,782
1 to 3 months	1,183	246
3 to 12 months	688	551
More than 12 months	4,782	2,524
<b>Total receivables</b>	<b>8,899</b>	<b>8,103</b>

As at 30 June 2010, trade receivables of \$3,649,110 (2008/09: \$3,886,001) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing of these receivables is as follows:

Current	-	-
1 to 3 months	1,122	983
3 to 12 months	504	379
More than 12 months	2,024	2,524
<b>Total receivables past due but not impaired</b>	<b>3,650</b>	<b>3,886</b>

**(b) Provision for doubtful receivables**

As at 30 June 2010, receivables of Coliban Water with a nominal value of \$86,772 (2008/09: \$166,799) were impaired. The amount of the provision was \$86,772 (2008/09: \$166,799). The individually impaired receivables mainly relate to sundry debtors receivables, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of these receivables is as follows:

	2010 (\$'000)	2009 (\$'000)
Current	-	-
1 to 3 months	12	8
3 to 12 months	75	77
More than 12 months	-	82
<b>Total receivables</b>	<b>87</b>	<b>167</b>
Movement in the doubtful debts provision is as follows:		
Opening provision balance at 1 July	167	250
Provision recognised during the year	-	-
Unused provision amount reversed	(18)	(25)
Receivables written off during the year as uncollectable	(62)	(58)
<b>Closing provision balance at 30 June</b>	<b>87</b>	<b>167</b>

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

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

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

## Note 5: Other Financial Assets

	2010 (\$'000)	2009 (\$'000)
Shares in Bendigo Community Telco Limited	56	64
<b>Total Other Financial Assets</b>	<b>56</b>	<b>64</b>

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

A 1 for 1 bonus share issue was made by Bendigo Community Telco Limited in February 2005. As a result Coliban Water now holds 40,000 Shares in Bendigo Community Telco Limited.

Bendigo Community Telco Limited Shares were listed on the Bendigo Stock Exchange during 2005/06 and therefore their 2009/10 value is reported as the share value at 30 June 2010.

**a) Ageing analysis of other financial assets**

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

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

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

## Note 6: Property, Plant and Equipment

	2010 (\$'000)	2009 (\$'000)
<b>(a) Classes of property, plant and equipment</b>		
<b>Land</b>		
At fair value (as at 30 June 2007)	17,593	17,540
	<b>17,593</b>	<b>17,540</b>
<b>Buildings</b>		
At fair value (as at 30 June 2007)	1,053	1,053
Less: accumulated depreciation	(79)	(53)
	<b>974</b>	<b>1,000</b>
<b>Buildings – lease hold improvements</b>		
At cost	3,406	3,295
Less: accumulated depreciation	(1,361)	(1,144)
	<b>2,045</b>	<b>2,151</b>
<b>Plant and Equipment</b>		
At cost	5,139	4,480
Less: accumulated depreciation	(3,172)	(2,880)
	<b>1,967</b>	<b>1,600</b>
<b>Water Infrastructure</b>		
At cost	450,631	447,495
Less: accumulated depreciation	(176,683)	(171,050)
	<b>273,948</b>	<b>276,445</b>
<b>Water Distribution Assets</b>		
At cost	231,543	231,094
Less: accumulated depreciation	(138,135)	(136,441)
	<b>93,408</b>	<b>94,653</b>
<b>Wastewater Infrastructure</b>		
At cost	401,775	396,292
Less: accumulated depreciation	(156,098)	(149,954)
	<b>245,677</b>	<b>246,338</b>
<b>Recycling Infrastructure</b>		
At cost	41,838	41,701
Less: accumulated depreciation	(3,236)	(1,654)
	<b>38,602</b>	<b>40,047</b>
<b>Rural Infrastructure</b>		
At cost	106,823	105,827
Less: accumulated depreciation	(94,360)	(93,851)
	<b>12,463</b>	<b>11,976</b>
<b>Headworks Infrastructure</b>		
At cost	181,539	180,454
Less: accumulated depreciation	(70,389)	(69,206)
	<b>111,150</b>	<b>111,248</b>
<b>Total Infrastructure Assets</b>	<b>775,248</b>	<b>780,707</b>
<b>BOOT Schemes Infrastructure</b>		
At cost	111,035	111,035
Less: accumulated depreciation	(31,442)	(27,000)
	<b>79,593</b>	<b>84,035</b>
<b>Works in Progress</b>		
At cost	72,895	57,015
	<b>72,895</b>	<b>57,015</b>
<b>Total Property, Plant and Equipment</b>	<b>950,315</b>	<b>944,048</b>

Coliban Water revalued land and buildings to fair value as at 30 June 2007. The valuation was carried out by Countrywide Valuers – Registered Valuers.

(b) Movements during the reporting period

2009/2010	Opening WDV (\$'000)	Additions (\$'000)	WIP Capitalised (\$'000)	Disposals (\$'000)	Write-offs (\$'000)	Transfers (\$'000)	Depreciation (\$'000)	Closing WDV (\$'000)
<b>Land</b>								
At fair value	17,540	-	53	-	-	-	-	17,593
	<b>17,540</b>	-	<b>53</b>	-	-	-	-	<b>17,593</b>
<b>Buildings</b>								
At fair value	1,000	-	-	-	-	-	(26)	974
At cost	2,151	-	111	-	-	-	(217)	2,045
	<b>3,151</b>	-	<b>111</b>	-	-	-	<b>(243)</b>	<b>3,019</b>
<b>Plant &amp; Equipment</b>								
At cost	1,600	-	660	(1)	-	-	(292)	1,967
	<b>1,600</b>	-	<b>660</b>	<b>(1)</b>	-	-	<b>(292)</b>	<b>1,967</b>
<b>Infrastructure</b>								
At cost	780,707	-	13,597	(3)	(954)	-	(18,099)	775,248
	<b>780,707</b>	-	<b>13,597</b>	<b>(3)</b>	<b>(954)</b>	-	<b>(18,099)</b>	<b>775,248</b>
<b>BOOT Schemes</b>								
At cost	84,035	-	-	-	-	-	(4,442)	79,593
	<b>84,035</b>	-	-	-	-	-	<b>(4,442)</b>	<b>79,593</b>
<b>Works in Progress</b>								
At cost	57,015	30,301	(14,421)	-	-	-	-	72,895
	<b>57,015</b>	<b>30,301</b>	<b>(14,421)</b>	-	-	-	-	<b>72,895</b>
<b>Totals</b>	<b>944,048</b>	<b>30,301</b>	-	<b>(4)</b>	<b>(954)</b>	-	<b>(23,076)</b>	<b>950,315</b>

2008/2009	Opening WDV (\$'000)	Additions (\$'000)	WIP Capitalised (\$'000)	Disposals (\$'000)	Write-offs (\$'000)	Transfers (\$'000)	Depreciation (\$'000)	Closing WDV (\$'000)
<b>Land</b>								
At fair value	17,558	-	-	(18)	-	-	-	17,540
	<b>17,558</b>	-	-	<b>(18)</b>	-	-	-	<b>17,540</b>
<b>Buildings</b>								
At fair value	1,024	-	-	-	-	-	(24)	1,000
At cost	2,175	-	197	-	-	-	(221)	2,151
	<b>3,199</b>	-	<b>197</b>	-	-	-	<b>(245)</b>	<b>3,151</b>
<b>Plant &amp; Equipment</b>								
At cost	350	-	1,396	-	-	54	(200)	1,600
	<b>350</b>	-	<b>1,396</b>	-	-	<b>54</b>	<b>(200)</b>	<b>1,600</b>
<b>Infrastructure</b>								
At cost	791,823	-	6,972	(202)	-	(54)	(17,832)	780,707
	<b>791,823</b>	-	<b>6,972</b>	<b>(202)</b>	-	<b>(54)</b>	<b>(17,832)</b>	<b>780,707</b>
<b>BOOT Schemes</b>								
At cost	88,476	-	-	-	-	-	(4,441)	84,035
	<b>88,476</b>	-	-	-	-	-	<b>(4,441)</b>	<b>84,035</b>
<b>Works in Progress</b>								
At cost	35,257	30,323	(8,565)	-	-	-	-	57,015
	<b>35,257</b>	<b>30,323</b>	<b>(8,565)</b>	-	-	-	-	<b>57,015</b>
<b>Totals</b>	<b>936,663</b>	<b>30,323</b>	-	<b>(220)</b>	-	-	<b>(22,718)</b>	<b>944,048</b>

## Note 7: Intangible Assets

	Notes	2010 (\$'000)	2009 (\$'000)
Water entitlements		61,429	65,004
<b>Total intangible assets</b>		<b>61,429</b>	<b>65,004</b>
<b>Movements during the year</b>			
Opening balance at 1 July		65,004	27,656
Additions		1,726	37,348
Amortisation		(2,095)	-
Impairment loss		(3,206)	-
<b>Closing balance at 30 June</b>		<b>61,429</b>	<b>65,004</b>

In accordance with AASB 136 Impairment of Assets, Coliban Water has reviewed the carrying value of water entitlements at 30 June 2010. Based on the market value of water entitlements at 30 June 2010, temporary water entitlements have been written-down to their relevant market value. The whole amount of the impairment loss has been recognised in the Operating Statement as there was no amount included in asset revaluation reserve relating to these assets. No adjustment to the carrying value of permanent water entitlements was required as the market value of permanent water entitlements has not changed significantly during the financial year.

## Note 8: Payables

### Current Payables

Trade payables		4,530	5,289
Accrued expenses		9,137	10,022
Other payables		1,514	2,443
<b>Total Payables</b>		<b>15,181</b>	<b>17,754</b>

### (a) Maturity analysis of payables

The ageing analysis of payables at 30 June 2010 is as follows:

Current		7,897	8,291
1 to 3 months		5,083	4,707
3 to 12 months		1,328	3,561
More than 12 months		873	1,195
<b>Total Payables</b>		<b>15,181</b>	<b>17,754</b>

## Note 9: Borrowings

### Current

Loans from Treasury Corporation of Victoria		21,264	53,000
Finance lease liabilities – BOOT schemes	22	2,606	2,416
		<b>23,870</b>	<b>55,416</b>

### Non Current

Loans from Treasury Corporation of Victoria		199,000	125,000
Finance lease liabilities – BOOT schemes	22	94,575	97,182
		<b>293,575</b>	<b>222,182</b>
<b>Total Borrowings</b>		<b>317,445</b>	<b>277,598</b>

### (a) Maturity analysis of borrowings

Refer to Note 19 for the maturity analysis of borrowings.

### (b) Nature and extent of risk arising from borrowings

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

### (c) Defaults and breaches

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

### (d) Financing facilities

Refer to Note 25 for financing facilities arrangements.

## Note 10: Employee Benefits

Notes	2010 (\$'000)	2009 (\$'000)
<b>Current provisions</b>		
Employee benefits – annual leave:		
› Unconditional and expected to settle within 12 months	620	546
› Unconditional and expected to settle after 12 months	-	-
Employee benefits – long service leave:		
› Unconditional and expected to settle within 12 months	15	26
› Unconditional and expected to settle after 12 months	721	968
<b>Total Current</b>	<b>1,356</b>	<b>1,540</b>
<b>Non-Current</b>		
Conditional long service leave	141	88
<b>Total Non-Current</b>	<b>141</b>	<b>88</b>
<b>Total Employee Benefits</b>	<b>1,497</b>	<b>1,628</b>
<b>Employee numbers at end of financial year</b>		
The following assumptions were adopted in measuring the present value of long service leave entitlements:		
› Weighted average increase in employee costs	3.50%	3.50%
› Weighted average discount rates	4.27%	4.27%
› Weighted average settlement period	10 years	10 years

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

## Note 11: Income Tax

### (a) Components of income tax (expense)/net gain:

Current tax		9,330	-
Deferred tax relating to timing differences		466	8,850
Adjustments for current tax of prior periods		2,173	-
		<b>11,969</b>	<b>8,850</b>
Deferred tax expense included in income tax expense comprises:			
Decrease/(increase) in deferred tax assets	12 (a)	(1,641)	3,697
(Decrease)/increase in deferred tax liabilities	12 (a)	2,107	5,153
		<b>466</b>	<b>8,850</b>

### (b) Prima facie tax payable

Net result before tax		(28,480)	(29,505)
Prima facie tax calculated at 30%		8,545	8,852
Tax effect of non-deductible/(non-taxable) amounts in calculating taxable income			
› Non deductible expenses		-	(2)
Previously recognised tax losses now not recognised to increase current tax expense		-	-
Tax losses not brought to account		2,173	-
<b>Income tax (expense)/income attributable to profit</b>		<b>10,718</b>	<b>8,850</b>

Coliban Water will not pay income tax for 2009/10. Projections show that Coliban Water is unlikely to generate tax profits in the foreseeable future against which unused tax losses can be utilised. Accordingly tax losses have not been brought to account.

### (c) Income tax (expense)/income relating to items of other economic flows

Net gain/(loss) on disposal of assets		287	-
Impairment of intangible assets		962	-
Fair value increase/(decrease) in other financial assets		2	-
<b>Total income tax (expense)/income relating to items of other economic flows</b>		<b>1,251</b>	<b>-</b>

## Note 12: Deferred Tax

	2010 (\$'000)	2009 (\$'000)
<b>(a) Deferred tax asset/(liability)</b>		
<b>Deferred Tax Assets</b>		
The balance comprises temporary differences attributable to:		
Doubtful debts	26	50
Book differences in depreciable asset values	-	-
Low value asset pool	-	-
Accruals	2,230	3,083
Employee benefits	449	488
BOOT scheme assets	29,155	29,879
Tax losses	47,085	35,583
Intangible assets	-	-
	<b>78,945</b>	<b>69,083</b>
<b>Deferred tax assets – recovery</b>		
Deferred tax assets expected to be recovered within 12 months	2,705	3,621
Deferred tax assets expected to be recovered after more than 12 months	76,240	65,462
	<b>78,945</b>	<b>69,083</b>
<b>Deferred tax assets – movements</b>		
Opening balance	69,083	65,386
Credited/(debited) to the operating statement	9,862	3,697
Credited/(debited) to other comprehensive income	-	-
<b>Closing balance</b>	<b>78,945</b>	<b>69,083</b>
<b>Deferred Tax Liabilities</b>		
The balance comprises temporary differences attributable to:		
Accrued rates and charges	1,836	1,772
Interest and other income receivables	217	285
Book differences in depreciable asset values	40,167	40,949
BOOT scheme finance leases	23,878	25,210
Other financial assets at fair value through profit and loss	11	-
	<b>66,109</b>	<b>68,216</b>
<b>Deferred tax liabilities – recovery</b>		
Deferred tax liabilities expected to be recovered within 12 months	2,064	2,057
Deferred tax liabilities expected to be recovered after more than 12 months	64,045	66,159
	<b>66,109</b>	<b>68,216</b>
<b>Deferred tax liabilities – movements</b>		
Opening balance	68,216	73,369
(Credited)/debited to the operating statement	(2,105)	(5,153)
(Credited)/debited to other comprehensive income	(2)	-
<b>Closing balance</b>	<b>66,109</b>	<b>68,216</b>
<b>Total net deferred tax asset/(liability)</b>	<b>12,836</b>	<b>867</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 assets exceed the level of deferred tax liabilities at 30 June 2010 and therefore a net tax asset has been disclosed in the balance sheet.

## Note 13: Contributed Capital

	2010 (\$'000)	2009 (\$'000)
Opening balance at 1 July	309,864	309,455
Epsom/Spring Gully recycled water pipeline	-	409
<b>Closing balance at 30 June</b>	<b>309,864</b>	<b>309,864</b>

## Note 14: Reserves

### Asset revaluation reserve

Opening balance at 1 July	13,598	13,598
Revaluation increment/(decrement) on non-current assets	-	-
<b>Closing balance at 30 June</b>	<b>13,598</b>	<b>13,598</b>

## Note 15: Reconciliation of Net Result for the period, net of tax to Net Cash Flows from Operating Activities

<b>Net result for the period, net of tax</b>	<b>(32,652)</b>	<b>(29,505)</b>
<b>Add /(less) non-cash movements in net result</b>		
Add: Depreciation and amortisation	23,073	22,718
(Net gain)/loss on disposal of non-current assets	958	208
Impairment of intangible assets	3,206	-
Fair value (increase)/decrease in other financial assets	8	-
Payments for fixed assets in payables movement	5,638	10,078
Less: Non cash developer contributions & gifted assets	(2,570)	(3,960)
	<b>(2,339)</b>	<b>(461)</b>
<b>Movements in assets and liabilities</b>		
Decrease / (increase) in receivables	(765)	(1,139)
Decrease / (increase) in prepayments	(15)	(214)
(Decrease) / increase in payables	(2,573)	(5,491)
(Decrease) / increase in provisions	(131)	(2)
<b>Net cash flows from operating activities</b>	<b>(5,823)</b>	<b>(7,307)</b>

## Note 16: Responsible Persons Related Party 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. Timothy Holding MP	Minister of Water	01 Jul 2009	30 Jun 2010
John Brooke	Director (Chairperson)	01 Jul 2009	30 Jun 2010
Noel Harvey	Director	01 Jul 2009	30 Jun 2010
Jenny Dawson	Director	01 Jul 2009	30 Jun 2010
David Beard	Director	01 Jul 2009	30 Jun 2010
Andrew Cairns	Director	01 Jul 2009	30 Jun 2010
Don Erskine	Director	01 Jul 2009	30 Jun 2010
Jane Holt	Director	01 Jul 2009	30 Jun 2010
Gavin Hanlon	Managing Director	01 Jul 2009	30 Jun 2010

### Remuneration of responsible persons

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

Total remuneration received, or due and receivable, during 2009/10 by Responsible Persons including the Managing Director from Coliban Water in connection with the management of Coliban Region Water Corporation was \$508,920 (2008/09 – \$683,349).



**(b) Responsible persons remuneration**

The number of Responsible Persons whose remuneration for the year ended 30 June 2010 falls within the following bands are:

Income band (\$)	Total Remuneration	
	2010 No.	2009 No.
0 – 9,999	-	1
20,000 – 29,999	-	1
30,000 – 39,999	6	5
60,000 – 69,999	-	1
70,000 – 79,999	1	-
200,000 – 209,999	-	1
210,000 – 219,999	-	1
230,000 – 239,999	1	-
<b>Total Numbers</b>	<b>8</b>	<b>10</b>

**Related party transactions**

During the financial year ended 30 June 2010, the following related party transactions that were based on normal terms and conditions and conducted on an arms length basis occurred:

- (i) Coliban Water Directors Mr Andrew Cairns and Mr Don Erskine are also Directors 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 \$108,973 during 2009/10 (2008/09 – \$91,052).
- (ii) Other than normal water and wastewater services that are levied on normal commercial terms no other related party transactions occurred between the Directors and their related parties and Coliban Water during the reporting period.

**(c) Senior executive officers' remuneration**

The number of Senior Executive Officers whose remuneration for the year ended 30 June 2010 falls within the following bands are:

Income band (\$)	Total Remuneration		Base Remuneration	
	2010 No.	2009 No.	2010 No.	2009 No.
Less than 100,000	-	5	1	5
100,000 – 109,999	1	-	-	1
110,000 – 119,999	-	1	3	-
120,000 – 129,999	1	-	1	-
130,000 – 139,999	2	-	-	2
140,000 – 149,999	1	1	2	-
150,000 – 159,999	-	1	-	-
160,000 – 169,999	1	-	-	-
170,000 – 179,999	1	-	-	1
180,000 – 189,999	-	1	-	-
<b>Total Numbers</b>	<b>7</b>	<b>9</b>	<b>7</b>	<b>9</b>
<b>Total Amount</b>	<b>\$992,867</b>	<b>\$995,638</b>	<b>\$864,139</b>	<b>\$923,312</b>

The reduction in the number of Senior Executive Officers reporting to the Managing Director decreased from nine to seven following the organisational restructure in 2009.

## Note 17: Superannuation

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

### Accumulation Superannuation Plan

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

### Defined Benefit Plan

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

Coliban Water makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2008, the Trustees have determined that the current funding arrangements are adequate for the expected Defined Benefit Plan liabilities. Coliban Water makes the following contributions:

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

Coliban Water's past service liability to the Funds as at 30 June 2010, including retrenchment increments, accrued interest and tax is \$ nil (\$ nil at 30 June 2009).

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

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

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

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

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

Superannuation Scheme	Type of Scheme	Rate	2010 (\$'000)	2009 (\$'000)
Local Authorities Superannuation Scheme	Defined Benefits	10.2%-9.25%	59	54
Vision Super	Accumulated Contribution	9.0%	439	298
ESS Super	Defined Benefits	17.3%-7.5%	78	73
Vic Super Scheme	Accumulated Contribution	9.0%	34	29
Other Superannuation Funds	Accumulated Contribution	9.0%	19	33
Employee Personal Superannuation Funds	Accumulated Contribution	9.0%	27	14
<b>Total contributions to all funds</b>			<b>656</b>	<b>501</b>

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

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

## Note 18: Financial Risk Management Objectives and Policies

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

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

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

### Risk Exposures

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

#### (a) Market risk

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

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

##### (i) Interest Rate Risk

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

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

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

##### (ii) Other Price Risk

Coliban Water has no significant exposure to Other Price Risk. Coliban Water holds 40,000 shares in Bendigo Community Telco Limited. Bendigo Community Telco Limited are listed on the Bendigo Stock Exchange and therefore the reported value of the shares at 30 June 2010 (ie. \$56,000) are based on their share value as at that date.

## Market Risk Sensitivity Analysis

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

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

	Carrying Amount	Interest Rate Risk			
		0%		+1%	
2009/2010	(\$'000)	Result (\$'000)	Equity (\$'000)	Result (\$'000)	Equity (\$'000)
<b>Financial Assets</b>					
Cash and cash equivalents	1,797	-	-	18	18
Other financial assets	56	-	-	-	-
<b>Total Financial Assets</b>	<b>1,853</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>18</b>
<b>Financial Liabilities</b>					
Borrowings – floating interest rate loans	21,264	-	-	(213)	(213)
<b>Total Financial Liabilities</b>	<b>21,264</b>	<b>-</b>	<b>-</b>	<b>(213)</b>	<b>(213)</b>
<b>Total Increase/(Decrease)</b>		<b>-</b>	<b>-</b>	<b>(195)</b>	<b>(195)</b>

	Carrying Amount	Interest Rate Risk			
		-1%		+1%	
2008/2009	(\$'000)	Result (\$'000)	Equity (\$'000)	Result (\$'000)	Equity (\$'000)
<b>Financial Assets</b>					
Cash and cash equivalents	771	(8)	(8)	8	8
Other financial assets	64	-	-	-	-
<b>Total Financial Assets</b>	<b>835</b>	<b>(8)</b>	<b>(8)</b>	<b>8</b>	<b>8</b>
<b>Financial Liabilities</b>					
Borrowings – floating interest rate loans	30,000	300	300	(300)	(300)
<b>Total Financial Liabilities</b>	<b>30,000</b>	<b>300</b>	<b>300</b>	<b>(300)</b>	<b>(300)</b>
<b>Total Increase/(Decrease)</b>		<b>292</b>	<b>292</b>	<b>(292)</b>	<b>(292)</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 19.

## Note 19: Financial Instruments

### Interest Rate Exposures

The following table sets out Coliban Water's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods. Exposures arise predominantly from liabilities bearing variable interest rates as Coliban Water intends holding fixed rate liabilities to maturity:

2009/2010	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>Financial Assets</b>										
Cash and cash equivalents	1,797	-	-	-	-	-	-	1	1,798	2.33%
Receivables	-	-	-	-	-	-	-	15,650	15,650	n/a
Other financial assets	-	-	-	-	-	-	-	56	56	n/a
<b>Total Financial Assets</b>	<b>1,797</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,707</b>	<b>17,504</b>	
<b>Financial Liabilities</b>										
Payables	-	-	-	-	-	-	-	15,181	15,181	n/a
Finance lease liabilities	-	2,607	2,814	3,037	3,277	3,537	81,910	-	97,182	7.65%
Loans from TCV	21,264	21,000	23,000	19,000	23,000	24,000	89,000	-	220,264	6.06%
<b>Total Financial Liabilities</b>	<b>21,264</b>	<b>23,607</b>	<b>25,814</b>	<b>22,037</b>	<b>26,277</b>	<b>27,537</b>	<b>170,910</b>	<b>15,181</b>	<b>332,627</b>	
<b>Net Financial Liabilities</b>	<b>(19,467)</b>	<b>(23,607)</b>	<b>(25,814)</b>	<b>(22,037)</b>	<b>(26,277)</b>	<b>(27,537)</b>	<b>(170,910)</b>	<b>526</b>	<b>(315,123)</b>	

2008/2009	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>Financial Assets</b>										
Cash and cash equivalents	771	-	-	-	-	-	-	1	772	5.51%
Receivables	-	-	-	-	-	-	-	14,885	14,885	n/a
Other financial assets	-	-	-	-	-	-	-	64	64	n/a
<b>Total Financial Assets</b>	<b>771</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,950</b>	<b>15,721</b>	
<b>Financial Liabilities</b>										
Payables	-	-	-	-	-	-	-	17,754	17,754	n/a
Finance lease liabilities	-	2,416	2,607	2,814	3,037	3,277	85,447	-	99,598	7.65%
Loans from TCV	30,000	23,000	21,000	13,000	19,000	44,000	28,000	-	178,000	5.86%
<b>Total Financial Liabilities</b>	<b>30,000</b>	<b>25,416</b>	<b>23,607</b>	<b>15,814</b>	<b>22,037</b>	<b>47,277</b>	<b>113,447</b>	<b>17,754</b>	<b>295,352</b>	
<b>Net Financial Liabilities</b>	<b>(29,229)</b>	<b>(25,416)</b>	<b>(23,607)</b>	<b>(15,814)</b>	<b>(22,037)</b>	<b>(47,277)</b>	<b>(113,447)</b>	<b>(2,804)</b>	<b>(279,631)</b>	

## Note 20: Operating Results for Retail Services

In accordance with directions under Section 51 of the Financial Management Act 1994 the following financial information relating to separate reporting of wholesale and retail operations and the disclosure of financial information on retail services is disclosed.

	Urban Water Supply		Wastewater		Rural Water Supply		Recycling		Total Retail Operations	
	2010 (\$'000)	2009 (\$'000)	2010 (\$'000)	2009 (\$'000)	2010 (\$'000)	2009 (\$'000)	2010 (\$'000)	2009 (\$'000)	2010 (\$'000)	2009 (\$'000)
<b>Revenue</b>										
External	28,248	24,616	32,226	29,973	1,822	1,688	528	371	62,824	56,648
Unallocated Revenue	54	55	163	153	6	6	-	-	223	214
<b>Total Revenue</b>	<b>28,302</b>	<b>24,671</b>	<b>32,389</b>	<b>30,126</b>	<b>1,828</b>	<b>1,694</b>	<b>528</b>	<b>371</b>	<b>63,047</b>	<b>56,862</b>
Expenses	43,542	40,114	39,172	35,827	3,906	6,006	3,107	2,687	89,727	84,634
Service Result	(15,240)	(15,443)	(6,783)	(5,701)	(2,078)	(4,312)	(2,579)	(2,316)	(26,680)	(27,772)
Add: Unallocated revenue									765	910
Less: Unallocated expenses									2,565	2,435
<b>Net result for the year (excluding other economic flows and income tax)</b>									<b>(28,480)</b>	<b>(29,297)</b>

## Note 21: Commitments

	2010 (\$'000)	2009 (\$'000)
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### (a) Capital Expenditure Commitments

The value of capital expenditure commitments outstanding as at 30 June 2010 totalled \$8.1 million (2008/09: \$11.7 million).

#### Capital Expenditure Commitments

Not later than one year	7,507	7,212
Later than one year and not later than five years	607	4,498
Later than five years	-	-
<b>Total capital expenditure commitments</b>	<b>8,114</b>	<b>11,710</b>

### (b) Operating Service Commitments

The value of operating service commitments as at 30 June 2010 totalled \$172 million (2008/09 – \$196 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 22 for more details of these schemes. The third contract is a ten year contract for operations, maintenance, revenue and information management services to be provided to Coliban Water to support the delivery of its outputs. Operating expenditure commitments are due and payable as follows:

#### Operating Expenditure Commitments

Not later than one year	20,303	20,327
Later than one year and not later than five years	55,017	72,508
Later than five years	96,740	102,813
<b>Total operating expenditure commitments</b>	<b>172,060</b>	<b>195,648</b>

### (c) Environmental Contribution Commitments

The value of environmental contribution commitments as at 30 June 2010 totalled \$4.1 million (2008/09 – \$6.1 million). See Note 1 (xxi) for an explanation of these commitments.

#### Environmental Contribution Commitments

Not later than one year	2,031	2,031
Later than one year and not later than five years	2,031	4,062
Later than five years	-	-
<b>Total environmental contribution commitments</b>	<b>4,062</b>	<b>6,093</b>

## Note 22: Finance Lease Liabilities – Boot Schemes

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

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

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

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

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

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

### Value of expected future obligations

	2010 (\$'000)	2009 (\$'000)
<b>(a) Finance Lease Commitments</b>		
Commitments for minimum lease payments in relation to finance leases are payable as follows:		
> within one year	9,951	9,951
> one to five years	39,805	39,805
> six to ten years	49,794	49,756
> more than ten years	80,091	90,080
	<b>179,641</b>	<b>189,592</b>
Less future interest charges	82,459	89,994
<b>Total Finance Lease Commitments</b>	<b>97,182</b>	<b>99,598</b>
<b>(b) Represented by Lease Liabilities</b>		
Current lease liability	2,607	2,416
Non current lease liability	94,575	97,182
<b>Total Finance Lease Liabilities – BOOT Schemes</b>	<b>97,182</b>	<b>99,598</b>
<b>(c) BOOT commitments contracted for but not recognised as liabilities service commitments</b>		
> within one year	5,290	5,119
> one to five years	23,165	22,382
> six to ten years	33,605	32,510
> more than ten years	63,135	70,303
	<b>125,195</b>	<b>130,314</b>

The above service commitments are included in operation service commitments – Note 21(b).



## Note 23: Leasing Commitments

	2010 (\$'000)	2009 (\$'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 1 June 2008 for lease of a second Head Office building at 28 Bridge Street Bendigo. The operating lease is for a period of three (3) years commencing 1 June 2008.		
Total lease payments over the remaining periods of the leases are expected to be \$1.5 million.		

### Operating Lease Expenditure Commitments

Not later than one year	165	163
Later than one year and not later than five years	668	554
Later than five years	638	917
<b>Total operating expenditure commitments</b>	<b>1,471</b>	<b>1,634</b>

### (b) Operating Leases on Motor Vehicles

Coliban Water also has a number of Cancellable Operating Leases for the lease of motor vehicles. Operating lease rentals of \$278,191 (2008/09 – \$243,747) have been included in the determination of the operating result for the accounting period.

## Note 24: Contingent Liabilities and Contingent Assets

There were no material contingent liabilities or contingent assets at 30 June 2010 (2008/09 – nil).

## Note 25: Financing Facilities

The bank overdraft limit of Coliban Water is \$400,000. This facility is subject to annual review and at 30 June 2010 the amount of unused credit was \$400,000 (2008/09 – \$400,000).

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

Unsecured loan facilities from Treasury Corporation of Victoria have various maturity dates through to 2010 and may be extended by mutual agreement.

## Note 26: Auditors Remuneration

The fee for auditing the financial statements of Coliban Water for 2009/10 has been set at \$70,850 (2008/09 – \$65,900) by the Victorian Auditor-General Office. No other benefits were received or are receivable by the Victorian Auditor-General Office.

## Note 27: 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 2010 of Coliban Region Water Corporation which comprises the operating statement, statement of other comprehensive income, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the statutory certification has been audited.

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

The Board Members of Coliban Region Water Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

#### *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. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance 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.

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

This auditor's report relates to the financial report published in both the annual report and on the website of Coliban Region Water Corporation for the year ended 30 June 2010. The Board Members of Coliban Region Water Corporation are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Coliban Region Water Corporation website.

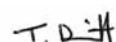
#### *Independence*

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.

#### *Auditor's Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of Coliban Region Water Corporation as at 30 June 2010 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE  
26 August 2010

  
for D D R Pearson  
Auditor-General



