

2011-2012 annual report



Focusing on the future

Introduction

About this report

This Annual Report describes the programs, initiatives and actions we undertook between 1 July 2011 and 30 June 2012. It reports on our progress in implementing our *2011/12 Corporate Plan*.

Vision

To meaningfully contribute to improving living standards in our region.

Mission

To realise our vision by:

- › Engaging our communities and stakeholders to understand and meet their water cycle related needs
- › Building, operating and maintaining sustainable water infrastructure to meet the needs of our 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. Our responsible Minister for the year was The Hon. Peter Walsh MLA, Minister for Water.

We provide water and wastewater services to a region with a population of approximately 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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Introduction

Connections

	30 June 2012	30 June 2011
Residential	61,815	60,319
Non-Residential	6,478	6,588
Rural Licences	1,486 ⁽¹⁾	1,606

1. Decrease in number due to consolidation of rural licences throughout our system.

Services

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

Our services include:

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

Asset snapshot

The assets we manage to deliver our services include:

- › 2,368 kilometres of water mains
- › 41 kilometres of recycled water infrastructure
- › 1,814 kilometres of sewer mains
- › 484 kilometres of rural channels
- › 69 kilometres of main channels
- › 16 water treatment plants + 3 operated by Veolia Water (Bendigo, Castlemaine and Kyneton)
- › 15 water reclamation plants + 1 operated by Water Infrastructure Group (Echuca)
- › 35 water reservoirs and service basins + 3 operated by Veolia Water
- › 174 wastewater pump stations
- › 76 water pump stations.

In 2011/12 we undertook a verification of our assets which has changed some asset data from what was reported last year.

This verification process has ensured the accuracy of all asset data, the reclassification of pump stations and the identification of redundant assets following new capital works.

Asset values	Net book value (ooo's)
Land	40,493
Buildings	3,319
Corporate assets	5,256
Water infrastructure	371,708
Water distribution infrastructure	42,205
Sewer infrastructure	362,091
Recycling infrastructure	49,643
Rural	30,366
Headworks	170,125
BOOT ⁽¹⁾ schemes infrastructure	70,710
Work in progress	88,025
TOTAL	1,223,941

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

Coliban Water Service Region

INCLUDING WATER SUPPLY SYSTEMS WITHIN THE REGION



Diagram for illustration purposes only

Chairman and Managing Director's Message

The past year has seen a return to more typical seasonal and operating conditions for Coliban Water, this coming off the back of prolonged and unprecedented drought in the first decade of the 21st century, which then broke with one of the wettest years on record.

After the substantial replenishment provided by last year's floods, our water sources continued to remain secure over the year, with rural customers receiving a full water allocation for the first time in 10 years. Two of our towns remained on restrictions during the year, with their water supply to be secured through a new pipeline extension from the Bendigo system that is due to be completed before the end of 2012.

The corporation has progressively recovered from the damage and disruption also caused by last year's floods. Given the impact to our infrastructure and services, we identified changes that needed to be made to long term plans for protecting the quality of drinking water supplies in several of our northern region towns.

We have continued to invest in capital works across our region. There has been a major focus on improving a number of water treatment plants, where upgrading works totalling around \$20 million were either completed or well advanced at Gunbower, Leitchville, Serpentine, Rochester, Cohuna and Echuca. A \$3 million brine storage lagoon was completed to service the Bendigo Recycled Water Factory located at Epsom, along with stage two of the Bendigo sewer duplication project, at a cost of \$11 million, to cater for additional growth and improve sewer network performance.

The East Loddon Pipeline Scheme was completed by Goulburn-Murray Water in February and this new scheme enabled us to deliver water to the townships of Serpentine and Jarklin from the Goulburn System, replacing the Loddon River supply source. In June, a recycled water scheme was opened that will irrigate several public spaces and the Botanical Gardens at Kyneton. We were pleased to partner in these two noteworthy projects with funding assistance provided by the Commonwealth Government.

The business case developed over the past four years, supporting a strategy of modernisation of the Harcourt rural water system, was approved by the Victorian Government in January 2012. We are advancing the development of the project concept, based around a new piped water supply, in consultation with the rural customers who could be served by a modernised system.

A long-term service contract for the delivery of operations and maintenance services with our service partner Campaspe Asset Management Services (CAMS) concludes in mid-2013. In February we announced that this contract would not be extended beyond its current term. It is our intention to engage and test the private sector market against a set of core principles for outsourced services and confirm the market's ability to deliver best value outcomes for Coliban Water and our customers.

Our *Water Supply Demand Strategy* is a 50 year plan outlining our approach to meeting the region's residential, business and community water needs. It is reviewed every five years to confirm our progress against key measures for ensuring long-term water security, and hence greater certainty, for our

region. We completed the latest review and presented an updated strategy to the Victorian Minister for Water in March 2012. This latest strategy underpins our key role in economic development and it provides a high level of assurance that the water supply for our region is secure well into the future.

The financial position of the organisation continues to stabilise, with positive cash flow from operating activities achieved for the second successive year and comparable to last year. Most notably, depreciation charges increased by \$7.9 million as a consequence of a 29 per cent increase in the value of our asset base through a revaluation that occurred at the end of the prior year.

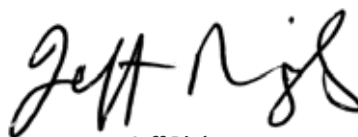
During the year, we farewelled three Board directors – John Brooke who served as Board Chairman since 2007, Jane Holt after three years and Managing Director Gavin Hanlon (2008–2011). We also welcomed Vicki Jean Sutherland and Rodney Thomson as new Board directors, along with the appointment of Andrew and myself as the new Board Chairman and Managing Director respectively in late 2011.

Before entering the fifth and final year of the 2008-2013 water pricing and regulatory period, we embarked on the consultation phase with our customer and key stakeholders on water pricing and capital investment proposals for the next five year regulatory period, which commences on 1 July 2013. In May 2012, we released our draft *Water Plan 2013-2018*, followed by an extensive engagement program that commenced in June.

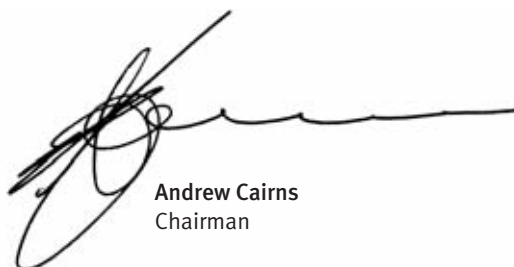
Achieving the right balance between future water pricing and the financial sustainability of our business will involve extensive dialogue with our stakeholders over the next 12 months, and we look forward to those discussions.

Those with a keen interest in Coliban Water are seeking to be more involved in the direction that our business takes. So, with this in mind, we are working to increase their participation, build their awareness and align their preferences, which will help us then define, shape and prioritise compelling initiatives and cases to meet what stakeholders require now and in the long term

At Coliban Water, we are focusing on the future, and we are committed to challenging ourselves to be innovative and to optimising our business capabilities to achieve better outcomes for our customers, our stakeholders and our organisation.



Jeff Rigby
Managing Director



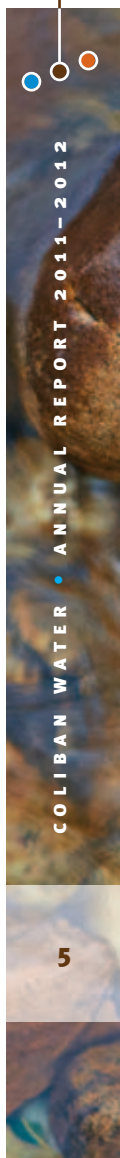
Andrew Cairns
Chairman

Strategic Direction

Our strategic focus is centred on meaningfully contributing to the well-being of the region, by creating a sustainable organisation that is customer focused, financially diligent and able to continually adapt to constant change and the opportunities it brings.

Our key result areas, objectives and initiatives are detailed below.

KRA 1	Engage with the community and stakeholders to understand and meet their water cycle needs
Objective 1	Understand what customers, communities and other stakeholders want
Key initiatives	<ul style="list-style-type: none"> › Surveyed all residential and majority of non-residential customer to understand customer opinion and to help inform our draft <i>Water Plan 2013-2018</i> › Implemented <i>Engagement Plan</i> for draft <i>Water Plan 2013-2018</i> consultation › Developed and started implementing <i>Rural Customer Engagement Plan</i> › Commenced development of an over-arching <i>Community Engagement Plan</i> that considers all our communities and stakeholders across our region
Objective 2	Provide customers with information to make informed input into decisions
Key initiatives	<ul style="list-style-type: none"> › Developed Customer/Community Engagement Plans for all major projects › Delivered targeted communications to customers on topics relevant to them › Continued development of our website
Objective 3	Engage with all stakeholders
Key initiatives	<ul style="list-style-type: none"> › Commenced review of existing customer committees, structures and operations › Developed draft <i>Water Plan 2013-2018</i> and technical supplements for community consultation
KRA 2	Build, operate and maintain sustainable water cycle infrastructure to meet the needs of our community for now and into the future utilising best practice
Objective 1	Ensure our capital expenditure program meets the immediate and strategic needs of our community
Key initiatives	<ul style="list-style-type: none"> › Delivery of capital works program, in line with investment initiatives, as outlined in our <i>Water Plan 2008-2013</i> and confirmed in our <i>Corporate Plan 2011/12</i> › Developed business drivers to guide investment decision-making for <i>Water Plan 2013-2018</i> › Strengthened governance and control process around investment decision-making
Objective 2	Build fit for purpose infrastructure on time and on budget
Key initiatives	<ul style="list-style-type: none"> › Continued major water and sewer main works in Bendigo, Echuca and other areas of our region › Continued ‘Stop the Block’ program to target sewer maintenance and replacement › Further developed Hansen asset life cycle modelling program › Performed works identified in 25 year water/sewer augmentation plans for Bendigo and Echuca



Strategic Direction

KRA 3	Ensure improved services, increased standards of living and commercial viability are incorporated into all our financial plans
Objective 1	Further integrate economic, social and environmental criteria into our decision making
Key initiatives	<ul style="list-style-type: none"> › Applied and refined decision support tool which uses multiple criteria based on triple bottom line and whole-of-life assessment methods when assessing project options
Objective 2	Maximise socio-economic benefits by strengthening our financial position
Key initiatives	<ul style="list-style-type: none"> › Continued the review of our business model which will lead to a best value assessment of market services currently delivered via outsourcing to private sector service providers › Developed strategies to strengthen the management of information technology and human resources
KRA 4	Ensure our sustainability and actively contribute to regional sustainability
Objective 1	Minimise impacts of variability on service standards
Key initiatives	<ul style="list-style-type: none"> › Developed project to audit energy consumption for water and wastewater operations – as basis to identify future initiatives to reduce consumption and increase efficiencies
Objective 2	Maximise socio-economic benefits from our environmental assets, through local initiatives
Key initiatives	<ul style="list-style-type: none"> › Finalised sustainability strategy and biodiversity strategy and developed catchment policy/guidelines for consultation with planning agencies › Completed review of <i>Water Supply Demand Strategy</i>, identifying options for integrated water cycle management within an Alternative Water Atlas

Community Engagement

We have continued to look for opportunities to involve our customers and communities in the delivery of projects and to seek feedback on how we deliver our services. The majority of our engagement and communication is targeted to reach relevant customer and stakeholder groups.

Community committees

During the year we reviewed our customer committees program with a view to expanding the number of committees across our region in the coming year.

HARCOURT WATER SERVICES COMMITTEE

- › The committee formally met four times this year
- › Following approval of the Business Case for the Harcourt Modernisation Project in January 2012, the group's focus has been on helping to refine the consultation process for this project with the broader Harcourt community

RAYWOOD-SEBASTIAN WATER SERVICES COMMITTEE

- › The committee did not meet this year, but has been kept up-to-date regarding the status of the Raywood-Sebastian pipeline project
- › In June, we appointed a new contractor to complete Stage 2 of the pipeline

RURAL CUSTOMER ADVISORY GROUP

- › The group met three times during the year
- › Focus of the group has been to provide feedback in relation to rural pricing options for *Water Plan 2013-2018* and exploring opportunities for improved operation of the rural system

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, engagement and communications.

DRAFT WATER PLAN 2013-2018

Our major research project for the year was to understand customer opinion, preference and perception on our service, performance and pricing to help inform the drafting of our *Water Plan 2013-2018*. We surveyed all residential customers and most of our non-residential customers by mail. The response rate was 11 per cent for both surveys, giving us a very high level of confidence that the information we received is representative of our overall customer base.

CUSTOMER SERVICE BENCHMARKING

We were one of 19 water organisations to participate in the Water Services Association of Australia Cost to Serve Performance Improvement Project. This benchmarked our organisations against 16 other water corporations in Australia and internationally to identify and address key customer service issues and highlight and share leading practices.

Annually our Customer Contact Centre is benchmarked against other water organisations and utilities. This year:

- › Overall high ranking: Sixth in performance against 24 other water businesses compared to eighth last year. Overall, we continue to perform ahead of the Water and Energy Sector Averages, particularly in relation to the customers' overall experience and Average Connect Time
- › Opportunities for improvement: Enquiry Resolution Skills and Communication Skills
- › How customers viewed our performance in dealing with their enquiries: Overall 94 per cent customers were satisfied with how we handled their matter. Last year 95 per cent were satisfied

Media and general communications

Our customers continue to identify media, direct mail and our website as the main methods of accessing information. Direct communication with customers has continued to be our preferred option, where appropriate.

MEDIA

We issued 43 media releases and information statements this year compared to 72 last year. Coming out of a drought and flood impacts, our business is returning to normal operations which has resulted in reduced media.

SOCIAL MEDIA

This year we posted 148 Tweets and Retweets on Twitter compared to 74 last year and we reached 500 followers.

We created 24 new Flickr sets compared to 14 last year showing 643 photos of various projects and activities which have had more than 59,000 views.

WEBSITE

We had 73,514 visits to our website and 241,903 pages were viewed compared to 75,515 visits last year and 108,699 visits the previous year. This is largely a reduction of interest in water resources now that our regional water supplies are secure and the majority of our towns are no longer on water restrictions.

15 posts were added to our Blog during the year with limited conversation.

Community Engagement

Customer Contact Centre

We have a dedicated Customer Contact Centre in Bendigo for telephone enquiries and over-the-counter contacts. We have handled 103,746 customer contacts during the year compared to 106,780 last year.

This year we did not achieve the requirements of the Essential Services Commission Grade of Service, with an annual average of 83.34 per cent of calls answered within 30 seconds against a target of 90 per cent. Our customer service officers focus on first call resolution for customers rather than call time limits.

Management of social and economic impacts

Our Urban, Rural and Trade Waste customer charters set out customers' rights, obligations and service expectations and our own obligations for service delivery. Copies are available from our website or on request from our office.

We produce an extensive range of publications to ensure that information is readily available to customers about support for hardship and other services.

We actively seek to ensure customers receive all relevant concession entitlements, and approved 11,151 payment arrangement plans during the year compared to 10,460 last year.

Our customer service staff receive training to assist customers experiencing hardship.

Community service obligations

Some customers in our region 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 \$272.20 per year, or if a household is billed for only a water or sewerage service, the concession is capped at \$135.10 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			
	2011/12	2010/11	2009/10
Not for profit rebates	\$360,047	\$277,858	\$263,878
Pension concessions	\$4,440,380	\$4,191,155	\$3,499,256
Utility Relief Grants	\$34,054	\$21,770	\$8,653
Water concession: life support machines/haemodialysis	\$793	\$410	\$497
Hardship relief grant scheme	\$30,820	\$25,077	\$44,534

Increases in concessions

This year the eligible pension concession customers could receive increased \$27.20 from the amount last year. We have approximately 20,000 customers in our region who are eligible for this payment.

Indigenous consultation

HARCOURT RURAL MODERNISATION

Cultural Heritage Management Plan (CHMP – No 11181) was prepared for the modernisation of the Harcourt rural system and submitted to Dja Dja Wurrung Clans Aboriginal Corporation on 11 July 2011. The CHMP was reviewed and approved on the 5 October 2011.

Community Engagement

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 the year 14 complaints were referred to EWOV for investigation and 37 cases were referred to higher level contact for investigation. In addition, two enquiries to EWOV were noted for Coliban Water.

Issues identified through EWOV for further follow up were predominately associated with consumption volumes (eight cases), access charges (nine cases) and rural channels (11 cases).

The remainder were attributable to billing and network concerns.

EWOV referred the equivalent of 0.7 complaints for every 1,000 customers to us for action during 2011/12, compared to the Essential Service Commission's target of 0.3 per 1,000 customers. Whilst this number has increased from 0.4 in 2011/12, at 2.3 per cent of total water industry cases, we remain well below EWOV's expected target of an equivalent proportion of case share to our customer base share (11 per cent).

2011/12	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	ANNUAL TOTAL	
Enquiry			1					1						
UR	1	1	1	3	2	2	1		1			2		
AR	1		1	1	3	3	4	6	1	1	3	4		
S1			2	0					1	1	1	1		
S2			1	1					1					
TOTAL	2	1	5	5	5	5	5	6	4	2	4	7		51

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

Community inclusiveness

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

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

Living Victoria Rebates

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

Our customers did take advantage of the program, with a total amount of \$48,720 rebated during the financial year.

Investigation and enforcement

We are responsible for investigating reports of breaches to the *Water Act*, *Water Restriction By-Law* and *Permanent Water Saving Rules*.

With the exception of two towns, our region is on *Permanent Water Saving Rules* (PWSR). These are a set of common-sense rules that are in place at all times when water restrictions are not.

We received 15 reports for breaches of PWSR during the year compared to 17 water restriction reported offences in 2010/11.

All reports were investigated with the majority found not to be in breach of PWSRs.

We issued six formal warning letters for non-compliance with PWSRs and no customers had their water service restricted or fines issued during the year.

Water restriction compliance 2011/12	Number
Water restrictions offender investigations	15
High water consumption investigations	0
Penalty infringement notices issued	0
Restrictors applied for breach of water restrictions	0
TOTAL ACTIONS	15

We investigated two stolen water meter reports, both of which were referred to Victoria Police. One case has been completed and the customer was prosecuted and received a \$500 fine with a conviction recorded.

Standpipes and water carters

In 2011/12 we had 1,000 customers registered for a potable water 'Water Carter Permit' and 30 register for recycled water use. These permits allow customers to take water from standpipes in our region that are managed by Coliban Water. A total of 89,244,693 litres was taken from standpipes in our region (including recycled standpipes) during the year.

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. See region map on page 3.

The Coliban supply system is divided into two – Coliban System Northern and Coliban System Southern following the connection of the Goldfields Superpipe to Coliban System Northern in 2007.

Our three Coliban catchment storages started the year at 67,810 megalitres (97 per cent of capacity). The storages rose steadily to full capacity of 69,594 megalitres on 8 July 2011 and remained full or above full until 15 November 2011. The storages decreased to 58,790 megalitres (84 per cent of capacity) at 30 June 2012. The maximum and minimum capacity was 71,954 and 54,937 which occurred on 29 September 2011 and 15 June 2012 respectively.

Our share of Lake Eppalock at the start of the financial year was 53,797 megalitres (98 per cent of full capacity) and at 30 June 2012 was 52,948 megalitres (97 per cent of full capacity).

During the year we were unable to store all inflow water due to full storages and we consequently spilled water from both our Coliban catchment storages (22,006 megalitres) and our share of Lake Eppalock (18,566 megalitres). In addition, we spilled 2,052 megalitres from our spillable water accounts attached to our Campaspe water shares and 7,577 megalitres relating to our Goulburn shares. No water was spilled from our Murray system this year.

We need to transfer a minimum amount through the Goldfields Superpipe for operational reasons each year. This is to ensure equipment remains operable, operator training and familiarisation and to refresh the water sitting in the pipe to prevent potential water quality and pipeline degradation issues. For the year we pumped 1,522 megalitres through the Superpipe, which was utilised to supply both urban and rural customers.

Water storage volume notes:

1. *Water held in storage at 30 June 2012 is 174,010 megalitres which is slightly less than water held in storage at the end of June 2011.*
The main changes during the year were an additional 7,598 megalitres allocation stored in Lake Eildon and an additional 2,182 megalitres held in the Murray River storages. The amount stored in the Coliban catchment storages decreased by 11,821 megalitres largely due to the lower operating level of Malmsbury Reservoir and a reduced volume in Spring Gully Reservoir.
2. *67 per cent of our water resource, or 116,020 megalitres, is held in our storages, including our share of Lake Eppalock. The remaining 57,990 megalitres is held in storages controlled by Goulburn-Murray Water and Grampians Wimmera Mallee Water. Some of this water is at risk of spill in 2012/13 should these storages fill and overflow.*

Water storage volumes

	As at 30 June 2011 Megalitres (ML)	As at 30 June 2012 Megalitres (ML)	% full 30 June 2012
Storage volume in our region			
Coliban System Northern – Sandhurst Reservoir	2,207	1,312	51%
Coliban System Northern – Caledonia Reservoir	84	129	60%
Coliban System Northern – Lake Eppalock (Coliban share)	53,789	52,948	97%
Coliban Rural Northern – Spring Gully Reservoir (Recycled water)	1,017	224	13%
Coliban System Southern – Upper Coliban Reservoir	37,890	37,890	100%
Coliban System Southern – Lauriston Reservoir	19,730	15,270	77%
Coliban System Southern – Malmsbury Reservoir	10,130	5,568	46%
Coliban System Southern – McCay Reservoir	1,265	906	67%
Coliban Southern System – Barkers Creek Reservoir (Rural)	1,690	1,690	100%
Groundwater – Trentham storages	39	83	91%
Total	127,841	116,020	88%
Available water in other systems			
Campaspe System Bulk Entitlement – held in Lake Eppalock	357	755	n/a
Campaspe System Water Shares – held in Lake Eppalock	3,016	3,710	n/a
Coliban System Northern Watershares – held in Lake Eildon	35,192	42,790	n/a
Goulburn System Bulk Entitlement – held in Lake Eildon	1,685	1,976	n/a
Loddon System Bulk Entitlement – held in Loddon storages	410	390	n/a
Murray System Bulk Entitlement – held in Murray River storages	5,931	8,113	n/a
Wimmera System Bulk Entitlement – held in Grampians storages	176	256	n/a
Total	46,767	57,990	n/a
TOTAL	174,608 ML	174,010 ML	n/a

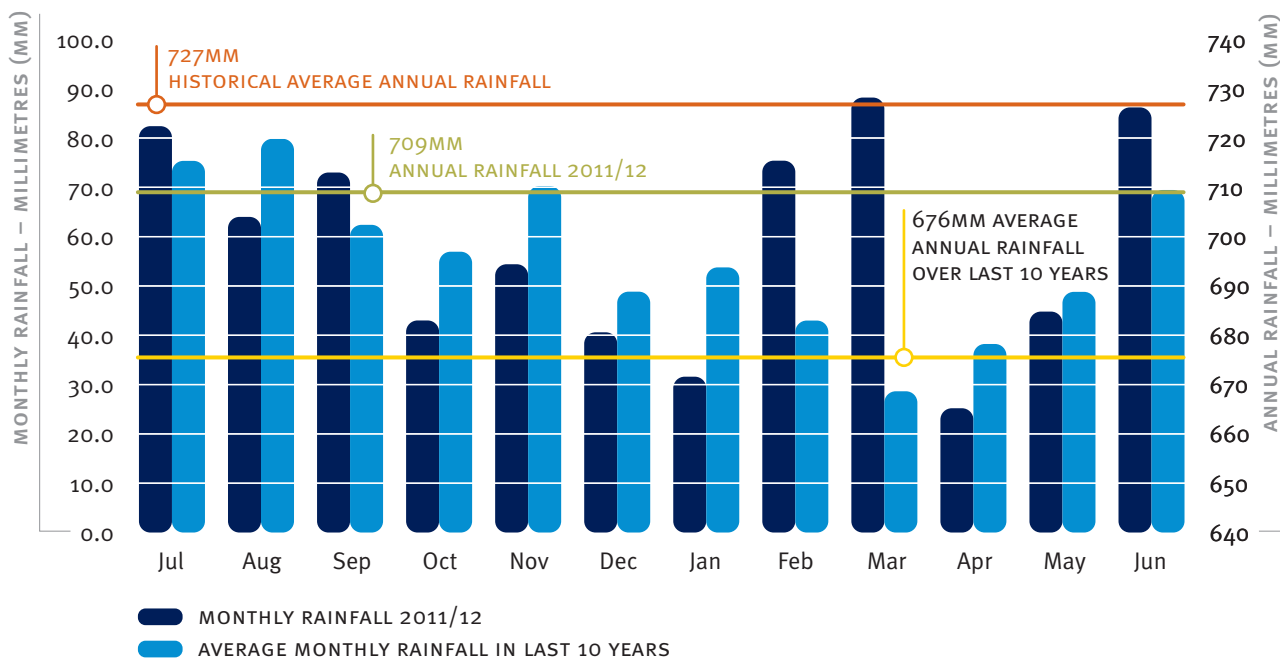
Water Security

Rainfall and water inflows

Our three main Coliban System catchment storages, Upper Coliban, Lauriston and Malmsbury, are located near Kyneton.

Rainfall at Malmsbury Reservoir was 709 millimetres for the year. This is almost 5 per cent more than the 10-year average of 676 millimetres and 2.5 per cent less than the long-term historical average of 727 millimetres. We received above average rainfall in July and September 2011 and February, March and June in 2012.

MALMSBURY RESERVOIR MONTHLY RAINFALL 2011/12



INFLOW TO THE COLIBAN CATCHMENT STORAGES FOR THE YEAR WAS 35,123 MEGALITRES WHICH IS 13 PER CENT GREATER THAN ANNUAL AVERAGE INFLOW OVER LAST 10 YEARS OF 31,188 MEGALITRES BUT 57 PER CENT LOWER THAN HISTORICAL ANNUAL AVERAGE OF 61,535 MEGALITRES.

High inflows were received in July and August 2011 and June 2012. The summer inflow of 1,890 megalitres was 41 per cent below the long-term summer inflow of 4,630 megalitres. The inflow in spring dropped away to 1,287 megalitres which was 48 per cent lower than the long-term of average of 2,672 megalitres. Autumn and winter dropped 72 and 45 per cent respectively of the long-term average inflows for that period.

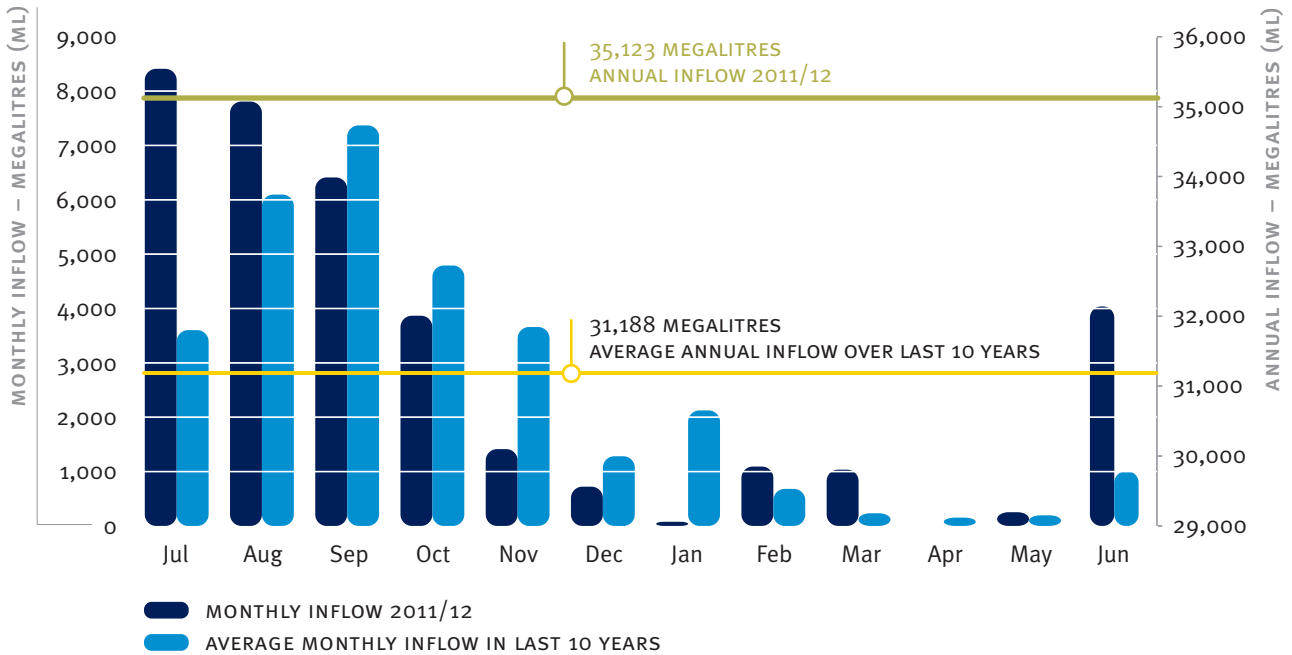
The natural inflow to our share of Lake Eppalock was 18,500 megalitres which meant that our share of Lake Eppalock remained at virtually 100 per cent for the whole year.

There was no water delivered this year to Lake Eppalock from the Goulburn System through the Goldfields Superpipe.

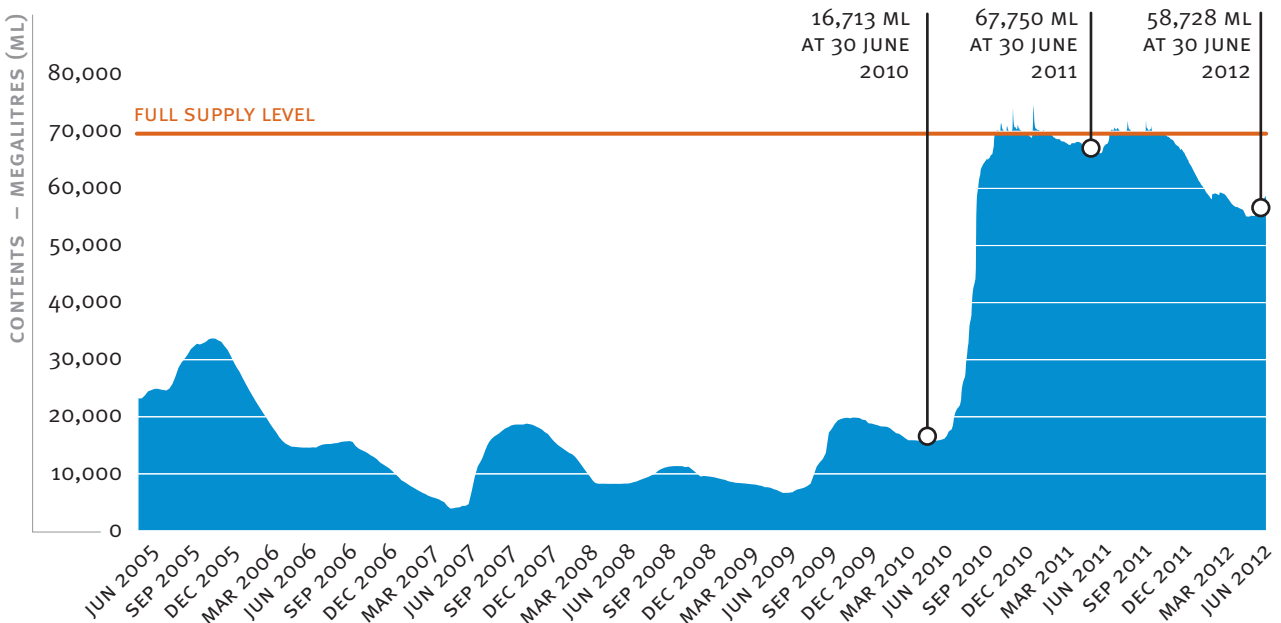
A total of 1,620 megalitres was pumped via the Goldfields Superpipe from Colbinabbin with 98 megalitres going to Central Highlands Water in Ballarat and 1,522 megalitres being used by Coliban Water to either directly supply rural customers in the Bendigo area or top up Spring Gully and Sandhurst Reservoirs.

Water Security

COLIBAN HEADWORKS STORAGES > MONTHLY INFLOW 2011/12



COLIBAN STORAGE CONTENTS > UPPER COLIBAN, LAURISTON & MALMSBURY RESERVOIRS



The above graph (Coliban Storage Contents > Upper Coliban, Lauriston & Malmsbury reservoirs) has been corrected after printing. It incorrectly identified three consecutive markers as at 30 June 2012. The correct information, as shown above, is 16,713 megalitres at 30 June 2010 and 67,750 megalitres at 30 June 2011).

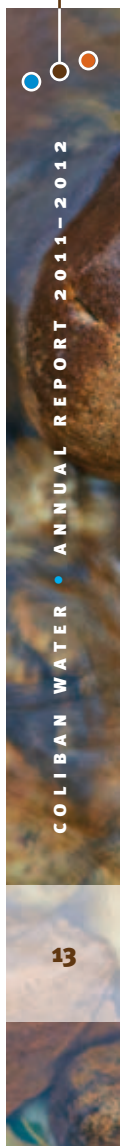
Water Security

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). During the year a new Bulk Entitlement was issued for Trentham.

We also hold high and low reliability water shares in the Goulburn and Campaspe systems. The volumes taken during 2011/12 were as follows:

Supply system	Source of supply	Bulk Entitlement volume Megalitres	Bulk Entitlement allocation Megalitres	Balance 1 July 2011 Megalitres	Raw water volume taken Megalitres	Balance 30 June 2012 Megalitres	Reporting requirements in accordance with Bulk Entitlement (BE) clause
Campaspe							
Campaspe River							
Bulk Entitlement reference: Bulk Entitlement (Axedale, Goornong & part Rochester) Conversion Order 1999							
Axedale and Goornong		215	215	213	46	233	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 – Nil 12.1 (f) – Period of restriction – Nil 12.1 (g) and (h) – Any amendment to BE, or new BE for Axedale, Goornong & Rochester – Nil 12.1 (i) – Any failure to comply with BE – Nil 12.1 (j) – Difficulties in complying – Nil
Rochester		134	134	1,155	0	522	
Coliban							
Coliban River, Campaspe River							
Bulk Entitlement reference: Bulk Entitlement (Campaspe System – Coliban Water) Conversion Order 1999							
Bendigo area, Castlemaine area, Kyneton area, Heathcote area and Coliban Rural	Coliban River Reservoirs: Upper Coliban, Malmesbury and Lauriston and Lake Eppalock	50,260	N/A	N/A	14,193	N/A	18.1 (f) – See Notes 1, 2, 3 and 4 18.1 (g) – Annual evaporation loss 12,521 megalitres 18.1 (h) – 8,566 megalitres internal spill in Lake Eppalock to Goulburn-Murray Water share 18.1 (i) – See Note 5 18.1 (j) – Any credits granted – Nil 18.1 (k) – Temporary or permanent transfer of BE – Nil 18.1 (l) – BE or licence transferred to Coliban Water – Nil 18.1 (m) – Period of restriction – see restriction table 18.1 (n) – Alteration to primary entitlements – Nil 18.1 (o) – Transfer of primary entitlements – Nil 18.1 (p) – Annual volume supplied to primary entitlements – 14,961 megalitres 18.1 (q) – Any amendment to BE – see Note 6 18.1 (r) – Any new BE – Nil 18.1 (s) – Implementation of environmental and metering programs – see Note 9 18.1 (t) – Any failure to comply with BE – Nil 18.1 (u) – Difficulties in complying – Nil 18.1 (v) – Passing flows less than specified – Nil
Goulburn							
Waranga Western Channel							
Bulk Entitlement reference: Bulk Entitlement (Town) Conversion Order 1995							
Boort		425	425	489	158	589	13.1 (c) – Amount and location of water taken from other than specified point – Nil
Dingee		50	50	79	12	90	13.1 (d) – Water returned to channel system – Nil
Lockington		130	130	94	78	116	13.1 (e) – Metering program – see Note 9
Macorna		40	40	66	4	79	13.1 (f) – Change to security of supply and annual entitlement – Nil
Mitiamo		60	60	91	26	94	13.1 (g) – Temporary or permanent transfer of all or part of BE – Nil
Mysia		15	15	25	1	31	13.1 (h), (i), (j) – Any transfers of entitlement to, amendment of BE, or new BE – Nil
Pyramid Hill		300	300	355	97	437	13.1 (k) – Any failure to comply with BE – Nil
Rochester		1,400	1,400	397	1,138	539	13.1 (l) – Difficulties in complying – Nil
Total		2,420	2,420	1,596	1,514	1,975	
Groundwater							
Groundwater							
Elmore	Groundwater Licence	284	213	N/A	122	N/A	
Bulk Entitlement reference: Bulk Entitlement (Trentham) Conversion Order 2012							
Trentham	Groundwater Licence	48	48	N/A	0	N/A	
	Spring water	120	120	N/A	88	N/A	12.1 (c) – Average annual amount taken over three years – 82 megalitres 12.1 (e) – Metering program – to be submitted by 31 March 2013 12.1 (f) – Transfer or assignment of allocation – Nil 12.1 (g) – Any amendments of transfers with respect to Order – Nil 12.1 (h) – Any failure to comply with order – Nil 12.1 (i) – Any difficulties complying with Order – Nil



Water Security

Supply system	Source of supply	Bulk Entitlement volume Megalitres	Bulk Entitlement allocation Megalitres	Balance 1 July 2011 Megalitres	Raw water volume taken Megalitres	Balance 30 June 2012 Megalitres	Reporting requirements in accordance with Bulk Entitlement (BE) clause
Loddon	Loddon River						
Bulk Entitlement reference: Bulk Entitlement (Loddon System- Coliban Water) Conversion Order 2005							
Bridgewater and Ingteewood					239		13.1 (c) – Any credits granted – Nil 13.1 (d) – Metering program – see Note 9
Laanecoorie, Dunolly, Bealiba and Tarnagulla					103		13.1 (e) – Temporary or permanent transfer of all or part of BE – Nil 13.1 (f) – Period of restriction – Nil
Serpentine					18		13.1 (g) – Any amendment to BE – See Note 7
Jarklin					2		13.1 (h) – New BE granted – Nil 13.1 (i) – Any failure to comply with BE – Nil
Total		820	820	390	362	390	13.1 (j) – Difficulties in complying – Nil
Wimmera Mallee Pipeline							
Bulk Entitlement reference: Bulk Entitlement (Wimmera and Glenelg Rivers – Coliban Water) Conversion Order 2004							
Korong Vale and Wedderburn					143		13.1 (c) – Amount and location of water taken from other than specified point – Nil 13.1 (e) – Metering program – see Note 9
Borong					1		13.1 (f) – Temporary or permanent transfer of all or part of BE – Nil
Wychitella					4		13.1 (g) – Any BE or other entitlement transferred to Coliban Water under this order – Nil
Total		300	300	150	148	256	13.1 (h) – Any amendment to BE – Nil 13.1 (i) – New BE granted – Nil 13.1 (j) – Any failure to comply with BE – Nil 13.1 (k) – Difficulties in complying – Nil
Murray	Murray River						
Bulk Entitlement reference: Bulk Entitlement (River Murray – Coliban Water) Conversion Order 1999							
Cohuna					698		20.1 (c) – New offtake points – Nil 20.1 (d) – Water returned – Nil
Echuca					2,591		20.1 (e) – Metering program – see Note 9
Gunbower					56		20.1 (f) – Temporary or permanent transfer of all or part of BE – Nil
Leitchville					206		20.1 (g) – Any BE or other entitlement transferred to supply primary entitlements under this order – Nil
Total		6,285	6,285	5,649	3,551	7,964	20.1 (h) – Any amendment to BE – see Note 8 20.1 (i) – New BE granted – Nil 20.1 (j) – Any failure to comply with BE – Nil 20.1 (k) – Difficulties in complying – Nil
Goulburn	Waranga Western Channel						
Coliban System Northern	Water shares high reliability	22,709	22,709	33,432	1,522	42,790	Allocation purchase- Nil Allocation sale – 2,000 megalitres Volume transferred to Bendigo 1,402 megalitres Volume transferred to Lake Eppalock zero megalitres Volume transferred to Heathcote 120 megalitres
	Water shares low reliability	2,857.7					
Campaspe	Lake Eppalock						
Bendigo	Water shares high reliability	2,591	3,237	1,845	0	3,710	
	Water shares low reliability	645.7					

Notes to Bulk Water Entitlement table:

- 14,193 megalitres discharged from Malmsbury Reservoir to Coliban Main Channel.
- 768 megalitres discharged from Lauriston Reservoir to Kyneton system.
- Nil pumped from Lake Eppalock to Heathcote.
- Nil pumped from Lake Eppalock to Eppalock-Sandhurst Pipeline.
- Malmsbury passing flows released 2,493 megalitres. Malmsbury passing flows account balance is zero megalitres as at 30 June 2012
- Coliban System Bulk Entitlements were amended by Bulk Entitlement (Campaspe System – Coliban Water) Amendment Order 2012.
- Loddon System Bulk Entitlements were amended by Amendment to Bulk Entitlement (Loddon System – Coliban Water) Conversion Order 2005 – July 2011.
- Murray System Bulk Entitlements were amended by Amendment to Bulk Entitlement (River Murray – Coliban Water) Conversion Order 1999 – July 2011.
- The Bulk Entitlement Metering Program is currently being revised to incorporate recent changes to the Coliban-Campaspe, Goulburn and Wimmera Bulk Entitlements, and the creation of a surface water Bulk Entitlement for Trentham. The revised Bulk Entitlement Metering Plan will be submitted to the Minister for Water for approval.

Water Security

Changes to Bulk Entitlement

CAMPASPE SYSTEM – BULK ENTITLEMENT AMENDMENT

In January 2012 the Minister for Water approved Goulburn-Murray Water's and Coliban Water's applications, under section 44 of the *Water Act 1989*, to amend their Bulk Entitlements on the Campaspe system.

The changes made to the entitlements had been foreshadowed in the *Northern Region Sustainable Water Strategy*. For the Campaspe system, this primarily involved improving flexibility in the timing of environmental flows, clarifying spill rules for water carried over in the storages and defining the volume held in dead storage in Lake Eppalock.

The amendments do not change the volume of water available for any use and therefore do not have a material impact on other water users in the Campaspe system.

TRENTHAM SYSTEM – CREATION OF BULK ENTITLEMENT

In March 2012 the Minister for Water approved our application to convert historic urban water supply rights for the Trentham supply system to a Bulk Entitlement. This formalises the entitlement to Trentham's existing supply system on a consistent legal basis with other urban Bulk Water Entitlements across Victoria.

The conversion of this entitlement will not affect other entitlement holders within the Campaspe basin as it recognises an existing diversion and will not result in an increase of current diversions.

GOULBURN SYSTEM – CONSOLIDATION OF URBAN BULK ENTITLEMENTS

In March 2012, together with Goulburn Valley Water, we applied to the Minister for Water to consolidate our Bulk Entitlements for urban supply in the Goulburn System. The applications requested that the Minister revoke the existing 28 separate Bulk Entitlements and replace them with three new Bulk Entitlement Orders for the supply to 28 towns.

The new Bulk Entitlements cover the same town supplies, delivery locations and total entitlement volume as the original Bulk Entitlements. The consolidation allows for improved administrative efficiency for allocating town supplies and ensures consistency with the arrangements for other urban Bulk Entitlements in the Murray, Campaspe and Loddon systems.

None of the changes altered the volume or reliability of any water entitlements in the Goulburn system because the changes were effectively administrative only. There is no change to the total volume of entitlement held by each water corporation, and the rules that apply to other entitlement holders – for example, when transferring water between trading zones – still apply to the water corporations.

Water allocation

Only 379 megalitres of water stored in Lake Eppalock was used to supply our customers in Bendigo, Heathcote and the rural system. Recycled water was also used to supply some rural customers in the Bendigo area.

Water in our Coliban catchment reservoirs was used to supply our customers in Castlemaine and Kyneton areas (Coliban System Southern) and a 100 per cent allocation was made to Coliban system rural customers.

In June 2012 we announced a change to our rural allocation process, bringing forward our initial allocation announcement to the start of July each year to help customers better plan for future rural seasons. Historically opening rural season allocations announcements were made in mid-September each year.

Sources of water

2011/12	Megalitres
Direct river extraction	2,999
Groundwater	210
Draw from dams/reservoirs	15,297
Channel supplies	4,144
TOTAL	22,650

Water purchases

There was no purchase or sale of permanent water entitlement during the year. During the year, 2,000 megalitres of Goulburn system allocation was sold.

Water Supply Demand Strategy

On 30 March 2012, we submitted our revised *Water Supply Demand Strategy* (WSDS) to the Minister for Water for noting in line with the Department of Sustainability and Environment (DSE) Guidelines.

This strategy outlines our water supply initiatives to meet the region's residential, business and community urban water needs in the future. A total of nine separate WSDS have been developed for each of our supply systems.

Water Security

Water restrictions

At the start of the 2011/12 only two towns, Raywood and Sebastian, were on water restrictions with the rest of our region on Permanent Water Saving Rules. Raywood and Sebastian will come off water restrictions and move to Permanent Water Savings Rules as soon as a pipeline connecting them to the Bendigo system is completed in late 2012.

Urban supply system	Summary 2011/12
Campaspe	
Goornong	PWSR
Coliban Northern	
Bendigo area and Axedale	PWSR
Heathcote and Tooborac	PWSR
Raywood and Sebastian	Stage 3
Coliban Southern	
Castlemaine area	PWSR
Kyneton area	PWSR

PWSR = Permanent Water Saving Rules

Rural supply system	Summary 2011/12
Goulburn	
Boort, Dingee, Lockington, Macorna, Mitiamo, Mysia, Pyramid Hill and Rochester	PWSR
Groundwater	
Elmore	PWSR
Trentham	PWSR
Loddon	
Bealiba, Bridgewater, Dunolly, Inglewood, Jarklin, Laanecoorie, Serpentine and Tarnagulla	PWSR
Murray	
Cohuna, Echuca, Leitchville and Gunbower	PWSR
Wimmera	
Borong, Korong Vale, Wedderburn and Wychitella	PWSR

Rural usage

Our rural customers had a 100 per cent allocation for the 2011/12 season.

Recycled water was supplied under a separate agreement to rural customers on the Ascot and Cockatoo Hill channel systems.

Channel name	Number rural licenses	Base entitlement (Megalitres)	Number licenses supplied	Volume delivered (Megalitres)	Notes
Abbotts	97	375	63	99	
Ascot	43	716	21	290	Supplied recycled water
Axe Creek	81	476	40	106	
Campbells Creek	2	13	1	1	
Cockatoo Hill	33	117	9	26	Supplied recycled water
Coliban Main	149	3379	55	223	
Comini's	11	155	5	6	
Diamond Hill	13	75	5	15	
Eagles	24	185	10	12	
Ellesmere	40	152	26	75	Supplied recycled water
Emu No 1	19	115	12	42	
Emu No 2	20	174	9	16	
Emu Valley No. 1	84	427	42	76	
Emu Valley No. 2	71	484	31	46	
Eppalock Pipeline	74	842	57	282	
Gaol Hill	1	15	0	0	Channel closed, Nov 2009
Goornong	19	379	0	0	
Harcourt Main	99	2453	46	672	
Huntly	4	30	1	1	Supplied recycled water
Ironstone	7	15	4	2	
Jackass Flat	2	2	1	1	
Kangaroo	3	43	0	0	
Lauriston Reservoir	6	12	0	0	
Lockwood	124	621	52	82	
Maiden Gully	43	384	21	154	
Malmsbury Reservoir	3	6	0	0	
Mannes	14	149	4	6	
Marong	33	309	15	75	
Myers Flat	17	282	9	102	
Neilborough	13	35	8	21	Supplied recycled water
Poverty Gully	16	63	3	3	
Ranters	1	5	0	0	Channel closed, Nov 2009
Raywood	66	353	8	13	Supplied recycled water
Sebastian	8	64	5	5	Supplied recycled water
South Lockwood Pipeline	46	403	35	151	
Sparrowhawk	1	5	1	1	
Speciman Gully	25	385	11	94	
Specimen Hill	38	369	19	43	
Spring Gully	36	174	16	36	
Strathfieldsaye	2	5	1	1	
Trust	16	275	6	24	
Warrens	42	749	16	162	
White Hills	7	190	3	127	Supplied recycled water
Wilson's Hill	33	270	15	67	
TOTAL	1,486	15,730	686	3,158	

WATER SOURCES

Sources	Number of customers supplied	Supplied volume (Megalitres)
Raw	605	2,599
Recycled	81	559

RURAL SYSTEM TRADING BY OUR CUSTOMERS

Permanent trade		Temporary trade		Trade as part of land transfer	
Number of trades	Volume megalitres	Number of trades	Volume megalitres	Number of trades	Volume megalitres
183	924.5	7	112.2	67	537.8

Recycled water production and usage

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

AXEDALE

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

BENDIGO

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

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

New residential developments in White Hills and Jackass Flat have been provided with a dual pipe reticulation system but are continuing to be supplied with drinking water through the recycled water system until a sufficient number of customers are connected within the system.

CASTLEMAINE

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

DUNOLLY

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

ECHUCA

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

HEATHCOTE

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

KYNETON

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. During the year works were completed to supply the Macedon Ranges Shire Council with recycled water for local sports grounds and the Botanical Gardens in Kyneton.

PYRAMID HILL AND WEDDERBURN

The Pyramid Hill and Wedderburn Water Reclamation Plant produce Class C recycled water which is used for on-site irrigation.

WATER RECLAMATION

Water Reclamation Plant	Recycled water usage volume (Megalitres)	
	2011/12	2010/11
Axedale	7	5
Bendigo		
> Class A	1,138	383
> Class B and C	1,537	779
Boort	28	15
Castlemaine	66	5
Dunolly	15	5
Echuca	1,382	457
Heathcote	147	79
Kyneton	321	33
Pyramid Hill	0	9
Rochester	42	0
Wedderburn	44	27
TOTAL	4,727	1,718

Recycled water management

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

Capital Projects

We are committed to delivering our capital works program as part of our *Water Plan 2008–2013*. We have dedicated project teams continuing to deliver these projects.

Our project delivery teams are Water, Wastewater, Rural and Routine Renewals. In addition we have a Planning Team for technical planning and an Infrastructure Development Team who provide a range of technical services to our project teams. We also have a Land Development Team to manage planning applications, new developer works and new connections.

2011/12 was the fourth year of our five year capital works program – *Water Plan 2008–2013*, with the project delivery teams delivering \$37.67 million of works.

CAPITAL EXPENDITURE SUMMARY TABLE

Program	2011/12	
	Expenditure (\$,000)	% of total
Administration	2,285	6%
Headworks	545	1%
Operations Support	1,684	4%
Raw Water Transfer	2,811	7%
Recycled Water	2,582	7%
Rural	460	1%
Sewer Collection	6,270	17%
Sewer Treatment	973	3%
Water Reticulation	6,612	18%
Water Treatment	13,448	36%
TOTAL	37,671	100%

KEY CAPITAL EXPENDITURE PROJECTS

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

Project name	Location	Program	Total project budget	Spent in 2011/12 (\$'000)	Start	Completion target
Rural system reconfiguration – Harcourt	Harcourt	Rural	\$39.4 million	\$350	Apr 2009	Jun 2014
<p>Description: Proposes to replace the existing concrete and earthen gravity channel system with:</p> <ul style="list-style-type: none"> › approximately 67 kilometres of pressurised pipeline through the Harcourt area › two pump stations located at Faraday and Barkers Creek Reservoir, and a balancing storage tank. <p>Works undertaken this year:</p> <ul style="list-style-type: none"> › Planning scheme amendment issued to the Minister for Planning for consideration. › Additional documentation required to comply with the Environmental Effect Statement (EES) conditions is complete. › Preparing information for the easement acquisition process. 						
Water Quality Improvement Program (WQIP)	Various sites across region	Water Treatment	\$31.8 million	\$118	2006	Completed Jun 2012
<p>Description: 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. All WQIP sub project works have been completed at Heathcote: Chlorination upgrade, Program Logic Controller (PLC) and install upgrade, backwash systems upgrade and improvements to the entrance of the treatment plant site.</p>						
Bendigo Creek sewer duplication – Stage 2	Bendigo	Sewer Collection	\$12.4 million	\$3,916	2011	Completed Feb 2012
<p>Description: Upgrade Bendigo's sewer system; duplication of sewer main from Maple Street (Golden Square) to Elvey Drive (Kangaroo Flat), as part of a plan to meet the increasing demands of the city's growing population. This now connects to the Stage 1 duplication completed in 2006 between Maple Street and Bayne Street Bendigo. Project came in \$1.95 million under original project budget.</p>						
Chemical systems upgrade	Various sites across region	Water Treatment	\$10.2 million	\$1,870	May 2005	Dec 2013
<p>Description: Involves upgrades to 13 water treatment plants across our region to ensure that the chemical system meets the current standards and improve chemical handling and dosing controls. Works at Serpentine, Rochester, Cohuna and Echuca Water Treatment Plants have been completed. In March 2012 the contractor (Lotic P/L) proceeded into liquidation. The remaining nine plants will be completed under three separate contracts.</p>						

Capital Projects

Project name	Location	Program	Total project budget	Spent in 2011/12 (\$'000)	Start	Completion target
Leitchville Water Treatment Plant upgrade	Leitchville	Water Treatment	\$7.2 million	\$2,873	May 2010	Dec 2012
<p>Description: Involves upgrades to the Leitchville Water Treatment Plant in order to address process gaps and OH&S risks on the site. The upgrade includes the replacement of the existing sand filtration with membrane filtration and Ultra Violet (UV) treatment. A new ground level storage tank was constructed and an elevated storage tank installed to assist with water pressure. Project experienced delays in part due to timing of planning permit approvals.</p>						
Castlemaine Water Reclamation Plant upgrade	Castlemaine	Sewer Treatment	\$6.55 million	\$395	Feb 2010	Completed Apr 2012
<p>Description: Improve operational efficiency on site and reduce the volume of odour generated at the plant. Wet weather in 2011 delayed completion of project. Budget subsequently increased due to contract variations.</p>						
Rochester Water Treatment Plant upgrade	Rochester	Water Treatment	\$6 million	\$1,264	Feb 2011	Jun 2013
<p>Description: Identified as required in response to the flood events of January 2011. Project scope includes:</p> <ul style="list-style-type: none"> › upgrade Zeglin Road raw water pump station and construct new intake from the Waranga Channel; › upgrade water treatment processes with membrane filtration plant, ozone plant and conversion of the media filters to Granular Activated Carbon (GAC) filters; › construct a 1.85 metre high concrete flood wall around the plant perimeter. <p>Tender awarded March 2012, with detailed design currently underway.</p>						
Raywood-Sebastian pipeline	Potable pipeline from Eaglehawk to Raywood via Sebastian	Water Reticulation	\$5.08 million	\$1,103	Jun 2004	Dec 2012
<p>Description: 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 in these townships. New contractor appointed in 2012 to complete Stage 2 of pipeline construction.</p>						
Gunbower Water Treatment Plant upgrade	Gunbower	Water Treatment	\$3.94 million	\$2,903	Feb 2010	Sep 2012
<p>Description: Involves upgrading the Gunbower Water Treatment Plant to provide a more reliable and robust treatment process at site, providing the plant with greater ability to manage fluctuating raw water quality. Project has experienced delays as a result of necessary power upgrades and changes to the onsite backwash water management system.</p>						
Bridgewater Water Treatment Plant upgrade	Bridgewater	Water Treatment	\$3.6 million	\$57	Jun 2009	Completed Jun 2012
<p>Description: The final part of this project was 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.</p>						
Epsom evaporation brine lagoon	Bendigo	Recycled Water	\$3.2 million	\$2,901	Jun 2011	Aug 2012
<p>Description: Construction of a recycled water brine evaporation lagoon at the Bendigo Water Reclamation Plant at Epsom to assist with the treatment of brine produced onsite.</p>						
Back Creek siphon upgrade	Coliban Main Channel (near Malmsbury)	Raw Water Transfer	\$1.9 million	\$1,607	Jun 2011	Completed Oct 2011
<p>Description: The existing pipeline had exceeded the end of its useful life and was prone to leakage. A new pipe was inserted inside the existing siphon which allowed the siphon to be upgraded whilst keeping the historical integrity of the pipeline intact and minimising disturbance to the area</p>						
Bendigo Water Treatment Plant – sludge management improvement	Bendigo	Water Treatment	\$1.78 million	\$38	Jul 2009	Dec 2013
<p>Description: Water from the Waranga Western Channel has supplemented the raw water supply to the Bendigo Water Treatment Plant since completion of the Goldfields Superpipe in 2007. This source water has significantly higher turbidity, causing additional volumes of sludge being produced during the treatment process. Improvements include the provision of sludge storage and handling facilities onsite that will be required when water demands are high.</p>						
Bendigo water network augmentation	Bendigo Maiden Gully	Water Reticulation	\$1.76 million	\$589	Nov 2010	Dec 2012
<p>Description: Bendigo water augmentation strategy identified a number of areas around Bendigo where the network would fail to deliver adequate water pressure to customers now that water restrictions have been eased. Duplication of a number of pipes in various locations is needed to improve the capacity of the system to ensure that acceptable water pressure is delivered. Four pipelines were completed last financial year, with 690 metres completed in Maiden Gully this year.</p>						

Capital Projects

Project name	Location	Program	Total project budget	Spent in 2011/12 (\$'000)	Start	Completion target
McKenzie Hill odour control	Castlemaine	Sewer Collection	\$1.3 million	\$315	Dec 2005	Jun 2013
<p>Description: Long term odour issues at McKenzie Hill, Castlemaine. Oxygen Injection system will be constructed to prevent odours from forming in the sewer main. Investigations are underway for further sewer augmentation which will alleviate pressure in the sewer main travelling to the treatment plant.</p>						
Bendigo Water Treatment Plant dosing system improvement	Bendigo	Water Treatment	\$1.22 million	\$661	Jul 2008	Jul 2012
<p>Description: Dosing system improvements are required to maintain plant capacity when treating raw water with elevated levels of manganese from Lake Eppalock. Contract awarded during the year.</p>						
Rochester to Echuca Water Reclamation Plant connection	Rochester	Sewer Collection	\$1.02 million	\$26	Jun 2011	Jul 2014
<p>Description: The Rochester Water Reclamation Plant experiences issues associated with seepage and sustainability of reuse. Regulatory approvals have been sought for a project to install a membrane bio-reactor (MBR) treatment plant at the Rochester site and transfer treated water to the irrigation storage at the Echuca Water Reclamation Plant.</p>						
Harcourt basin tank replacement	Harcourt	Water Reticulation	\$0.648 million	\$463	Apr 2010	Aug 2012
<p>Description: To secure the supply of water to the Harcourt community by replacing the existing failed liner and cover with an enclosed 600 kilolitre steel tank. The smaller tank size was chosen to better match storage capacity with demand in the area and therefore increasing the turnover of water in the storage.</p>						
Pine safety removal project	Malmsbury	Headworks	\$0.496 million	\$160	Jul 2010	Dec 2015
<p>Description: Removal of aged pine trees from recreation areas at catchment storages for safety reasons. Native re-vegetation of areas to follow. As at 30 June 2012 we are still awaiting Council permits for works to proceed.</p>						
Tooborac tanks	Tooborac	Water Reticulation	\$0.907 million	\$345	Apr 2010	Aug 2012
<p>Description: Replace basin with two new tanks and an adequate dosing system to provide a more secure water supply. Experienced delay with chlorinator fittings. Commissioning has been completed with only minor defect works remaining as at 30 June 2012.</p>						
Wilkinson Drive Sewer Pump Station	Echuca	Sewer Collection	\$0.478 million	\$142	Jan 2011	Completed Nov 2011
<p>Description: Install sewer pump station, rising main and gravity trunk sewer to provide service to developing area in Echuca West.</p>						
Kyneton Water Reclamation Plant – trade waste lagoon	Kyneton	Sewer Treatment	\$0.767 million	\$84	Nov 2009	Completed Oct 2011
<p>Description: Replace four existing aerators in the Kyneton trade waste lagoon to improve plant operations and overall efficiency. Other works included reconfiguring the recycled water line and filter operation, upgrading septic tank unloading area and general access around the lagoon. Delays were experienced with pumps supplied not fit for purpose and an extension of time from original completion date was granted.</p>						
Coliban Main Channel upgrade	Coliban Main Channel	Raw Water Transfer	\$0.208 million	\$130	May 2011	Jul 2012
<p>Description: To enhance the operational capability of the channel and prevent future failure of channel sections.</p>						
Sewer connectivity – Ironstone Road to Allen Street	Bendigo	Sewer collection	\$0.850 million	\$169	Aug 2010	Sep 2012
<p>Description: Construct a trunk sewer main to service developing area in Epsom and remove two old sewer pump stations from the sewer network. As at 30 June 2012, 95 per cent of the trunk sewer has been constructed with the remaining short section under railway line still to be completed.</p>						
Echuca Sewer Pump Station No 5	Echuca	Sewer Collection	\$0.236 million	\$192	Mar 2011	Completed Nov 2011
<p>Description: Upgrade the existing sewer pump station to meet current standards.</p>						
Kyneton recycled water scheme	Kyneton	Recycled Water	\$0.496 million	\$465	Jan 2010	Oct 2012
<p>Description: Install recycled water pump station and pipeline to supply recycled water to Barkley Square, Showground and the Botanical Gardens. All construction has been completed and infrastructure operational. As at 30 June 2012, minor defects to be rectified and a change of scope to include a new flow meter to the race course.</p>						

Water Quality and Reliability

We provide water to 68,293 properties in our region and with our partners we operate 19 water treatment plants.

Customer service objectives – water reticulation

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

Compliance was achieved with ten of the standards. The following four targets were exceeded:

- › Average time to respond to bursts and leaks (priority two)
- › Average customer minutes off supply
- › Average frequency of customer interruptions (unplanned)
- › Average interruption duration (unplanned)

This was caused by premature, repeated failure of a number of aging water mains (that have since been replaced) and a small number of significant bursts in outlying areas within our region, taking extended time to respond to and repair.

Safe Drinking Water Act 2003

During 2011 we completed our regulatory audit of our *Drinking Water Risk Management Plan* as required by the Department of Health (DoH). This resulted in four minor non-conformances being identified relating to calibration of instruments, supervision of operations and one Critical Control Point alarm being incorrectly set. This outcome resulted in an undertaking with the DoH which was completed in February 2012, with the identified non-conformances having been addressed to the satisfaction of the Department.

We have commenced the process of a comprehensive review of our *Drinking Water Risk Management Plan* to further improve the quality of water we provide our communities.

This year we imposed three boil water notices due to e.coli organisms being detected through routine sampling. Serpentine and Inglewood had E.coli detected at the town storage tanks, with the source of contamination identified as rain water entering the tanks. As a result the elevated storage at Serpentine was decommissioned, with the town now supplied by pressure pumps directly from the water treatment plant.

The Inglewood storage was inspected and identified defects rectified along with alterations to the operation of the booster chlorinator at this site.

The third boil water notice was at Tooborac, with the source of the E.coli contamination identified as a leaking fire hydrant in an elevated area of town. This hydrant was replaced and the notice lifted.

There were also a significant number of E.coli detections at other storage tanks across our southern systems – all of these were single detections only and were clear on resampling. As a result of these detections we have entered an undertaking with the DoH to address this issue by:

- › reviewing the adequacy of our *Drinking Water Risk Management Plan*
- › implementing improved incident investigation processes to prevent re-occurrences
- › review the management of our treated water storages
- › install further booster chlorinators in areas with low chlorine residuals are present

Water Quality and Reliability

Water quality

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

Borong, Dingee, Jarklin, Macorna, Mitiamo, Mysia and Wychitella were supplied with non-potable water during 2011/12.

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

Water main renewal

We replaced approximately eight kilometres of water main across 38 sites in our region as part of our Routine Renewals program, at a cost of \$2 million.

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

Flood impacts on water quality

We continued to experience the effects of the January 2011 floods through to late 2011 with repeated exceedances of limits for Trihalomethanes (THM, a disinfection by-product) during winter and into spring. This was resolved when fresh raw water was delivered at the start of the irrigation season which diluted the remnant flood water in our raw water storage at Boort.

Blue Green Algae

Although it was a cool summer, Blue Green Algae (BGA) was a major issue in a number of catchment systems across the state. This is believed to be due to the nutrient loads in water bodies from the catchment runoff after years of drought and vegetation growth in areas of storages that have not been inundated for many years.

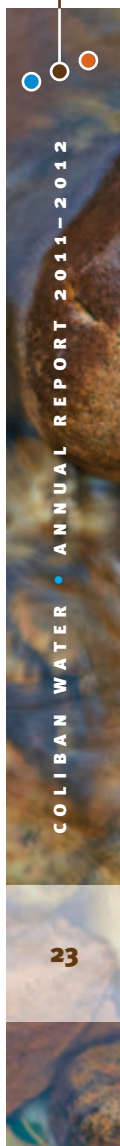
Algae blooms were noted in the Murray system, Goulburn system at Mitiamo and Mysia, Lake Eppalock and at Malmsbury Reservoir.

The blooms at Mitiamo and Mysia were likely the result of flood impacts from early 2011.

We also experienced a significant raw water event at Cohuna in late winter 2011 as a result of algae affected water being released from storage lagoons on the Gunbower Creek. Goulburn-Murray Water were able to flush this system to rectify the raw water quality problem.

Notes to the water quality table:

1. Isolated elevated aluminium results which did not correlate with treatment plant performance, likely to be due to suspension of sediment in isolated areas
2. Repeated elevated levels of Trihalomethanes (THM) due to impact of floods in early 2011. Resolved when fresh raw water became available in spring
3. Elevated Trichloroacetic Acid has been an ongoing issue at this site. This has been rectified with the commissioning of the new treatment plant and levels are now acceptable.



Water treatment process

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

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

Please refer to our website www.coliban.com.au 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		Water supply Total		3 year average annual demand	Consumption variation	Non revenue water ¹
	Number	Number	Megalitres	Number	Megalitres	Number	Megalitres	Megalitres	%	Megalitres
Campaspe										
Goornong	0	144	26	25	6	169	32	29	9.1%	5.5
Total	0	144	26	25	6	169	32	29	9.1%	5.5
Coliban Northern										
Axedale	105	102	17	14	3	116	20	19	7.1%	Note 2
Bendigo	39,730	38,857	6,304	3,121	2,443	41,978	8,747	8,173	7.0%	544.1
Heathcote	813	1,026	122	123	59	1,149	181	170	6.7%	53.7
Raywood	0	78	13	14	1	92	14	13	4.9%	Note 2
Sebastian	0	62	11	4	1	66	12	11	9.3%	Note 2
Tooborac	0	47	7	8	2	55	9	10	-6.9%	Note 5
Total	40,648	40,172	6,474	3,284	2,509	43,456	8,983	8,396	7.0%	597.8
Coliban Southern										
Castlemaine	4,556	5,258	709	448	665	5,706	1,374	1,201	14.4%	177.4
Elphinstone/Taradale	0	206	28	17	3	223	31	33	-5.1%	Note 3
Kyneton	2,494	2,352	304	419	264	2,771	568	562	1.1%	97.9
Maldon	700	849	98	110	34	959	132	127	4.2%	Note 3
Malmsbury	244	262	34	20	15	282	49	47	4.3%	Note 4
Newstead	296	307	41	41	7	348	48	45	5.9%	Note 3
Tylden	131	108	14	11	5	119	18	17	8.0%	Note 4
Total	8,421	9,342	1,228	1,066	993	10,408	2,220	2,031	9.3%	275.3
Goulburn										
Boort	449	389	78	101	27	490	105	106	-0.6%	30.0
Dingee	0	29	5	12	2	41	6	5	13.1%	-0.3
Lockington	205	189	31	26	7	215	38	38	0.9%	41.7
Macorna	0	8	1	3	<0.5	11	1	1	0.0%	0.2
Mitiamo	0	41	6	10	3	51	9	8	17.2%	16.9
Mysia	0	8	1	2	<0.5	10	1	1	20.0%	2.1
Pyramid Hill	284	255	41	52	28	307	69	70	-1.9%	11.3
Rochester	1,341	1,316	295	175	718	1,491	1,014	908	11.7%	90.0
Total	2,279	2,235	457	381	784	2,616	1,241	1,135	9.3%	191.9
Groundwater										
Elmore	380	366	63	69	33	435	96	97	-0.7%	11.6
Trentham	477	462	53	65	12	527	64	65	-1.5%	15.9
Total	857	828	116	134	44	962	160	162	-1.0%	27.5
Loddon										
Bealiba	0	76	8	11	2	87	10	9	16.0%	Note 6
Bridgewater	195	184	24	34	12	218	36	33	10.2%	47.5
Dunolly	373	387	44	60	12	447	56	50	11.3%	Note 6
Inglewood	342	385	48	40	20	425	68	62	10.3%	Note 7
Jarklin	0	6	1	3	1	9	2	2	27.2%	0.1
Laanecoorie	0	35	5	4	<0.5	39	5	4	25.0%	28.4
Serpentine	0	63	11	21	3	84	14	11	23.5%	5.3
Tarnagulla	0	105	8	13	2	118	10	10	0.0%	Note 6
Total	910	1,241	149	186	52	1,427	201	181	11.2%	80.9
Murray										
Cohuna	1,075	1051	275	358	237	1,409	512	471	8.7%	77.0
Echuca	6,393	5,925	1,314	813	1,132	6,738	2,446	2,319	5.5%	46.7
Gunbower	167	140	30	35	10	175	40	41	-1.6%	1.6
Leitchville	173	152	38	121	123	273	161	180	-10.6%	27.3
Total	7,808	7,268	1,656	1,327	1,502	8,595	3,158	3,010	4.9%	152.6
Wimmera										
Borong	0	19	2	3	<0.5	22	2	2	0.0%	-1
Korong Vale	0	115	12	9	2	124	14	12	13.4%	29.9
Wedderburn	434	439	51	62	18	501	69	61	13.7%	Note 8
Wychitella	0	12	1	1	<0.5	13	1	1	-25.0%	0.6
Total	434	585	67	75	20	660	86	76	12.6%	29.5
TOTAL	61,357	61,815	10,171	6,478	5,910	68,293	16,081	15,020	7.1%	1,361

Water Quality and Reliability

Non-revenue water % (unaccounted for water)

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

Non-revenue water for 2011/12 was calculated to be 1,779 megalitres (8.6 per cent). The Essential Services Commission (ESC) target of less or equal to 18 per cent non-revenue water was achieved. We implemented an improved reporting system for non-revenue water during 2011/12 which now accounts for predicted usage between meter reads. This will be further refined over the coming year to improve accuracy.

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

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

Major non-residential water users

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

MAJOR NON-RESIDENTIAL CUSTOMERS BY VOLUME RANGE

Usage range – Megalitres per year (ML)	Number of customers
Equal to or greater than 200 ML and less than 300 ML	2
Equal to or greater than 300 ML and less than 400 ML	1
Equal to or greater than 400 ML and less than 500 ML	1
Equal to or greater than 500 ML and less than 750 ML	1
Equal to or greater than 750 ML and less than 1000 ML	0
Greater than 1,000 ML	0
TOTAL CUSTOMERS	5

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

Name of customer (in alphabetical order)	Water conservation plan
Fonterra Brands (Australia)	Yes, water conservation plan developed.
Hazeldenes	Yes, water conservation plan developed.
Murray Goulburn Co-operative Co Ltd	Yes, water conservation plan developed.
N & C Enterprises Pty Ltd	Yes, water conservation plan developed.
Parmalat Australia Ltd	Yes, water conservation plan developed.

Sewer System

We provide wastewater services to 61,357 properties in our region and with our partners we operate 16 water reclamation plants.

Water reclamation – sewerage influent and treated effluent volumes

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

We treated and discharged the following volumes during 2011/12:

Town	Sewage influent Megalitres	Total effluent discharged Megalitres	Effluent discharged to waterways Megalitres	Effluent discharged for reuse Megalitres
Axedale	11	7	0	7
Bendigo	7,213	5,618	3,777	1,841
Boort	63	28	0	28
Bridgewater/Inglewood	80	0	0	0
Castlemaine/Harcourt/ Maldon/Newstead	1,118	1,166	1,100	66
Cohuna	242	0	0	0
Dunolly	29	15	0	15
Echuca	1,649	1,382	0	1,382
Elmore	39	0	0	0
Gunbower/Leitchville	37	0	0	0
Heathcote	169	147	0	147
Kyneton/Trentham/Tylden	731	688	367	321
Lockington	21	0	0	0
Pyramid Hill	48	0	0	0
Rochester	240	42	0	42
Wedderburn	21	44	0	44
TOTAL	11,711	9,138	5,244	3,893

A \$200,000 de-sludging program was completed at the Bendigo Water Reclamation Plant during the year to remove bio-solid build up from lagoon one and two. This creates more space in the lagoon for biological treatment to take place and optimise overall operations at the plant. This program had been delayed due to excessive inflows into the plant following heavy rainfall events in 2010 and 2011.

A further \$350,000 was spent at Heathcote Water Reclamation Plant to improve the plants operational efficiency and assist in long-term odour control on site with the de-sludging of lagoon one. Sludge was then transported back to the Bendigo plant for further stabilisation and re-use.

Customers service objectives – sewerage collection

Our Customer Charter contains five service standards that are reported to the Essential Services Commission (ESC). These service standards relate to sewerage blockages (number per 100 kilometres), average time to attend sewer spills and blockages, average time to rectify blockages, percentage of sewage spills contained within five hours and number of customers receiving more than three sewer blockages in a year.

Compliance was achieved with four service standards. The target for the average time to rectify a sewer blockage was exceeded by 3.92 minutes, which was due to access delays to spill locations.

Sewer blockages

Our *Stop the Block* program is focused on preventative sewer maintenance in the Bendigo sewer system – removing causes of potential blockages before they occur.

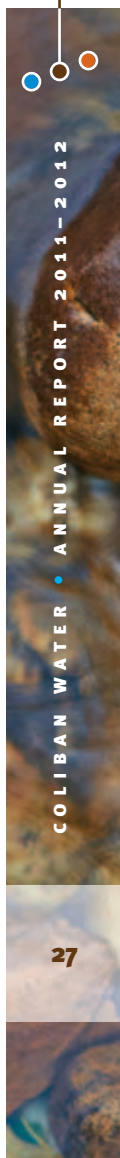
Results from this program have shown significant improvement with our blockage rate for the region, with the number of blockages continuing to fall since the program's inception in January 2005.

A \$1 million capital investment into this program will see further system improvements over the coming year.

Sewer main renewal

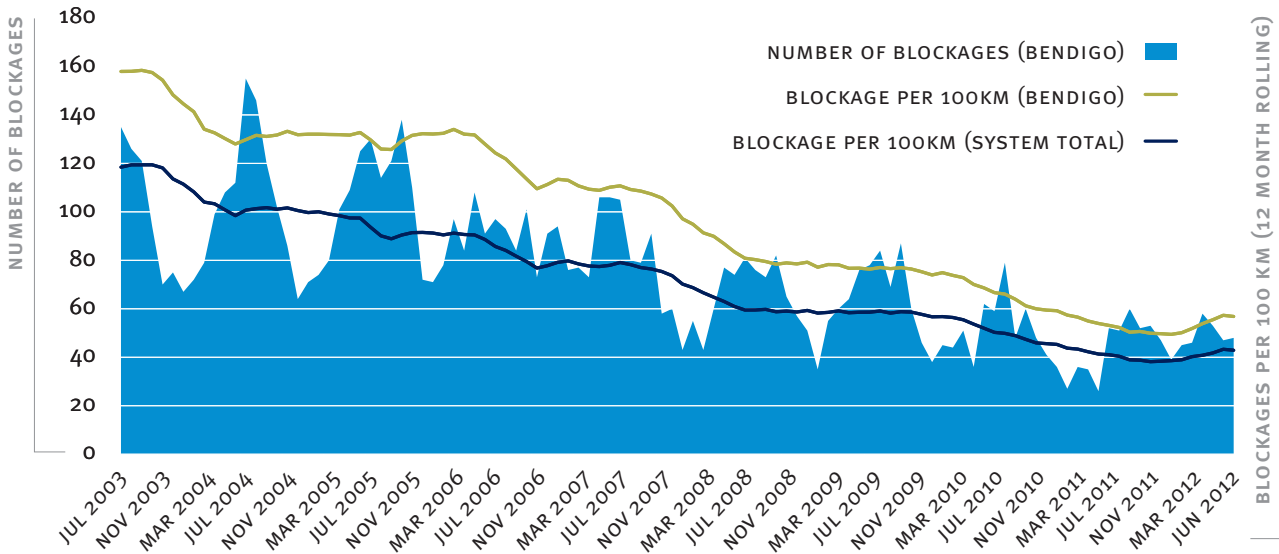
Our program for sewer main condition assessment and renewal have continued this year, driven by our Routine Renewals Team, prioritised based on location, criticality and risk.

Approximately five kilometres of sewer main was replaced across 54 sites in our region, at a cost of \$800,000.

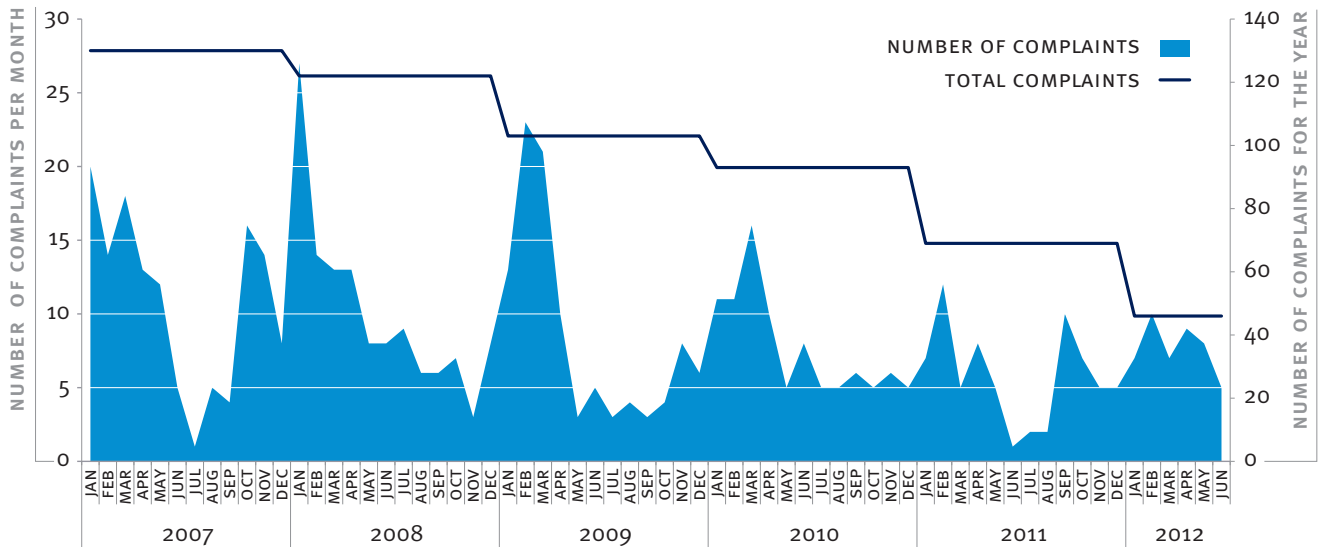


Sewer System

BLOCKAGE RATE CHART (BLOCKAGES PER 100 KILOMETRES)



ODOUR MANAGEMENT



Odour management

The number of odour complaints received has continued at similar levels to last year. We are currently working on several projects to further reduce the impacts of odour in our region including:

- › Installing sensors at the Anstruther Street Sewer Pump Station (SPS) in Echuca to allow continuous monitoring of the performance of existing air filters. We are investigating options to improve the management of odour generation at this site.
- › Completed the preliminary design of an odour control system for the Maldon outfall rising main which discharges at McKenzie Hill for treatment in Castlemaine.
- › Investigation and design of an odour control system for Schumakers Lane Sewer Pump Station (SPS) in Marong and Hopkins Avenue in Eaglehawk is currently underway.
- › Portable odour monitors have been purchased to improved detection and management of odours from the sewerage system across the region.

People and Culture

Building our capability

We invested in building our internal knowledge and capability in 2011/12 with the recruitment of highly skilled and experienced people across a range of speciality areas.

This was to ensure we have:

- › Increased capacity in our workforce
- › Capacity to develop and implement innovative work practices
- › The ability to meet compliance requirements
- › Continued reduction in the reliance on consultants
- › A sustainable workforce

Highlights during the year have included:

- › Review and restructure of Customer Service and Communications and Marketing Teams into a combined team to create a structure for greater business efficiency and improved support to customers
- › The training of all staff in the Australasia Inter-service Incident Management System (AIIMS) to better equip us to respond to incidents
- › Implementation of workplace behaviour training for all staff to raise awareness and eliminate these issues from the workplace
- › Implementation of online recruitment to reduce hiring lead times and promote effective recruitment practices and expedite access to the best talent
- › Participated in La Trobe University Careers conference to promote career opportunities within the water industry
- › Implementation of integrated human resource information and payroll systems to enable us to better manage our people, achieve efficiencies, adapt to the changing needs of our business, improve our human resource and payroll processes and provide self-service functionality for our employees

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, Economics, Human Resources, Corporate Communications and Administration.

EMPLOYEE STATISTICS

Employees	2011/12	2010/11
Full-time	121	112
Part-time	16	15
TOTAL	137	127
Full-time equivalent	132.7	122.02
Casual	6	15
Female	46 (34%)	45 (35%)
Male	91 (66%)	82 (65%)

Our Corporate Structure can be found on page 36.

Employee relations

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

Our Consultative Committee comprising representatives from staff and management, whose charter is to oversee the implementation of the Enterprise Agreement, have been instrumental in promoting, overseeing and encouraging our workforce to achieve the first years productivity KPI's .

A key target for this year has been a decrease in the use of paper and electricity within the business through the identification of means to reduce the usage of both. The Committee will continue to work with our people to achieve greater productivity gains in the next two years.

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

People and Culture

Employee training and development

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

All staff were encouraged to participate in training and development during the past year.

	2011/12	2010/11
Total training hours	5,396	5,522
Total training investment	\$346,575	\$280,096

We continue to support employees who wish to undertake formal study at undergraduate and postgraduate levels and currently have several staff combining their work with part-time tertiary education.

Attraction and retention

We have adopted the Victorian Public Sector employment principles of:

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

These principles underpin our human resources policies and practice.

Employers must ensure that:

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

Employees must:

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

Together with our business partners, we provide employment for over 274 people throughout the region.

Our business partners

CAMPASPE ASSET MANAGEMENT SERVICE PTY LTD (CAMS)

CAMS is owned by TRILITY.

CAMS provide operations and maintenance services across our region including:

- › Operation and maintenance of water and waste water networks, including treatment plants
- › Asset management
- › Information technology systems and support
- › Revenue collection and processing

In February 2012 we announced that we will be reviewing the current business model and sourcing the future delivery of outsourced functions under a new contract and will not be extending our current contract with CAMS when it expires on 30 June 2013.

BENDIGO WATER SERVICES PTY LTD (BWS)

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

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. ETEC owns and operates the Echuca Water Reclamation Plant under a 25 year Build Own Operate Transfer (BOOT) contract that commenced in September 2004.

GOLDFIELDS SUPERPIPE – JOINT VENTURE

Coliban Water, in partnership with Central Highlands Water (CHW), constructed the Goldfields Superpipe from Colbinabbin – Bendigo – Ballarat in 2007/08.

Operation and oversight of the asset is undertaken under a joint venture arrangement with CHW. Veolia Water is contracted to operate the Superpipe on the venture's behalf.

Environmental Performance

We remain committed to being an active leader in environmental performance across our region. We continue to engage with local environmental stakeholders including the North Central Catchment Management Authority, Goulburn-Murray Water, the Department of Sustainability and Environment, Environment Protection Authority, Parks Victoria, local councils and the Department Primary Industries.

We delivered on the major theme in our *2011/12 Corporate Plan* to embed sustainability as part of our contribution to regional development, by adopting and commencing implementation of our new *Sustainability Strategy* and new *Biodiversity Strategy*.

Key initiatives for the year:

- › Renewed our Environmental Policy, in preparation for re-certification in May 2012 under ISO14001 Environmental Management Systems
- › Finalised for broad consultation our policy and guidelines for catchment water quality protection, for use in assessing:
 - planning permit applications referred to us by Council
 - municipal planning schemes, local planning policy frameworks and municipal strategic statements, as well as regional catchment management and river health strategies
- › Commenced reviewing our energy performance, with Department of Treasury and Finance (DTF) and Department of Sustainability and Environment (DSE) support through the Greener Government Building Program, with a view to potentially implementing:
 - energy control and water conservation measures, including capital upgrades to infrastructure
 - annual operational expenditure efficiency savings
 - significantly reductions to our exposure to carbon pricing.
- › Continued our existing sustainability initiatives such as the Greener Office Program, which includes the purchase and lease of lower emission vehicles, promotion of reduce-reuse-recycle material within the office, collection of redundant electrical equipment and use of stationery items with recycled paper content
- › Established key performance indicators on sustainability in our new Enterprise Agreement.

Biodiversity

We manage approximately 4,585 hectares of land across five bioregions in North Central Victoria. In 2011/12, we updated our register of threatened flora and fauna, which now includes 24 species. We provide all our flora and fauna records to DSE under our data share agreement, thereby contributing to state-wide databases.

During the year, we made two referrals to the Federal Department of Sustainability, Environment, Water, Population and Community under the *Environment Protection and Biodiversity Conservation Act 1999*, respectively in relation to:

- › Epsom Water Reclamation Plant Brine Lagoon Project (Growling Grass Frogs)
- › Harcourt Modernisation Project (Golden Sun Moth)

Neither are “matters of national significance”, but conditions apply to both projects.

Our new *Biodiversity Strategy* includes priority actions regarding native vegetation offsets.

Land and catchment management

We manage land in our catchments in order to protect water quality in storages, enhance river health and ensure we meet our biodiversity and pest control obligations. During 2011/12, we established an internal land and catchment group, to help deliver improved land management outcomes as well as facilitate stronger relationships with adjacent land owners and agency stakeholders.

During the year, we worked with partners to control pest plants and revegetate sites adjacent to storages. For example, we achieved significant control of gorse, hawthorn and blackberry at Malmsbury Reservoir through the NCCMA’s Flood Recovery Employment Program. We also forged links with Landcare groups in catchment areas. Separately, we have continued ongoing pest plant management programs across our various land assets.

In late 2011, we obtained a planning permit to remove hazardous pine stands from public areas at Lauriston, Malmsbury and Upper Coliban Reservoirs, as part of our Pine Safety Removal project. Since then, we have continued with efforts to ensure that community and council expectations are met in restoring these sites. During 2012/13, a number of these stands are scheduled for harvest.

Environmental Performance

River health

Aquatic flora and fauna, surrounding riparian vegetation and aesthetic values have benefited from above average rainfall in 2011/12, on top of exceptionally high rainfall during 2010/11.

The ongoing Biological Monitoring Program for Campaspe River, Campbell's Creek and Bendigo Creek has not identified significant impairment to the health of the waterways.

However, periodic storm events resulted in significant management issues regarding sewer networks and water reclamation plants.

Corporate water consumption

At our head office, located in Bendigo, we consumed 21.5 litres per day per full-time equivalent staff member working, or 302L/m² in terms of floor area.

Head office water consumption			
	2011/12	2010/11	2009/10
Total water consumption (litres)	1,127,000	693,000	677,000
Full-time equivalent (FTE) staff including contractors	143	142	118.9
Volume per FTE (litres)	7,881 ⁽¹⁾	4,880	5,694

1. Increase from previous year due to undetected leaks at Bridge Street Office.

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

Energy use and greenhouse gas emissions

We emit greenhouse gases as a result of providing water and wastewater services, including through our contracting arrangements with Campaspe Asset Management Services, Veolia and the Water Infrastructure Group.

Our business activities generated approximately 33,122 tonnes of CO₂ equivalent emissions relating to our electricity usage. These emissions are consistent with last years figure as use of the Goldfield's Superpipe was limited.

	Total tonnes CO ₂ equivalent	
	2011/12	2010/11
Water treatment and supply	10,480	9,626.6
Sewerage treatment and supply	20,985	21,420.7
Transport	1,034	985.7
Depots and offices	623	641.2
TOTAL	33,122	32,674.2

With Department of Treasury and Finance, and Department of Sustainability and Environment support through the Greener Government Buildings Program, we are reviewing the Goldfields Superpipe and other key assets to identify opportunities for:

- › energy conservation measures, including capital upgrades to infrastructure
- › annual operational expenditure efficiency savings
- › significant reductions to our exposure to carbon pricing.

Environmental compliance

Our corporate licence limits discharge to waterways from three key wastewater treatment facilities. We met licence requirements for each of these treatment plants. However, we exceeded:

- › total annual licence volume from Bendigo Water Reclamation Plant, due to increased number and frequency of significant rain events
- › groundwater discharge at Cohuna and Pyramid Hill Water Reclamation Plants

We continue to face significant challenges with winter storage volumes at Kyneton Water Reclamation Plant and Bendigo Water Reclamation Plant, caused by carry over from the 2010/11 year and above average rainfall resulting in stormwater diversion to lagoons.

A total of 16 sewer spills were deemed to be environmentally significant in the past year. Two of these spills were related to storm water intrusion due to wet weather. We provide immediate response and priority clean-up in relation to such events, particularly in areas with unrestricted public access or where sensitive land uses are at risk. Our operators utilise standard operating procedures designed to protect public health and minimise the impact of spills on the environment.

The Environment Protection Authority issued a Pollution Abatement Notice (PAN) in relation to a sewer pipe burst into a natural waterway, caused by high river levels eroding a bank and thereby exposing and undercutting a sewer main in Echuca. We initiated mitigation works which will provide structural support to the sewer main, provide erosion protection in future high level river events and bury the main beneath the river bank.

The rectification works associated with a pollution abatement notice were finalised in early 2012 to address an odour issue at Hopkins Avenue Sewer Pump Station. We are developing long-term management actions to address the odour issues permanently at this site.

Governance and Risk

We are committed to having the appropriate governance structures embedded throughout our organisation that enable us to pursue excellence and innovation and ensure that risks are identified and controlled.

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 our Board is available from our website.

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

In October 2011, Jean Sutherland and Rodney Thomson were appointed to the Board. At this time we also farewellled our Chairman John Brooke and Director Jane Holt.

Board Directors as at 30 June 2012

Andrew Cairns

CHAIRMAN

BEng (Electrical), AFAIM, MAICD.

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

Mr Cairns is formerly Chief Executive Officer of Bendigo Community Telco. He is now the Head of Customer Led Connections at the Bendigo & Adelaide Bank.

His current directorships include Bendigo Community Telco, Community Telco Australia, Strategic Payment Services and Loddon Mallee Housing Services Limited.

David Beard

DEPUTY CHAIRMAN

MAICD, FIEAust, CP Eng., MBus.

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

Mr Beard has previously worked in local Government as Infrastructure Director for both Murrindindi and Bendigo Councils.

Mr Beard has served on the MAV's Transport Advisory Committee, Goulburn Valley and Calder Regional Waste Management Groups, Calder Highway Improvement Committee, the Institute of Engineers Australia and the Victorian Waste Management Association. Mr Beard holds a Bachelor of Engineering, qualification in Water Engineering, Masters of Business and is a Fellow of the Institution of Engineers and Member of ACID.

Governance and Risk

Jeff Rigby

Managing Director

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

Appointed by the Board and commenced at Coliban Water in December 2011. Mr Rigby has 28 years of experience in the water industry, including 12 years in executive management roles. He was previously the Managing Director of Grampians Wimmera Mallee Water from 2007 until joining Coliban Water in 2011.

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

Noel Harvey

OAM, MIPA, MAICD,

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.

Andrew Skewes

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

Appointed to the Board on 1 July 2010, Mr Skewes has a background as an academic and as a senior executive in both the State and Federal Government developing policy for innovation, economic development and the governance of government enterprises. He is the Executive Director of La Trobe University Bendigo, a Non-Executive Director of the Queensland Cyber Infrastructure Foundation and the Principal of Canvass Consulting.

Russell A Walker

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

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

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

Vicki Jean Sutherland

FCPA, MAICD, Cert Business Studies (Acc)

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

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

Rodney Thomson

BEng (Mech), Grad Dip Bus. Admin.

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

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

Governance and Risk

Committees of the Board

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

AUDIT COMMITTEE

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

- › 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 Russell Walker (Chair), Andrew Skewes, and Jean Sutherland who are all independent. The Committee met six times during 2011/12.

SUSTAINABILITY COMMITTEE

The Sustainability Committee responsibilities include:

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

Members of the Sustainability Committee are David Beard (Chair), Russell Walker, Noel Harvey and Rodney Thomson. Andrew Cairns is an ex-officio member. The Committee met four times during 2011/12.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for:

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

Members of the Committee are Andrew Cairns (Chair), Noel Harvey, David Beard and Andrew Skewes. The Committee met three times during 2011/12.

Meetings

The number of meetings of the Board of Directors and Committees of the Board held during the year ended 30 June 2012 and the numbers of meetings attended by each Director were:

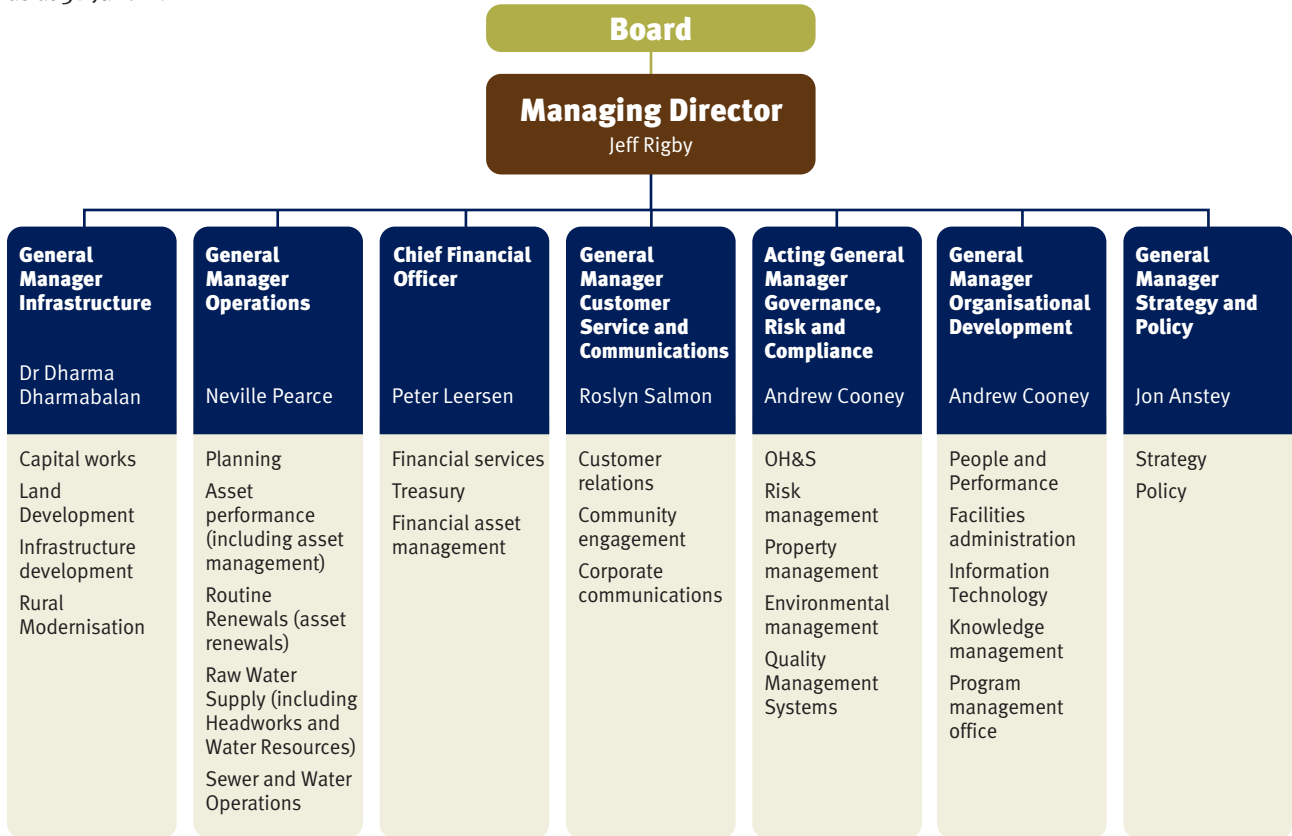
Director	Board of Directors		Audit Committee		Sustainability Committee		Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
John Brooke	5	5	2	2			2	2
Noel Harvey	17	15			4	4	3	2
David Beard	17	16	3	2	4	4	1	1
Andrew Cairns	17	15	3	2			3	3
Jane Holt	5	5			1	1		
Andrew Skewes	17	15	6	6			2	2
Russell Walker	17	15	3	3	4	4		
Gavin Hanlon#	3	2						
Peter Leersen##	6	5						
Vicki Jean Sutherland	12	12	3	3				
Rodney Thomson	12	11			3	3		
Jeff Rigby###	8	8						

Notes to meeting table: The number of meetings includes ordinary meetings, special meetings and resolutions outside of meetings. # Gavin Hanlon resigned as Managing Director in August 2011; ## Peter Leersen – was appointing Interim Managing Director from August to December 2011; ### Jeff Rigby commenced as Managing Director in December 2011.

Governance and Risk

Corporate Structure

as at 30 June 2012



Risk management statement

I, Andrew Cairns certify that Coliban Water has risk management processes in place consistent with the International Risk Management Standard 31000:2009 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures.

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

Andrew Cairns
Chairman

Date: 17 August 2012

Our Emergency Management System

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

AIIMS is used for all Victorian emergency agencies, providing a common framework for agencies in managing all types of hazards. The extensive use across the state enables a cohesive chain of command and clear understanding of our role within multi-agency incidents.

During the year we developed and facilitated a scenario to test the adequacy of our Emergency Management System to respond to a cyber-attack. The scenario was attended by various external stakeholders including Department Sustainability and Environment, City of Greater Bendigo, Computer Emergency Response Team (CERT) Australia and Victorian Police. The scenario was successfully evaluated and approved by the Critical Infrastructure Protection Unit of Victorian Police, in accordance with our regulatory obligation under the *Counter Terrorism (community protection) Act 2003*.

Governance and Risk

Occupational Health & Safety

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

OH&S COMMITTEE

As part of our OH&S objectives and targets, we held five OH&S committee meetings and 35 Toolbox meetings within our eight designated work groups. We achieved 100 per cent staff attendance at these meetings.

We had seven new OH&S representatives join the OH&S Committee in 2011/12.

EXTERNAL AUDIT – OH&S MANAGEMENT SYSTEM

In May 2012 NCS International conducted an onsite assessment of our management systems.

We were very pleased to report that no major non-conformances were identified and we were awarded continuing certification to:

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

HAZARD REPORTING

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

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

OH&S PERFORMANCE MEASUREMENT AND REPORTING

	2011/12	2010/11	2009/10	2008/09	2007/08
Incidents reported to Coliban Water ⁽¹⁾	29	43	49	30	27
Worksafe reportable incidents ⁽¹⁾	0	5	1	2	2
Workers compensation claims ⁽²⁾	1	1	0	0	0
Injuries resulting in days lost ⁽²⁾	1	2	2	1	0
Lost time due to injuries (days) ⁽²⁾	137	75	5	3	0
Lost time injury frequency rate ⁽³⁾	4.8	12.93	13.29	7.71	0
Average lost time rate ⁽⁴⁾	103	37.5	2.5	3	0

Notes to OH&S performance measurement and reporting table:

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

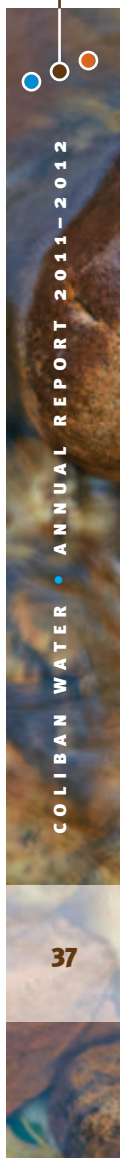
HEALTH AND WELL-BEING ASSESSMENTS

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

- › Provided OH&S programs for first aid services, emergency management system and workstation set-up
- › Employer funded immunisations, (whooping cough, influenza and Hepatitis B) for staff identified at risk
- › Provided training, awareness seminars and OH&S guidance material on safety related topics
- › Provided health and wellbeing seminars such as men's and women's health luncheons, healthy eating and fitness seminars
- › Provided WorkSafe Health Checks
- › Participated in Bendigo's Biggest Winner (weight loss competition run by St John of God Hospital)
- › Provided role specific training and assessments
- › Provided information sessions from our Employee Assistance Program (EAP)

STRATEGIC REVIEW

In line with Board objectives and expectations, as well as senior management commitment, an update on the perspective of safety culture was conducted during June 2012. This review confirmed a positive improvement in the safety culture at Coliban Water.



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 and accompanied by a fee of \$25.10.

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

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

During 2011/12 we received one FOI application which was processed in accordance with the Act.

Competition Policy

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

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

We continue to monitor developments in National Competition Policy.

Taxation

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

External Financing

Under the *Borrowing and Investment Powers Act 1987*, we may only source debt funding from Treasury Corporation Victoria and we are subject to a Financial Accommodation Levy (FAL). As a Victorian Government Agency, our borrowings carry an implicit State Government guarantee that commands lower borrowing prices in financial markets. To offset this advantage, 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 Health – Water Quality
- › Water Services Association of Australia – Asset Management, Customer Service, Civil Maintenance and Mechanical and Electrical Maintenance.

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

Membership of Industry Associations

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

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

Information Privacy Act 2000

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

Statutory Information

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 2011/12 we engaged 32 consultants for 41 consultancy projects with a value over \$10,000. The total cost incurred during this period for major consultancies was \$2,790,673 excluding GST.

Details of individual consultants		Start date	End date	(\$'000s)		
Consultant	Purpose of consultancy			Total approved project Fee (excluding GST)	Expenditure (excluding GST)	Future expenditure (excluding GST)
Aecom Australia Pty Ltd	Castlemaine sewerage augmentation plan	13/09/11	15/12/11	598	106	0.0
Aecom Australia Pty Ltd	Kyneton sewerage augmentation plan	13/10/11	13/12/11	106	93	0.0
Aecom Australia Pty Ltd	Condition assessment Coliban Main Channel	1/07/12	30/06/12	82.9	82.9	0.0
AtWork Consulting	Leadership/management services	1/07/12	30/06/12	15.6	15.6	0.0
Australian Dams and Water Consultants Pty Ltd	Portfolio risk review	1/07/12	30/06/12	12.6	12.6	0.0
Beca Pty Ltd	Gunbower Water Treatment Plant upgrade – functional and process design	1/07/12	30/06/12	16.6	16.6	0.0
Beca Pty Ltd	Planning assistance in developing <i>Water Plan 2013-2018</i>	1/07/12	30/06/12	107.5	107.5	0.0
Ch2M Hill Australia Pty Ltd	Bendigo Recycled Water Factory project	1/07/12	30/06/12	85.8	85.8	0.0
CPG Australia Pty Ltd	Design and project management	30/11/11	29/11/12	239.0	117.0	122.0
CPG Australia Pty Ltd	Viewpoint Sewer Pump Station design	1/07/12	30/06/12	22.4	22.4	0.0
Data and Measurement Solutions Pty Ltd	Meter validation	1/07/12	30/06/12	21.8	21.8	0.0
Department Sustainability and Environment	Fee for valuation infrastructure assets	1/07/12	30/06/12	70.9	70.9	0.0
Ecwise Australia Pty Ltd	Risk assessment Blue Green Algae and taste and odour – Bendigo water supply	1/07/12	30/06/12	19.7	19.7	0.0
ESRI Australia Pty Ltd	GIS upgrade/Dekho configuration review	1/07/12	30/06/12	10.5	10.5	0.0
GHD Pty Ltd	Castlemaine water network augmentation plan	22/09/11	30/05/12	119.9	119.9	0.0
GHD Pty Ltd	Options assessment – Wastewater treatment and reuse for Heathcote	1/07/12	30/06/12	49.0	49.0	0.0
GHD Pty Ltd	Malmsbury Dam – concept design	1/07/12	30/06/12	33.6	33.6	0.0
GHD Pty Ltd	Assessments and inspections – Kalimna Basin, Barkers Creek Reservoir and Portfolio Risk review	1/07/12	30/06/12	168.7	168.7	0.0
Glen Hobbs and Associates	Malmsbury option assessments and portfolio risk review	1/07/12	30/06/12	13.1	13.1	0.0
Infor Global Solutions (ANZ) Pty Ltd	Hansen consulting – new asset structure project	1/07/12	30/06/12	70.3	70.3	0.0
Insync Surveys Pty Ltd	Strategic drivers fees	1/07/12	30/06/12	10.8	10.8	0.0

Statutory Information

Details of individual consultants				(\$'000)		
Consultant	Purpose of consultancy	Start date	End date	Total approved Project Fee (excluding GST)	Expenditure (excluding GST)	Future expenditure (excluding GST)
Kellogg Brown & Root Pty Ltd	Cohuna and Echuca – Granular Activated Carbon (GAC) filter design	1/07/12	30/06/12	273.1	115.0	159.0
KPMG	Investigation of procurement sourcing options	1/07/12	30/06/12	128.8	128.8	0.0
Market Reform Pty Ltd	Economic optimisation advice	1/07/12	30/06/12	44.2	44.2	0.0
McMullan Solicitors	Solicitor services	1/07/12	30/06/12	41.8	41.8	0.0
Parasyn Controls Pty Ltd	SCADA historian consultancy	1/07/12	30/06/12	41.1	14.1	27.1
PBJ & Associates	Strategic planning assistance in developing <i>Water Plan 2013-2018</i>	1/07/12	30/06/12	259.9	259.9	0.0
PBJ & Associates	Sewer monitoring assistance	1/07/12	30/06/12	41.4	41.4	0.0
Peter J Ramsay and Associates	Environmental auditor – Bendigo Water Reclamation Plant brine evaporation lagoon liner construction	1/07/12	6/08/12	29.9	16.8	13.1
Places Victoria	Concept/masterplan preparation Alder Street site	1/07/12	30/06/12	36.0	36.0	0.0
PricewaterhouseCoopers (PWC)	Operational structure review	1/07/12	30/06/12	160.3	160.3	0.0
Schneider Electric	SCADA upgrade	1/07/12	30/06/12	18.1	18.1	0.0
Security Infrastructure Solutions	SCADA security assessment	1/07/12	30/06/12	114.8	114.8	0.0
Sinclair Knight Merz	Planning and design – Harcourt Rural Reconfiguration project	6/07/09	5/07/13	2,650.9	58.8	65.1
Sinclair Knight Merz	Harcourt reconfiguration – complex cultural heritage management plan (CHMP)	15/06/10	1/11/11	428.5	43.1	0.0
Sinclair Knight Merz	Portfolio risk review workshops	1/07/12	30/06/12	32.0	32.0	0.0
SJStreet and Associates	Tank access investigations – Bendigo Water Reclamation Plant, Lauriston, Cohuna Water Treatment Plant, Harcourt, Serpentine, Tooborac, Heathcote and Rochester	1/07/12	30/06/12	137.4	137.4	0.0
Strategic Economics Consulting Group	Professional fees Stage 1 & 2a – advice on content for <i>Water Plan 2013-2018</i> submission	1/07/12	30/06/12	14.3	14.3	0.0
Technology One Ltd	Payroll and budgeting module implementation	1/07/12	30/06/12	286.8	114.0	51.8
UMS Group Asia Pacific	Benchmarking Civil, Mechanical, Electrical, Maintenance	1/07/12	30/06/12	118.5	118.5	0.0
Water Services Association of Australia	Customer services improvement project	1/07/12	30/06/12	33.0	33.0	0.0

Minor consultancies

During the year there were 67 minor consultancies at a cost of less than \$10,000 each. The total cost of these minor consultancies was \$380,682 excluding GST.

Disclosure of major contracts

There were no major contracts greater than \$10 million during the year ending 30 June 2012.

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.

Statutory Information

Completed projects

Four projects were completed during the year that met these requirements.

Contract details	Value of contract (\$)	Project completion	Full Time Equivalent (FTE) jobs achieved			FTE apprenticeships/ traineeships achieved			Local content achieved (%)
			Existing jobs retained	New jobs created	TOTAL	Existing (retained)	New (created)	TOTAL	
Back Creek siphon upgrade	\$1,758,640	22/08/2011	10	0	10	2	0	2	100.0%
Bendigo Creek sewer duplication	\$9,852,916	9/12/2011	VIPP final report not completed.						
Epsom Spring Gully recycled water – construction of the winter deep store and High Density PolyEthylene (HDPE) lining	\$1,378,510	28/08/2011	VIPP final report not completed.						
Eppalock to Sandhurst augmentation – augmentation of Lake Eppalock pump station	\$3,283,763	1/09/2011	VIPP final report not completed.						
Gunbower Water Treatment Plant upgrade	\$3,075,061	7/12/2011			0			0	

New projects

Contract details	Value of contract (\$)	Project completion	Full Time Equivalent (FTE) jobs achieved			FTE apprenticeships/ traineeships achieved			Local content achieved (%)
			Existing jobs retained	New jobs created	TOTAL	Existing (retained)	New (created)	TOTAL	
Bendigo Water Reclamation Plant brine evaporation lagoon	\$2,981,506	14/09/2011	VIPP provisions were not followed for this contract. The contract was awarded to a Victorian company and the prices were vastly cheaper with the preferred tender anyway so the VIPP evaluation would not have changed the recommended tenderer.						
Design and construction of Rochester Water Treatment Plant upgrade	\$5,557,800	29/03/2012	18	2	20	1	0	1	88%
Design and construction of standby power generators at four AQUA plants	\$2,394,283	12/09/2011	VIPP provisions were not followed for this contract. The contract was awarded to a Victorian company and the prices were significantly cheaper with the preferred tender. The VIPP evaluation would not have changed the tender decision.						
Construction of Bendigo to Raywood pipeline	\$2,152,976	18/06/2012	5	1	6	0	1	1	100%
Provision of services – engineering services	\$10,000,000	1/2/2012	30	12	42	0	1	1	100%
Design and construction of the Leitchville Water Treatment Plant upgrade	\$3,922,474	16/06/2011	8	4	12	0	0	0	95%

Performance Report

Financial Performance Indicators

Financial Performance Indicator		2010/11 Result	2011/12 Result	2011/12 Target	Variance Target %
F1	Internal Financing Ratio (Net operating cash flow – dividends)/Capital expenditure	6.6%	6.3%	11.0%	(43%)
F2	Gearing Ratio Total debt (including finance leases)/total assets	27.2%	29.9%	30.4%	1%
F3	Interest Cover (EBIT) Earnings before net interest and tax expense/net interest cover	0.11	0.25	0.35	(28%)
F4	Interest Cover (Cash) Cash flow from operations before net interest and tax payments/ net interest payments	1.10	1.10	1.30	(15%)

Reasons for variations greater than 10 per cent

F1

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

Variance Actual Result 2011/12 to Actual Result 2010/11 and Corporate Plan 2011/12: Operating cashflows remained positive this financial year and was in line with last year, but the result was \$3.3 million less than budgeted in the *Corporate Plan* due to less water consumption following the wet summer period. Capital expenditure was \$5.9 million higher than last year but \$11.3 million less than budgeted due to the delays following the wet year.

F2

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

Variance Actual Result 2011/12 to Actual Result 2010/11 and Corporate Plan 2011/12: The slight decrease in the gearing ratio to that outlined in the *Corporate Plan* is a result of total debt for the financial year being less than that outlined in the *Corporate Plan* due to delays in capital expenditure following the wet year. This increase to last year is due to the majority of new assets being debt funded for the financial year.

F3

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

Variance Actual Result 2011/12 to Actual Result 2010/11 and Corporate Plan 2011/12: Compared to last year our earnings before net interest and taxes continued to improve by \$5.3 million as water consumption increased from 142 kilolitres to 165 kilolitres per person. Total earnings before net interest and taxes was slightly down on that attained in the *Corporate Plan* as a result of less water consumption following the wetter than expected year. The overall indicator is trending favourably.

F4

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

Variance Actual Result 2011/12 to Actual Result 2010/11 and Corporate Plan 2011/12: Our Interest Cover (Cash) is in line with that achieved in 2010/2011. The increase in operating cashflows was offset by the same increase in net interest payments for the year. Compared to *Corporate Plan* our Interest Cover (Cash) is slightly down as a result of less water consumption following the wetter than expected year. The overall indicator is trending in the right direction.

Service and Environmental Performance Indicators

Service and Environmental Performance Indicators		2010/11 Result	2011/12 Result	2011/12 Target	Variance Target %
Performance measures are to be provided as per ESC definitions					
S1	Water Supply Interruptions				
S1.1	Number of customers receiving five unplanned interruptions in a year	99	1	5	80%
S2	Interruption Time Indicators				
S2.1	Average duration of unplanned water supply interruptions (minutes)	128	105	90	(17%)
S3	Restoration of Water Supply				
S3.1	Unplanned water supply interruptions restored within five hours	97.6%	99.2%	98.0%	1.2%
S4	Reliability of Sewer Collection Services				
S4.1	Number of sewer spills from reticulation and branch sewers (priority 1 and 2)	369	452	n/a	n/a
S5	Containment of Sewer Spillages				
S5.1	Sewer spills contained within five hours (%)	100.0%	100.0%	99.0%	1%
S6	Customer Complaints Indicators				
S6.1	Water quality complaints per 1,000 customers	5.25	5.32	n/a	n/a
S6.2	Sewer Service quality and reliability complaints per 1,000 customers	0.06	0.02	n/a	n/a
S6.3	Billing complaints per 1,000 customers	0.31	0.23	n/a	n/a
S6.4	Sewerage odours per 1,000 customers	1.38	1.71	n/a	n/a
E1	Reuse Indicators				
E1.1	Effluent reuse (volume)	20.2%	43.0%	73.0%	(41%)
E1.2	Biosolids reuse (dry mass)	100.0%	100.0%	100.0%	0%
E2	Sewerage Treatment Standards				
E2.1	Number of analyses complying with licence agreement as % of samples	100.0%	100.0%	100.0%	n/a

Notes: Where an n/a appears it means no targets have been set to the performance indicators. Business targets use different parameters for example sewer blockages spills per 100kms of pipeline.

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

S1.1

Number of customers receiving five unplanned interruptions was favourable compared to the established target this year after proactively prioritising mains with repeat failures as part of the renewal program.

S2.1

The increase in average duration of unplanned water supply interruptions compared to the established target was due to premature failure of asbestos cement mains which proved difficult to repair in a timely manner. The increased rate of failure of these mains is attributed to ground movement following wet weather events throughout the year.

S4.1

The number of sewer spills from reticulation and branch sewers increased substantially from last year due to incidents following wet weather events. Coliban Water remains committed to delivering the 'Stop the Block' capital works program to reduce these occurrences.

E1.1

The percentage of effluent reuse is less than our 2011/12 target due to increased sewage volumes received exceeding recycling capabilities and wet weather limiting reuse opportunities. The percentage of effluent reuse did increase compared to last years result as the year was not as wet as the prior year which was affected by floods.

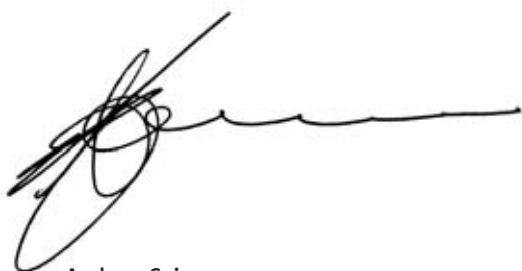
Director's Declaration

In our opinion, the accompanying Performance Report of Coliban Region Water Corporation for the year ended 30 June 2012, is presented fairly in accordance with the *Financial Management Act 1994*.

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

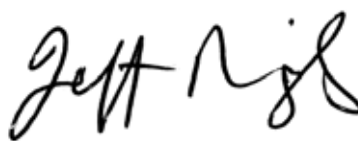
At the date of signing, we are not aware of any circumstances which would render any particulars in the Report to be misleading or inaccurate.

Signed at Bendigo on the 17th day of August, 2012, on behalf of the Board.



Andrew Cairns

Chairman
Coliban Region Water Corporation



Jeff Rigby

Managing Director
Coliban Region Water Corporation

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 2012 of the Coliban Region Water Corporation comprises the performance report, the related notes and the statutory certification.

The Board Members' Responsibility for the Performance Report

The Board Members of the Coliban Region Water Corporation are responsible for the preparation and fair presentation of the performance report in accordance with the *Financial Management Act 1994* and for such internal control as the Board Members determine is necessary to enable the preparation 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. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the performance report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance report. The audit procedures selected depend on 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.

Independence

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

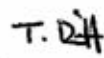
Opinion

In my opinion, the performance report of the Coliban Region Water Corporation in respect of the 30 June 2012 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Performance Report

This auditor's report relates to the performance report of the Coliban Region Water Corporation for the year ended 30 June 2012 included both in the Coliban Region Water Corporation's annual report and on the website. The Board Members of the Coliban Region Water Corporation are responsible for the integrity of the Coliban Region Water Corporation's website. I have not been engaged to report on the integrity of the Coliban Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the performance report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited performance report to confirm the information contained in the website version of the performance report.

MELBOURNE
21 August 2012

For 
D D R Pearson
Auditor-General

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Further information about Operations and Performance

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

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

Financial Performance Summary

Financial summary

Financial result	Plan 2011/12 (\$'000)	Actual 2011/12 (\$'000)	Actual 2010/11 (\$'000)	Actual 2009/10 (\$'000)	Actual 2008/09 (\$'000)	Actual 2007/08 (\$'000)
Revenue						
Service charges	44,854	46,897	42,746	37,741	34,138	30,712
Usage charges	40,812	34,056	25,875	21,377	16,862	10,798
Developer contributions and capital works	4,665	9,847	6,603	3,705	5,648	5,875
Other	1,230	2,519	856	959	989	2,396
Interest	205	54	26	30	135	287
Total Revenue	91,765	93,373	76,106	63,812	57,772	50,068
Expenses						
Operations	36,467	38,854	33,613	35,375	35,037	35,453
Administration	11,467	11,593	11,540	10,771	8,353	8,625
Direct Depreciation	31,987	34,064	26,241	23,073	22,718	20,473
Finance Charges	27,657	27,082	24,469	21,042	18,930	13,147
Environmental Contribution	2,031	2,031	2,031	2,031	2,031	1,740
Total Expenditure	109,608	113,624	97,894	92,292	87,069	79,438
Net Result before Tax	(17,843)	(20,251)	(21,788)	(28,480)	(29,297)	(29,370)
Assets						
Total Current Assets	16,272	23,247	21,537	15,840	14,583	13,932
Total Non-Current Assets	1,306,031	1,295,657	1,285,653	1,026,660	1,011,457	958,402
Total Assets	1,322,303	1,318,904	1,307,190	1,042,500	1,026,040	972,334
Liabilities						
Total Current Liabilities	15,903	20,380	26,460	40,407	74,710	51,024
Total Non-Current Liabilities	472,454	442,577	408,375	293,716	222,270	177,300
Total Liabilities	488,357	462,957	434,835	334,123	296,980	228,324
Total Net Assets	833,947	855,947	872,355	708,377	729,060	744,010
Net Cash Flows from operations	6,027	2,721	2,466	(3,728)	(7,307)	(5,092)
Payments for Property, Plant and Equipment	(54,744)	(43,441)	(37,555)	(32,999)	(73,789)	(92,759)

Performance Indicator	Plan 2011/12 (\$'000)	Actual 2011/12 (\$'000)	Actual 2010/11 (\$'000)	Actual 2009/10 (\$'000)	Actual 2008/09 (\$'000)	Actual 2007/08 (\$'000)
Internal Financing Ratio	11.0%	6.3%	6.6%	(11.3%)	(9.9%)	(5.5%)
Gearing Ratio	30.4%	29.9%	27.2%	30.5%	27.1%	20.2%
Interest Cover (EBIT)	0.4	0.3	0.1	(0.4)	(0.6)	(1.2)
Interest Cover (Cash)	1.3	1.1	1.1	0.7	0.3	(0.3)
Return on Assets	0.7%	0.5%	0.2%	(0.7%)	(1.0%)	(1.6%)
Return on Equity	(2.1%)	(2.3%)	(2.8%)	(4.0%)	(4.0%)	(3.8%)

Financial Performance Summary

Major changes or factors affecting performance

The year has once again been affected by lower water usage following above average rainfall. Even though our performance to *Corporate Plan* has been impacted by a decrease in water usage revenue, there has been an increase in developer contribution and gifted assets and new customer contributions which has more than offset this decrease.

The opportunities that existed to decrease expenditure from reduced pumping were eroded by additional expense to cope with wet weather incidents. Furthermore, additional expenditure has been incurred from an unfunded superannuation liability of \$1.3 million from Vision Super, and from the recent asset revaluations that increased depreciation expense to \$2.1 million above originally budgeted.

Our financial performance continued to improve this year as Management implemented the final actions in the Board's financial viability strategy. Our outlook is very positive and improved financial performance is planned to continue into the next *Water Plan 2013-2018*. Water usage demand will continue to be a major business risk going forward.

The wetter than expected summer resulted in revenue being significantly below budget as water usage demand was planned to be 205 kilolitres per household, with the actual usage demand being around 165 kilolitres per household. This highlights the changing financial risk structure in the organisation as we move away from water security risk to water usage demand risk with households not consuming as much water due to recent rains and behavioural change.

Increases in service and usage charges in line with the Essential Services Commission (ESC) price determination were still the primary reason for revenue growth from previous years. Water usage increased \$8.2 million or 31.6 per cent as water consumption per household increased from 140 kilolitres a household in 2010/11 to approximately 165 kilolitres per household in 2011/12. Permanent Water Savings Rules remained for the entire year in the region except in Raywood and Sebastian which will remain on Stage 3 until the pipeline to Bendigo is completed.

Developer contributions and gifted assets, and new customer contributions continued to increase from previous years (\$3.2 million or 49.1 per cent increase) due to the large amount of development occurring in the growth regions of Bendigo and Echuca. It is anticipated that this development will continue for the next few years.

Total expenditure has increased \$4.0 million or 3.7 per cent compared to *Corporate Plan* due to additional expenditure not budgeted. The recent announcement by Vision Super for an unfunded superannuation liability of \$1.3 million has been the main reason for the increase in employee benefits from last year.

Depreciation expense following the recent revaluations was \$2.1 million more than budgeted while financing charges decreased by \$0.5 million as a result of market interest rates falling over the financial year.

The continued rain throughout the year caused above average water and sewer incidents. Our support costs also decreased \$0.5 million or 2.5 per cent as staff found internal savings for projects.

FIVE YEAR COMPARISON OF FINANCIAL RESULTS AND PROJECTION FOR 2011/12

	Plan 2011/12 (\$'000)	% Change Act – Plan	Actual 2011/12 (\$'000)	% Change 2011/12 – 2010/11	Actual 2010/11 (\$'000)	Actual 2009/10 (\$'000)	Actual 2008/09 (\$'000)	Actual 2007/08 (\$'000)
Total Revenue (before developer income)	87,101	(4.1%)	83,526	20.2%	69,503	60,107	52,124	44,193
Total Expenditure	109,608	3.7%	113,624	16.1%	97,894	92,292	87,069	79,438
Net Profit before developer income	(22,508)	33.7%	(30,098)	6.0%	(28,391)	(32,185)	(34,945)	(35,245)
Developer contributions & capital works	4,665	111.1%	9,847	49.1%	6,603	3,705	5,648	5,875
Net Profit before Tax	(17,843)	(13.5%)	(20,251)	7.1%	(21,788)	(28,480)	(29,297)	(29,370)
Income tax expense	0	0.0%	0	0.0%	0	0	0	0
Net Profit after Tax	(17,843)	(13.5%)	(20,251)	7.1%	(21,788)	(28,480)	(29,297)	(29,370)

Financial Performance Summary

Significant changes in financial position

Total cash assets continued to improve as operating cash flows remained positive for the second year in a row. However, lower than budgeted water usage revenue reduced cash flows from operating activities by \$3.3 million to *Corporate Plan*.

We are continuing with our major capital works program with \$232 million either spent or committed in capital projects over our current five year *Water Plan 2008-2013*. New borrowings from Treasury Corporation Victoria totaling \$39 million was required to finance assets during 2011/12, with further borrowings proposed next year for the final year of the current water plan period.

There has been an increase in total assets due to the capital works program which has seen our total assets increase as a result.

Our internal financing ratio has remained positive again this year after many years of being negative. Our Interest Cover (EBIT) and Interest Cover (Cash) also improved slightly with the improvement in cash flow on last year. All these indicators remain low due to minimal cash flows from operating activities received, which will be addressed with new financial strategies proposed in the next *Water Plan 2013-2018*.

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

Shareholder dividend

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

No shareholder dividend was paid for 2011/12.

The Water Plan

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

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

We are currently in the process of consulting on our new *Water Plan 2013-2018*. We will submit a new *Water Plan 2013-2018* to the ESC in September 2012 for revised tariffs to commence 1 July 2013.

Post balance date events

There are no post balance date events that materially affect our 2011/12 financial statements.

Outlook 2012/13

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:

- › The Department of Treasury and Finance (DTF) has also provided support that any maturing loans will be refinanced and that we will rely on borrowings to fund the projected \$232 million capital works program.
- › The Treasurer has provided approval for new financial accommodation to fund the approved 2012/13 *Corporate Plan*.
- › The implementation of a financial sustainability strategy has been outlined in the draft *Water Plan 2013-2018*. The strategy includes increased tariff levels and reduced levels of capital expenditure (compared with that in *Water Plan 2008-2013*, the impacts of which is a projected increase in the level of positive cash flows from operating activities resulting in a reduced percentage of new capital works being funded from debt financing.

Total revenue for 2012/13 is projected to be \$97.0 million, total expenses \$119.3 million – including \$24.3 million to service debt, with a total deficit before tax of \$22.3 million.

The projected increase in total revenue in 2012/13 is due to the increase in water usage from 165 kilolitres per household in 2011/12 to 170 kilolitres per household and increases in the sewerage tariff. It is anticipated that this increase in water usage will continue gradually over time.

The average household's total water and sewer bill in Bendigo (based on 170 kilolitres per annum) will increase on average 3.8 per cent or \$37 during 2012/13. This increase in total water and sewer charges along with increases in rural and recycled water usage is the main factor contributing to the \$3.7 million or 3.3 per cent increase in total revenue next year. Developer contributions and gifted assets and new customer contributions will also continue to increase over the year.

The increase in total expenditure in 2012/13 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 in the final year of *Water Plan 2008-2013*.

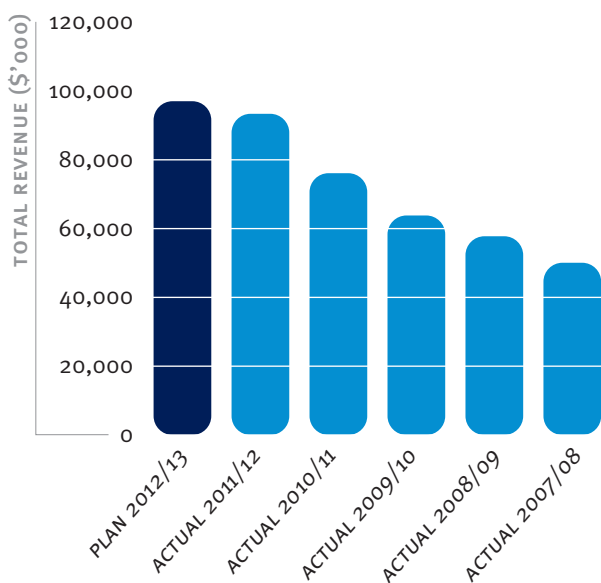
Total operation and administration expenses will increase \$2.5 million (5.1 per cent) as we review our preferred business operating model and finalise our *Water Plan 2013-2018*.

Financial Performance Summary

Revenue

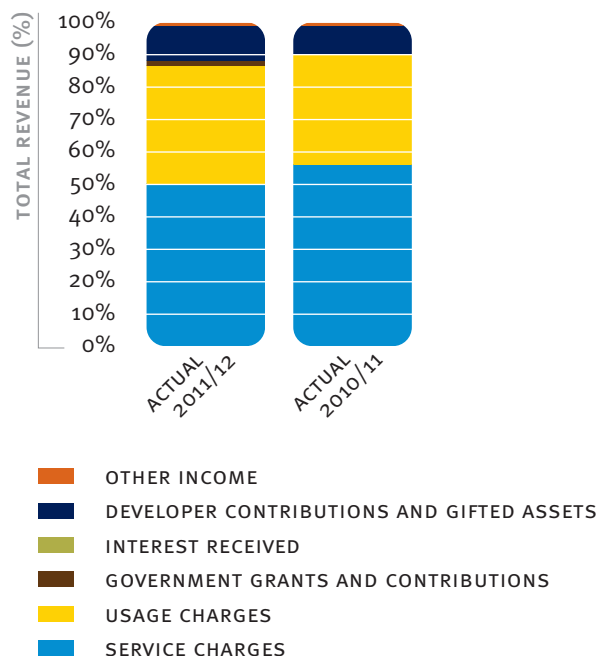
Total revenue increased \$17.3 million or 22.7 per cent in 2011/12 and is budgeted to increase in 2012/13 due to a slight increase in water usage as a result of the region removing water restrictions.

Overall service charges increased \$4.2 million or 9.7 per cent in 2011/12 while usage charges increased \$8.2 million or 31.6 per cent. The service charges increase is in line with the ESC approved prices while the usage increase was a result of water consumption increasing from 140 kilolitres per household in 2010/11 to 165 kilolitres per household in 2011/12. Last year's consumption was down due to the flood events experienced during the year. The current year had Permanent Water Savings Rules in the majority of the region for the entire year, but water usage was impacted by a wetter than expected summer.



About 85 per cent of revenue is derived from service charges and usage demand charges, with the remainder being capital works and developer contributions. The slight decrease in percentage from last year is attributed to the total increase in developer contributions and new customer contributions in the region.

Developer contributions and gifted assets and new customer contributions increased \$3.2 million or 49.1 per cent as a result of the continuing development in the Bendigo and Echuca regions. It is anticipated that this level of investment will continue into the future.



Expenditure

Total expenses increased \$15.7 million or 16.1 per cent in 2011/12 and is budgeted to increase in 2012/13 by \$5.7 million or 5.0 per cent.

Operational and administration expenses increased \$2.5 million compared to *Corporate Plan* due to an unfunded superannuation liability to Vision Super of \$1.3 million. The continued rain throughout the year caused above average water and sewer incidents and additional costs were incurred in finalising the *Water Plan 2013-2018*.

Operational and administration expenses are budgeted to increase next year as water consumption costs will increase in line with water usage. We will finalise the business model review that will determine our preferred service delivery model for the future as well as *Water Plan 2013-2018* which

will determine our future prices. Administration costs are budgeted to increase slightly due to a combination of wage rises and investments in knowledge, data and information systems.

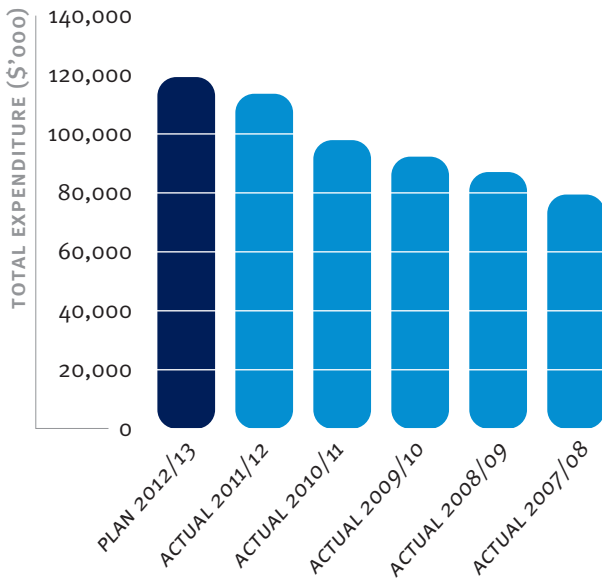
Debt levels continued to grow from \$261.3 million in 2010/11 to \$303.1 million during the year to fund the capital works program with total debt servicing costs also increasing by \$2.8 million or 16.3 per cent. We will rely on borrowings from Treasury Corporation Victoria to fund the capital works program.

Depreciation expense following the recent revaluations was \$7.8 million or 29.8 per cent more than last year and financing charges decreased \$0.2 million as a result of market interest rates falling over the financial year.

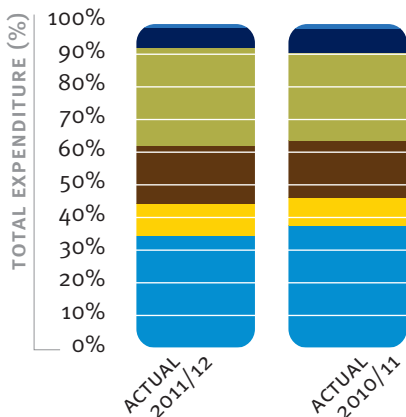
Financial Performance Summary

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

It is budgeted that total operational expenditure for the five years of *Water Plan 2008-2013* will be within the ESC approved revenue requirement.



Operation, administration and employee costs account for almost half of our total expenditure. The remainder is borrowing costs, depreciation, Build Own Operate Transfer (BOOT) schemes and the environment contribution levy to the Victorian Government.



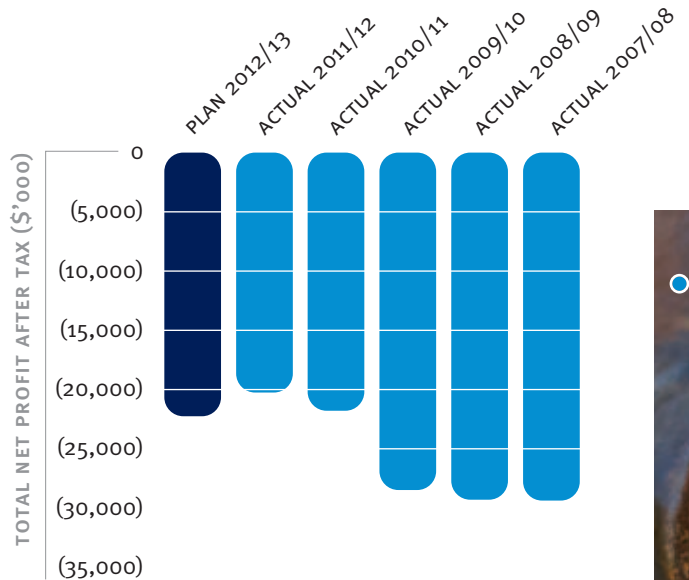
- ENVIRONMENTAL CONTRIBUTION
- FINANCE CHARGES (BOOT SCHEMES)
- DEPRECIATION
- BORROWING COSTS
- EMPLOYEE BENEFITS
- OPERATING AND ADMINISTRATION EXPENSES

Net result before tax

The net result before tax in 2011/12 was a net loss of \$20.3 million which is a slight improvement on the previous year with total revenue increasing \$17.3 million and total expenditure only increasing \$15.7 million.

The Board's financial viability strategy developed in 2008/09 is starting to demonstrate the benefits over the last two financial years.

The net result before tax is budgeted to decrease slightly in 2012/13 due to water usage remaining at 170 kilolitres per household and additional costs associated with the continued investment in capital projects and with the completion of our review of our preferred business model for the future and the completion of *Water Plan 2013-2018*.



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 2012, we made a net loss before tax of \$20.3 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 12 months. Non-current assets or liabilities are longer-term.

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

Statement of Changes in Equity

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

The total overall change in equity during a financial year comprises the net result for the year after tax of 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 2012, we had a net cash flow from operating activities of \$2.7 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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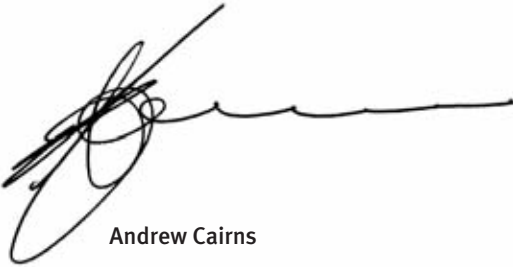
Statutory Certification

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 authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions.

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 2012 and the financial position of Coliban Region Water Corporation at 30 June 2012.

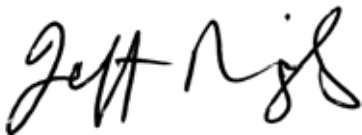
We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Bendigo on the 17th day of August, 2012 on behalf of the Board.



Andrew Cairns

Chairman
Coliban Region Water Corporation



Jeff Rigby

Managing Director
Coliban Region Water Corporation



Peter Leersen

Chief Financial Officer
Coliban Region Water Corporation

Operating Statement

For the reporting period ended 30 June 2012

	Notes	2012 (\$'000)	2011 (\$'000)
Revenue from operating activities			
Service charges	2(a)	46,897	42,746
Usage charges	2(a)	34,056	25,875
Government grants and contributions		1,375	–
Interest received		54	26
Developer contributions and gifted assets	2(a)	9,847	6,603
Other income		1,144	856
Total revenue		93,373	76,106
Expenses from operating activities			
Operating and administration expenses	2(b)	39,027	36,692
Employee benefits	2(b)	11,420	8,461
Borrowing costs		19,913	17,125
Depreciation and amortisation	2(b)	34,064	26,241
Finance charges		7,169	7,344
Environmental contributions	1(vi)	2,031	2,031
Total expenses		113,624	97,894
Net result before tax and other economic flows		(20,251)	(21,788)
Income tax (expense)/revenue	13(b)	6,162	6,598
Net result before other economic flows		(14,089)	(15,190)
Other economic flows			
Net gain/(loss) on disposal of assets			
Proceeds on disposal of assets		123	58
Written down value of assets sold		(115)	(1,274)
		8	(1,216)
Impairment of intangible assets	9	–	(1,243)
Fair value increase/(decrease) in other financial assets		–	(16)
Income tax (expense)/income relating to components of other comprehensive income	13(c)	(2)	742
Other economic flows for the year, net of tax		6	(1,732)
Net result for the year		(14,083)	(16,922)

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 2012	Notes	2012 (\$'000)	2011 (\$'000)
Net result for the year		(14,083)	(16,922)
Other comprehensive income			
Net gain/(loss) on revaluation of property, plant and equipment	8	–	258,585
Income tax (expense)/income relating to components of other comprehensive income	13(c)	–	(77,575)
Other comprehensive income for the year		–	181,010
Total comprehensive income for the year		(14,083)	164,088

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

Balance Sheet

As at 30 June 2012	Notes	2012 (\$'000)	2011 (\$'000)
ASSETS			
Current assets			
Cash and cash equivalents	3	1,192	5,112
Receivables	4	20,049	16,234
Inventories	6	725	-
Prepayments		493	191
Assets held for sale	7	788	-
Total current assets		23,247	21,537
Non-current assets			
Receivables	4	1,562	1,552
Other financial assets	5	40	40
Property, plant and equipment	8	1,233,941	1,223,944
Intangible assets	9	60,114	60,117
Total non-current assets		1,295,657	1,285,653
TOTAL ASSETS		1,318,904	1,307,190
LIABILITIES			
Current liabilities			
Payables	10	12,644	19,581
Borrowings	11	5,115	5,139
Employee benefits	12	2,621	1,740
Total current liabilities		20,380	26,460
Non-current liabilities			
Payables	10	1,258	-
Borrowings	11	389,786	350,761
Deferred tax liabilities	14	51,238	57,398
Employee benefits	12	295	216
Total non-current liabilities		442,577	408,375
TOTAL LIABILITIES		462,957	434,835
NET ASSETS		855,947	872,355
EQUITY			
Contributed capital	15	307,429	309,754
Reserves	16	194,608	194,608
Accumulated funds		353,910	367,993
TOTAL EQUITY		855,947	872,355

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 2012	Notes	Contributed capital (\$'000)	Reserves (\$'000)	Accumulated funds (\$'000)	Total (\$'000)
Balance at 1 July 2010		309,864	13,598	384,915	708,377
Total comprehensive income for the year as reported in the 2011 financial report		–	181,010	(16,922)	164,088
Transactions with the State in its capacity as owner: Contributed capital transfer	15	(110)	–	–	(110)
Balance at 30 June 2011		309,754	194,608	367,993	872,355
Total comprehensive income for the year		–	–	(14,083)	(14,083)
Transactions with the State in its capacity as owner: Contributed capital transfer	15	(2,325)	–	–	(2,325)
Balance at 30 June 2012		307,429	194,608	353,910	855,947

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 2012	Notes	2012 (\$'000)	2011 (\$'000)
Cash Flows from Operating Activities			
Receipts			
Service and usage charges		77,290	65,511
Other customer revenue		3,280	4,919
Receipts from Government		1,375	–
GST received from the ATO		8,538	8,054
Interest received		54	26
		90,537	78,510
Payments			
Payments to suppliers and employees		(59,158)	(50,146)
Interest and other costs of finance paid		(26,627)	(23,867)
Environmental contributions		(2,031)	(2,031)
		(87,816)	(76,044)
Net cash inflow from operating activities	17	2,721	2,466
Cash Flows from Investing Activities			
Payments for infrastructure, property, plant and equipment		(43,441)	(37,555)
Payments for intangible assets		–	–
Proceeds from sale of investments		–	–
Proceeds from sale of infrastructure, property, plant and equipment		123	58
Net cash (outflow) from investing activities		(43,318)	(37,497)
Cash Flows from Financing Activities			
Proceeds from borrowings		41,757	41,062
Repayment of borrowings		–	–
Contributions to government		(2,325)	(110)
Repayment of finance lease liabilities		(2,755)	(2,607)
Net cash inflow from financing activities		36,677	38,345
Net increase / (decrease) in cash and cash equivalents		(3,920)	3,314
Cash and cash equivalents at the beginning of the financial year		5,112	1,798
Cash and cash equivalents at the end of the financial year	3	1,192	5,112

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 2012

Note 1: Significant Accounting Policies

(i) Basis of Accounting

General

This financial report of Coliban Region Water Corporation (Coliban Water) is a general purpose financial report that consists of 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 (AAS), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions.

Coliban Water is classified for the purpose of financial reporting as not-for-profit. This financial report has been prepared on an accrual and going concern basis.

The annual financial statements were authorised for issue by the Board of Coliban Water on 17th August 2012.

Functional and presentation currency

Items included in this financial report are measured using the currency of the primary economic environment in which Coliban Water operates ("the functional currency"). The financial statements are presented in Australian dollars, which is Coliban Water's functional and presentation currency.

Classification between current and non-current

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

Accounting estimates

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

Early adoption of pronouncements

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

(ii) Changes in Accounting Policy

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

(iii) Comparative Amounts

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

(iv) Going Concern

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

- › The Department of Treasury and Finance (DTF) has also provided support that any maturing loans will be refinanced and that Coliban Water will rely on borrowings to fund the projected 2008-2013 capital works program.
- › The implementation of a financial sustainability strategy has been outlined in the draft *Water Plan 2013-2018*. The strategy includes increased tariff levels and reduced levels of capital expenditure (compared with that in 2008-2013 water price review and determination), the impacts of which is a projected increase in the level of positive cash flows from operating activities resulting in a reduced percentage of new capital works being funded from debt financing.

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

(v) Revenue from Operating Activities

Service and usage charges

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

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

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

Government grants and contributions

Government grants and contributions are recognised as operating revenue on receipt or when the entity obtains control of the contribution and meets certain other criteria as outlined by AASB 1004, 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

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

Developer contributions and gifted assets

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

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

Other income

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

(vi) Expenses

Operating and administration expenses

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

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

Employee Benefits

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

Superannuation

The amount recognised in the operating statement is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

Borrowing Costs

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

Depreciation and Amortisation of Non-Current Assets

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

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

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

Asset	Period
Buildings	20 to 50 years
Plant and Equipment	2 to 20 years
Infrastructure	2 to 300 years

Finance charges

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

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 was extended to cover the period 1 July 2008 until 30 June 2012. A third contribution period has been set for a period of four years from 1 July 2012 to 30 June 2016.

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

The environmental contributions for 2011/12 were \$2.031 million (2010/11 – \$2.031 million) and are disclosed separately within expenses. Future contributions required by Coliban Water are \$2.031 million for 2012/13 and \$3.272 million for each of the subsequent three financial years (see Note 22 (c)).

(vii) 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 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 operating statement, a reversal of that impairment loss is also recognised in the operating statements.

(viii) Cash and Cash Equivalents

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

(ix) 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.

(x) Inventories

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

(xi) Prepayments

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

(xii) Property, Plant and Equipment**Recognition and measurement of assets**

Property, plant and equipment represent non-current physical 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.

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.

Measurement 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 are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of Financial Reporting Direction (FRD) 103D – Non Current Physical Assets.

Revaluations are conducted in accordance with FRD 103D. A scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to carrying value. If the difference to carrying value is greater than 10 per cent, a management revaluation is undertaken while a movement greater than 40 per cent will normally involve an Approved Valuer (usually the Valuer General of Victoria) to perform detailed assessment of the fair value. If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

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

In accordance with FRD 103D Water infrastructure assets, at both the entity reporting level and whole of

government reporting level, are measured at fair value less accumulated depreciation and impairment. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and drainage systems.

The initial fair value assessment for water infrastructure in the prior period was undertaken with involvement from Valuer General of Victoria (VGV) and under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructures. Further details of the valuation exercise is provided in Note 8.

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.

Assets Held for Sale

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

Coliban Water has entered into a Contract of Sale for 5.3 hectares of land in Echuca West. Settlement is expected to occur within six months after the reporting period and is therefore classified as held for sale.

(xiii) Intangibles

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

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

Permanent water entitlements relate to the bulk water purchased to supply regional towns their water. These intangible assets have indefinite useful lives and are therefore not amortised.

Temporary water entitlements are obtained through the purchase of rights to water allocations for specified periods. These arise from unused water allocations for a particular year owned by other parties (e.g. farmers) which they consider excess to their needs, and as a

result are willing to sell. These intangible assets have a finite life and are therefore amortised. As a finite life intangible asset, the temporary water purchases are amortised on a systematic basis over its useful life. This is based on the expected usage of the right i.e. when the water to which the right relates is received. This occurs when the water is transferred from Lake Eildon into Coliban Water's water storage facilities (either Lake Eppalock or Sandhurst Reservoir).

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

(xiv) BOOT Schemes

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

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in payables. Each stream of lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to the 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.

(xv) 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.

(xvi) Payables

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

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

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

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

(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.

Borrowings are classified as current liabilities unless Coliban Water has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(xviii) 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 (LSL)

Current Liability – unconditional LSL (representing 7 or more years of continuous service) is disclosed as a current liability even where Coliban Water does not expect to 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 7 years of continuous service) is disclosed as a non-current liability. There is an unconditional right to

defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional LSL is required to be measured at present value.

In calculating present value, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date 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 to 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 19.

Employee Benefit On-Costs

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

Performance payments

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

(ixx) Contributed Capital

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

(xx) Financial Instruments**Recognition**

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

Financial assets at fair value through profit or loss

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

Other Financial assets at fair value through profit or loss

Other Financial Assets are valued at their market value at 30 June 2012 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. Loans and receivables are recorded at amortised cost less impairment.

Available-for-sale financial assets

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

Fair value

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

Impairment of financial assets

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

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

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

(xxi) 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 liabilities exceed the level of deferred tax assets and therefore it is required to bring to account tax expense, tax assets and tax liabilities in the 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.

(xxii) Commitments

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

(xxiii) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 25) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

(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 2011/12 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 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, payables and commitments are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet. Cash flows arising from operating activities are disclosed in the Cash Flow Statement on a gross basis – i.e. inclusive of GST. The GST component of cashflows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.

(xxvi) New Accounting Standards and Interpretations

As at 30 June 2012, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2012. Coliban Water has not and does not intend to adopt these standards early.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The derecognition rules have been transferred from AASB 139 Financial Instruments Recognition and Measurement and have not been changed. Coliban Water has not yet decided when to adopt AASB 9.	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.
AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.	AASB 10 introduces a single definition of control that applies to all entities and focuses on the need to have both power and rights or exposure to variable returns. AASB 11 introduces a new approach for which the focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. These standards provide more reliable and relevant information for users to assess the make up of Coliban Water and the amounts, timing and uncertainty of future cash flows.	1 January 2013	Coliban Water is yet to assess its full impact. Coliban Water will apply amended standard from 1 January 2013.
AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.	1 July 2013	The impact of this standard will depend on instructions provided by DTF on its applicability to Coliban Water. Coliban Water will assess its impact once DTF has provided guidance on this standard.
AASB 13 Fair Value Measurement, AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 and AASB 2012-1 Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements	The standard explains how to measure fair value and aims to enhance fair value disclosures.	1 January 2013 / 1 July 2013	Coliban Water is yet to assess its full impact. Coliban Water will apply amended standard from 1 January 2013.
AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements.	These standards require the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.	1 January 2013 / 1 July 2013	Coliban Water is yet to assess its full impact. Coliban Water will apply amended standard from 1 January 2013.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale.	1 January 2012	Coliban Water will apply the amendment from 1 July 2012. Coliban Water currently evaluating the impact of the amendment.
AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	AASB 1 First-time Adoption of Australian Accounting Standards was amended in December 2010 by eliminating references to fixed dates for one exemption and one exception dealing with financial assets and liabilities.	1 January 2013	This amendment will not affect the financial statements of Coliban Water.
AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments	The amendments clarify the definition of the ABS GFS Manual, facilitate the orderly adoption of changed to the Manual and improve related disclosures. Applicable only to not-for-profit entities and/or public sector entities.	1 July 2012	Coliban Water will apply the amended standard from 1 July 2012. When the amendments are applied, Coliban Water will need to disclose (in the note containing the summary of accounting policies) a statement of compliance to this standard, a reference to the version of the ABS GFS Manual used or that the last version has not been used and the impact of this.
AASB 2011-4 Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements	Removes the individual key management personnel disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the <i>Corporation Act 2001</i> . The amendments cannot be adopted early.	1 July 2013	Coliban Water is yet to assess its full impact.
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	Requirement for entities to group items presented in other comprehensive income on the basis of whether they may be recycled to profit or loss in the future.	1 July 2012	Coliban Water will apply this amendment from 1 July 2012. This will only have an impact on disclosure and presentation.
AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]	The interpretation provides guidance on the accounting for waste removal (stripping) costs in the production phase of a mine. Such stripping costs can only be recognised as an asset if they generate a benefit of improved access to an identifiable component of the ore body, it is probable that the benefits will flow and the costs can be measured reliably.	1 January 2013	This amendment does not affect the financial statements of Coliban Water.
AASB 2011-13 Amendments to Australian Accounting Standards – Improvements to AASB 1049	The amendments clarify some of the requirements in AASB 1049 Whole of Government and General Government Sector Financial Reporting and will improve the harmonisation of the financial reporting requirements of the Commonwealth, State and Territory Governments. Applicable only to not-for-profit entities and/or public sector entities.	1 July 2012	This amendment is expected to have a limited impact.

(xxvii) Jointly Controlled Assets

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

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

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

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

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

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

As at 30 June 2012 there were no outstanding liabilities incurred to Coliban Water and the unincorporated joint venture.

Note 2: Operating Statement Disclosures

For the reporting period ended 30 June 2012	2012 (\$'000)	2011 (\$'000)
(a) Income from operating activities		
Service Charges:		
Water service charges	7,133	7,204
Rural water service charges	3,004	2,520
Sewerage service charges	32,744	29,802
Trade waste charges	3,994	3,200
Recycled water service charges	22	20
	46,897	42,746
Usage Charges:		
Water usage charges	31,806	23,896
Rural water usage charges	421	554
Sewerage usage charges	1,039	893
Trade waste usage charges	415	368
Recycled water usage charges	375	164
	34,056	25,875
Developer contributions and gifted assets:		
Developer contributions and gifted assets	7,364	3,994
New customer contributions	2,483	2,609
	9,847	6,603
(b) Expenses from operating activities		
Operating and Administration expenses:		
Partnership contract expenses	23,423	21,763
Water purchases	1,758	2,509
Other services	3,077	2,332
Electricity	1,144	1,136
BOOT toll service payments	6,040	4,332
Other operating and administration expenses	3,585	4,620
	39,027	36,692
Employee expenses:		
Salaries and wages	8,302	6,914
Annual leave	731	479
Long service leave	171	50
Unfunded superannuation liability (Refer to Note 19)	1,258	–
Superannuation (Refer to Note 19)	958	1,018
	11,420	8,461
Depreciation:		
Buildings	252	261
Plant and equipment	996	1,158
Infrastructure	28,371	20,312
BOOT schemes	4,442	4,441
	34,061	26,172
Amortisation:		
Temporary water intangibles	3	69
	3	69

Note 3: Cash and Cash Equivalents

For the reporting period ended 30 June 2012	2012 (\$'000)	2011 (\$'000)
Cash at bank	1,192	5,112
Total cash and cash equivalents	1,192	5,112

Note 4: Receivables

For the reporting period ended 30 June 2012	2012 (\$'000)	2011 (\$'000)
Current Receivables		
Rates and charges receivables	6,054	6,324
Sundry debtors receivables	1,390	855
GST receivables	815	1,198
Accrued revenue	11,901	7,918
Provision for doubtful debts	(111)	(61)
Total current receivables	20,049	16,234
Non-Current Receivables		
Debtors receivables	1,562	1,552
Total non-current receivables	1,562	1,552
Total receivables	21,611	17,786
(a) Ageing analysis of receivables		
The ageing analysis of rates and charges receivables, sundry debtors receivables, income receivables and debtors receivables at 30 June 2012 is as follows:		
Current	5,116	4,951
1 to 3 months	1,108	1,180
3 to 12 months	1,221	1,048
More than 12 months	1,562	1,552
	9,007	8,731
As at 30 June 2012, receivables of \$3,779,601 (2010/11: \$3,718,870) were past due (older than 1 month) but not impaired. These relate to a number of independent customers for whom there is no recent history of default.		
The ageing of these receivables is as follows:		
Current	–	–
1 to 3 months	1,108	1,180
3 to 12 months	1,110	987
More than 12 months	1,562	1,552
Total receivables past due but not impaired	3,780	3,719

Note 4: Receivables (continued)

For the reporting period ended 30 June 2012	2012 (\$'000)	2011 (\$'000)
(b) Provision for doubtful receivables		
As at 30 June 2012, receivables of Coliban Water with a nominal value of \$111,012 (2010/11: \$61,449) were impaired and a provision for doubtful receivables has been raised for this amount. The individually impaired receivables mainly relate to wholesalers, which are in difficult economic situations.		
The ageing of these receivables is as follows:		
Current	–	–
1 to 3 months	–	–
3 to 12 months	111	61
More than 12 months	–	–
Total receivables	111	61
Movement in the doubtful debts provision is as follows:		
Opening provision balance at 1 July	61	87
Provision recognised during the year	111	61
Unused provision amount reversed	(61)	(16)
Receivables written off during the year as uncollectable	–	(71)
Closing provision balance at 30 June	111	61
The creation and release of the provision for doubtful receivables has been included in Operating and Administration 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 20 for the nature and extent of risks arising from receivables.		

Note 5: Other Financial Assets

For the reporting period ended 30 June 2012	2012 (\$'000)	2011 (\$'000)
Shares in Bendigo Community Telco Limited	40	40
Total Other Financial Assets	40	40

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

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

Bendigo Community Telco Limited Shares were listed on the Bendigo Stock Exchange during 2005/06 and their 2011/12 value is reported as the share value at 30 June 2012.

a) Ageing analysis of other financial assets

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

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

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

Note 6: Inventories

For the reporting period ended 30 June 2012	2012 (\$'000)	2011 (\$'000)
Inventories held for distribution	725	-
Total Current Inventories	725	-

Note 7: Assets Held for Sale

For the reporting period ended 30 June 2012	2012 (\$'000)	2011 (\$'000)
Freehold land in the process of sale	788	-
Total Current Assets held for sale	788	-

Note 8: Property, Plant and Equipment

For the reporting period ended 30 June 2012	2012 (\$'000)	2011 (\$'000)
(a) Classes of property, plant and equipment		
Land		
At fair value	40,493	41,281
	40,493	41,281
Buildings		
At fair value	1,681	2,797
Less: accumulated depreciation	(83)	–
	1,598	2,797
Buildings – Leasehold Improvements		
At cost	3,477	3,368
Less: accumulated depreciation	(1,756)	(1,578)
	1,721	1,790
Plant and Equipment		
At cost	10,352	9,807
Less: accumulated depreciation	(5,096)	(4,195)
	5,256	5,612
Water Infrastructure		
At fair value	373,361	372,285
At cost	11,507	–
Less: accumulated depreciation	(13,160)	–
	371,708	372,285
Water Distribution Assets		
At fair value	43,496	43,885
At cost	6	–
Less: accumulated depreciation	(1,297)	–
	42,205	43,885
Wastewater Infrastructure		
At fair value	356,494	354,661
At cost	15,941	–
Less: accumulated depreciation	(10,344)	–
	362,091	354,661
Recycling Infrastructure		
At fair value	50,395	51,529
At cost	680	–
Less: accumulated depreciation	(1,432)	–
	49,643	51,529
Rural Infrastructure		
At fair value	29,312	29,794
At cost	2,106	–
Less: accumulated depreciation	(1,052)	–
	30,366	29,794
Headworks Infrastructure		
At fair value	171,129	170,941
At cost	80	–
Less: accumulated depreciation	(1,084)	–
	170,125	170,941
Total Infrastructure Assets	1,026,138	1,023,095
BOOT Schemes Infrastructure		
At cost	111,035	111,035
Less: accumulated depreciation	(40,325)	(35,883)
	70,710	75,152
Works in Progress		
At cost	88,025	74,217
	88,025	74,217
Total Property, Plant and Equipment	1,233,941	1,223,944

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

At 30 June 2012 the Corporation assessed Land and Building index movements and determined that there was no material movement that required a managerial revaluation.

At 30 June 2012 the Corporation assessed Infrastructure Asset movements using the Producer Price Index appropriate to Infrastructure Assets which is Index Number 3101 – Road & Bridge Construction Victoria. It was again determined that there was no material movement that required a managerial revaluation.

(b) Movements during the reporting period

2011/2012	Opening WDV (\$'000)	Transfers (\$'000)	Revaluations (\$'000)	Additions (\$'000)	WIP Capitalised (\$'000)	Disposals/Write-offs (\$'000)	Depreciation (\$'000)	Closing WDV (\$'000)
Land								
At fair value	41,281	(788)	-	-	-	-	-	40,493
	41,281	(788)	-	-	-	-	-	40,493
Buildings								
At fair value	2,797	(1,115)	-	-	-	(1)	(83)	1,598
At cost	1,790	100	-	-	-	-	(169)	1,721
	4,587	(1,015)	-	-	-	-	(252)	3,319
Plant and Equipment								
At cost	5,612	(100)	-	-	833	(93)	(996)	5,256
	5,612	(100)	-	-	833	(93)	(996)	5,256
Infrastructure								
At fair value	1,023,095	1,115	-	-	-	(21)	(27,740)	996,449
At cost	-	-	-	-	30,320	-	(631)	29,689
	1,023,095	1,115	-	-	30,320	(21)	(28,371)	1,026,138
BOOT Schemes								
At cost	75,152	-	-	-	-	-	(4,442)	70,710
	75,152	-	-	-	-	-	(4,442)	70,710
Works in Progress								
At cost	74,217	-	-	44,961	(31,153)	-	-	88,025
	74,217	-	-	44,961	(31,153)	-	-	88,025
TOTALS	1,223,944	(788)	-	44,961	-	(115)	(34,061)	1,233,941

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

2010/2011	Opening WDV (\$'000)	Transfers (\$'000)	Revaluations (\$'000)	Additions (\$'000)	WIP Capitalised (\$'000)	Disposals/Write-offs (\$'000)	Depreciation (\$'000)	Closing WDV (\$'000)
Land								
At fair value	17,593	-	22,684	-	1,004	-	-	41,281
	17,593	-	22,684	-	1,004	-	-	41,281
Buildings								
At fair value	974	915	674	-	275	-	(41)	2,797
At cost	2,045	(35)	-	-	-	-	(220)	1,790
	3,019	880	674	-	275	-	(261)	4,587
Plant and Equipment								
At cost	1,967	-	-	-	4,870	(67)	(1,158)	5,612
	1,967	-	-	-	4,870	(67)	(1,158)	5,612
Infrastructure								
At cost	775,248	(880)	235,227	-	35,018	(1,207)	(20,311)	1,023,095
	775,248	(880)	235,227	-	35,018	(1,207)	(20,311)	1,023,095
BOOT Schemes								
At cost	79,593	-	-	-	-	-	(4,441)	75,152
	79,593	-	-	-	-	-	(4,441)	75,152
Works in Progress								
At cost	72,895	-	-	42,489	(41,167)	-	-	74,217
	72,895	-	-	42,489	(41,167)	-	-	74,217
TOTALS	950,315	-	258,585	42,489	-	(1,274)	(26,171)	1,223,944

Note 9: Intangible Assets

For the reporting period ended 30 June 2012	2012 (\$'000)	2011 (\$'000)
Permanent water entitlements	60,052	60,052
Temporary water entitlements	62	65
Total intangible assets	60,114	60,117
Movements during the year		
Opening balance at 1 July	60,117	61,429
Add: Additions		
> Temporary water entitlements	–	–
Less: Amortisation		
> Temporary water entitlements	(3)	(69)
Less: Impairment		
> Temporary water entitlements	–	(1,243)
Closing balance at 30 June	60,114	60,117

In accordance with AASB 136 Impairment of Assets, Coliban Water has reviewed the carrying value of water entitlements at 30 June 2012. Based on the market value of water entitlements at 30 June 2012, temporary water entitlements are at their relevant market value.

Note 10: Payables

Current Payables		
Trade payables	2,950	9,594
Accrued expenses	7,766	8,095
Other payables	1,928	1,892
	12,644	19,581
Non Current Payables		
Superannuation liabilities (Refer to Note 19)	1,258	–
	1,258	–
Total Payables	13,902	19,581
(a) Maturity analysis of payables		
The ageing analysis of payables at 30 June 2012 is as follows:		
1 month	10,189	17,777
2 to 3 months	1,306	405
4 to 12 months	1,150	1,399
More than 12 months	1,258	–
Total Payables	13,902	19,581

Note 11: Borrowings

For the reporting period ended 30 June 2012	2012 (\$'000)	2011 (\$'000)
Current		
Loans from Treasury Corporation of Victoria	2,082	2,325
Finance lease liabilities – BOOT schemes	3,033	2,814
	5,115	5,139
Non Current		
Loans from Treasury Corporation of Victoria	301,000	259,000
Finance lease liabilities – BOOT schemes	88,786	91,761
	389,786	350,761
Total Borrowings	394,901	355,900

(a) Maturity analysis of borrowings

Refer to Note 21 for the maturity analysis of borrowings.

(b) Nature and extent of risk arising from borrowings

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

(c) Defaults and breaches

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

(d) Financing facilities

Refer to Note 26 for financing facilities arrangements.

Note 12: Employee Benefits

For the reporting period ended 30 June 2012	2012 (\$'000)	2011 (\$'000)
Current provisions		
Employee benefits – annual leave:		
› Unconditional and expected to settle within 12 months	788	697
› Unconditional and expected to settle after 12 months	126	106
Employee benefits – long service leave:		
› Unconditional and expected to settle within 12 months	34	19
› Unconditional and expected to settle after 12 months	1,673	918
Total Current	2,621	1,740
Non-Current		
Conditional long service leave	295	216
Total Non-Current	295	216
Total Employee Benefits	2,916	1,956
Employee numbers at end of financial year	133	130

Additional staff were employed for managing capital projects that were previously delivered by consultants.

The following assumptions were adopted in measuring the present value of long service leave entitlements:		
Weighted average increase in employee costs	4.58%	4.60%
Weighted average discount rates	4.12%	5.28%
Weighted average settlement period	7 years	7 years

Note 13: Income Tax

For the reporting period ended 30 June 2012	Notes	2012 (\$'000)	2011 (\$'000)
(a) Components of income tax (expense)/income:			
Current tax		3,388	6,736
Deferred tax relating to timing differences		2,683	541
Adjustments for current tax of prior periods		89	63
		6,160	7,340
Income tax (expense)/income is attributable to:			
Loss from continuing operations		6,162	6,598
Other economic flows included in net result		(2)	742
Aggregate income tax (expense)/revenue		6,160	7,340
Deferred tax (expense)/income included in income tax expense comprises:			
(Decrease)/increase in deferred tax assets	14	3	(625)
Decrease/(increase) in deferred tax liabilities	14	2,680	1,168
		2,683	543
(b) Prima facie tax payable			
Net result before tax		(20,251)	(21,788)
Prima facie tax calculated at 30%		6,075	6,536
Tax effect of non-deductible/(non-taxable) amounts in calculating taxable income			
› Non deductible expenses		–	–
› Assessable income		(2)	(1)
Previously not recognised tax losses now recognised to decrease current tax expense			
› Tax losses brought to account		89	63
Previously recognised tax losses now not recognised to increase current tax expense			
› Tax losses not brought to account		–	–
Income tax (expense)/revenue attributable to profit		6,162	6,598
Coliban Water will not pay income tax for 2011/12. Projections show that Coliban Water is likely to generate tax profits in the foreseeable future against which unused tax losses can be utilised. Accordingly tax losses have been brought to account.			
(c) Income tax (expense)/income relating to items of other comprehensive income			
Net gain/(loss) on revaluation of property, plant and equipment		–	(77,575)
Net gain/(loss) on disposal of assets		(2)	364
Impairment of intangible assets		–	373
Fair value increase/(decrease) in other financial assets		–	5
Total income tax (expense)/revenue relating to items of other comprehensive income		(2)	(76,833)

Note 14: Deferred Tax

For the reporting period ended 30 June 2012	Notes	2012 (\$'000)	2011 (\$'000)
Deferred tax asset/(liability)			
Deferred Tax Assets			
The balance comprises temporary differences attributable to:			
Doubtful debts		33	18
Book differences in depreciable asset values		34	–
Low value asset pool		–	–
Accruals		2,373	2,258
Employee benefits		875	587
BOOT scheme assets		27,923	28,372
Tax losses		57,360	53,883
Intangible assets		–	–
		88,598	85,118
Deferred tax assets – recovery			
Deferred tax assets expected to be recovered within 12 months		3,315	2,863
Deferred tax assets expected to be recovered after more than 12 months		85,283	82,255
		88,598	85,118
Deferred tax assets – movements			
Opening balance		85,118	78,945
Credited/(debited) to the operating statement relating to deferred tax assets	13 (a)	3	(625)
Credited/(debited) to the operating statement relating to tax losses		3,477	6,798
Credited/(debited) to other comprehensive income		–	–
Closing balance		88,598	85,118
Deferred Tax Liabilities			
The balance comprises temporary differences attributable to:			
Accrued rates and charges		3,570	2,375
Interest and other income receivables		198	207
Book differences in depreciable asset values		114,849	117,382
BOOT scheme finance leases		21,213	22,546
Other financial assets at fair value through profit and loss		6	6
		139,836	142,516
Deferred tax liabilities – recovery			
Deferred tax liabilities expected to be recovered within 12 months		3,774	2,588
Deferred tax liabilities expected to be recovered after more than 12 months		136,062	139,928
		139,836	142,516
Deferred tax liabilities – movements			
Opening balance		142,516	66,109
(Credited)/debited to the operating statement	13 (a)	(2,680)	(1,163)
(Credited)/debited to other comprehensive income	13 (a)	–	(5)
(Credited)/debited to equity		–	77,575
Closing balance		139,836	142,516
Total net deferred tax asset/(liability)		(51,238)	(57,398)

AASB 112 Income Tax requires deferred tax assets arising from temporary differences to be offset against deferred tax liabilities on the basis that the deferred tax assets will be fully utilised against the deferred tax liabilities. Coliban Water's deferred tax liabilities exceed the level of deferred tax assets at 30 June 2012 and therefore a net tax liability has been disclosed in the balance sheet.

Note 15: Contributed Capital

For the reporting period ended 30 June 2012	2012 (\$'000)	2011 (\$'000)
Opening balance at 1 July	309,754	309,864
Contributions to Government *	(2,325)	(110)
Closing balance at 30 June	307,429	309,754

* Transfer to Goulburn-Murray Rural Water Corporation associated with the East Loddon pipeline project.

Note 16: Reserves

Asset revaluation reserve: Land		
Opening balance at 1 July	29,122	13,243
Revaluation increment/(decrement) on non-current assets net of tax effect	–	15,879
Closing balance at 30 June	29,122	29,122
Asset revaluation reserve: Buildings		
Opening balance at 1 July	827	355
Revaluation increment/(decrement) on non-current assets net of tax effect	–	472
Closing balance at 30 June	827	827
Asset revaluation reserve: Infrastructure		
Opening balance at 1 July	164,659	–
Revaluation increment/(decrement) on non-current assets net of tax effect	–	164,659
Closing balance at 30 June	164,659	164,659
Total Reserves	194,608	194,608

Note 17: Reconciliation of Net Result for the year to Cash Flows from Operating Activities

Net result for the year	(14,083)	(16,922)
Add /(less) non-cash movements in net result		
Add: Depreciation and amortisation	34,064	26,241
(Net gain)/loss on disposal of non-current assets	(8)	1,216
Impairment of intangible assets	–	1,243
Fair value (increase)/decrease in other financial assets	–	16
Payments for fixed assets in payables movement	5,843	(941)
Less: Non cash developer contributions & gifted assets	(7,364)	(3,994)
Income tax (expense)/revenue	(6,160)	(7,340)
	12,292	(482)
Movements in assets and liabilities		
Decrease / (increase) in receivables	(3,825)	(2,136)
Decrease / (increase) in inventories	(725)	–
Decrease / (increase) in prepayments	(302)	225
Decrease / (increase) in other financial assets	–	–
(Decrease) / increase in payables	(5,679)	4,400
(Decrease) / increase in provisions	960	459
Net cash flows from operating activities	2,721	2,466

Note 18: Responsible Persons and Executive Officer Disclosures

a) Responsible persons related party disclosures

The names of ministers and persons who were responsible persons at any time during the financial year were:

Person's Name	Position	Period	
		Start	End
The Hon. Peter Walsh MLA	Minister for Water	01 Jul 2011	30 Jun 2012
John Brooke	Director (Chairperson)	01 Jul 2011	30 Sep 2011
Andrew Cairns	Director	01 Jul 2011	30 Sep 2011
Andrew Cairns	Director (Chairperson)	01 Oct 2011	30 Jun 2012
Noel Harvey	Director	01 Jul 2011	30 Jun 2012
David Beard	Director	01 Jul 2011	30 Jun 2012
Jane Holt	Director	01 Jul 2011	30 Sep 2011
Russell Walker	Director	01 Jul 2011	30 Jun 2012
Andrew Skewes	Director	01 Jul 2011	30 Jun 2012
Rodney Thomson	Director	01 Oct 2011	30 Jun 2012
Vicki Jean Sutherland	Director	01 Oct 2011	30 Jun 2012
Gavin Hanlon	Managing Director	01 Jul 2011	05 Aug 2011
Peter Leersen	Acting Managing Director	06 Aug 2011	20 Dec 2011
Jeff Rigby	Managing Director	21 Dec 2011	30 Jun 2012

Remuneration of responsible persons

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

Total remuneration received, or due and receivable, during 2011/12 by Responsible Persons including the Managing Director from Coliban Water in connection with the management of the Corporation was \$585,154 (2010/11 – \$520,540).

b) Responsible persons remuneration

The number of Responsible Persons whose remuneration for the year ended 30 June 2012 falls within the following bands are:

Income band (\$)	Total remuneration	
	2012 Number	2011 Number
0 – 9,999	1	–
20,000 – 29,999	3	–
30,000 – 39,999	4	6
60,000 – 69,999	1	–
70,000 – 79,999	–	1
80,000 – 89,999	1	–
100,000 – 109,999	1	–
110,000 – 119,999	1	–
240,000 – 249,999	–	1
TOTAL NUMBERS	12	8

Related party transactions

During the financial year ended 30 June 2012, the following related party transactions that were based on normal terms and conditions and conducted on an arms length basis occurred:

- (i) Coliban Water Chairperson Andrew Cairns is a Director of Bendigo Community Telco Limited which provides Coliban Water with various telecommunication voice and data services. Coliban Water paid Bendigo Community Telco Limited a total of \$124,261 during 2011/12 (2010/11 – \$212,940)
- (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

Several factors have affected total remuneration payable to executives over the year. A number of employment contracts were completed during the year and renegotiated and a number of executives received bonus payments during the year. One Senior Executive Officer ceased employment in the past year. This has had a significant impact on total remuneration figures due to the inclusion of annual leave, long-service leave and other cessation payments. This decreased the number of Senior Executive Officers reporting to the Managing Director from nine to eight. This role will not be replaced.

Income band (\$)	Total remuneration		Base remuneration	
	2012 Number	2011 Number	2012 Number	2011 Number
Less than 100,000	1	2	1	3
100,000 – 109,999	–	1	–	1
110,000 – 119,999	–	1	1	–
120,000 – 129,999	–	–	–	2
130,000 – 139,999	1	1	3	1
140,000 – 149,999	2	1	2	–
150,000 – 159,999	–	–	–	2
160,000 – 169,999	2	1	1	–
170,000 – 179,999	2	1	–	–
190,000 – 199,999	–	1	–	–
Total Numbers	8	9	8	9
Total Amount	1,208,641	1,136,775	984,387	994,535
Total Annualised Employee Equivalent (AEE)¹	6.68	7.62	6.68	7.62

¹ FRD 21B requires disclosure of the annualised employee equivalent which represents the equivalent to all executive officers working 38 ordinary hours per week for the reporting period. It is calculated by dividing the total number of ordinary hours paid to the employee over the reporting period by 1,976 (i.e. 38 hours per week for 52 weeks per year). In the 2011-12 reporting period, there were six executives working on a full-time basis for the entire year. In addition, one executive was paid for 76 ordinary hours for the year (2 weeks) before ceasing employment and one executive was Acting Managing Director for 699 hours (1277 hours as an executive). Therefore, total AEE is 6 plus 0.038 (76/1976) plus 0.646 (1277/1976) = 6.68. In the 2010-11 reporting period, there were seven executives working on a full-time basis for the entire year. In addition, one executive ceased employment in early September and their replacement began employment in mid January. The role totalled 0.62 of a full time position. Therefore the total AEE for 2010-11 was 7.62.

Note 19: 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 per cent. No other liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the plans.

Defined Benefit Plan

Vision Super's Defined Benefit Plan is a multi-employer sponsored plan. As the 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.

The Fund's liability for accrued benefits was determined by the Actuary at 31 December 2011 pursuant to the requirements of Australian Accounting Standard AAS25 follows:

For the reporting period ended 30 June 2012	31 Dec 2011 (\$'000)
Net Market Value of Assets	4,315,324
Accrued Benefits	4,642,133
Difference between Assets and Accrued Benefits	(326,809)
Vested Benefits (Minimum sum which must be paid to members when they leave the fund)	4,838,503

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 2011, Coliban Water makes the following contributions:

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

As at 31 December 2011 the actuarial shortfall was \$406 million (excluding contributions tax). The Trustee has liaised with APRA to arrange a payment plan that covers a 15 year period. Based on the result of this review, a detailed funding plan has been developed and implemented to achieve the target of full funding by 31 December 2013. Coliban Water has been notified of additional required contributions payable of \$1,258,063 by 1 July 2013. This had been recognised as an expense in the Operating Statement in 2011/12, and as a non-current liability in the Balance Sheet.

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

Net Investment Return	7.50% 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	2012 (\$'000)	2011 (\$'000)
Local Authorities Superannuation Scheme	Defined Benefits	12.25%–9.25%	58	275
Vision Super	Accumulated Contribution	9.0%	419	388
Emergency Services & State Superannuation	Defined Benefits	17.6%–9.5%	59	56
VicSuper Scheme	Accumulated Contribution	9.0%	55	35
Other Superannuation Funds	Accumulated Contribution	9.0%	302	215
Employee Personal Superannuation Funds	Accumulated Contribution	9.0%	65	49
Total contributions to all funds			958	1,018

As at the reporting date, there was \$1,258,063 owing to Vision Super as outlined above.

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

Note 20: Financial Risk Management Objectives and Policies

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

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

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

Risk Exposures

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

(a) Market risk

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

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

(i) Interest Rate Risk

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

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

(ii) Other Price Risk

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

Note 20: Financial Risk Management Objectives and Policies (continued)

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.

For the reporting period ended 30 June 2012	Carrying Amount	Interest Rate Risk			
		-1%		+1%	
2011/2012	(\$'000)	Result (\$'000)	Equity (\$'000)	Result (\$'000)	Equity (\$'000)
Financial Assets					
Cash and cash equivalents	1,192	(12)	(12)	12	12
Other financial assets	40	–	–	–	–
Total Financial Assets	1,232	(12)	(12)	12	12
Financial Liabilities					
Borrowings – floating interest rate loans	2,082	21	21	(21)	(21)
Total Financial Liabilities	2,082	21	21	(21)	(21)
Total Increase/(Decrease)		9	9	(9)	(9)

For the reporting period ended 30 June 2012	Carrying Amount	Interest Rate Risk			
		-1%		+1%	
2010/2011	(\$'000)	Result (\$'000)	Equity (\$'000)	Result (\$'000)	Equity (\$'000)
Financial Assets					
Cash and cash equivalents	5,112	(51)	(51)	51	51
Other financial assets	40	–	–	–	–
Total Financial Assets	5,152	(51)	(51)	51	51
Financial Liabilities					
Borrowings – floating interest rate loans	2,325	23	23	(23)	(23)
Total Financial Liabilities	2,325	23	23	(23)	(23)
Total Increase/(Decrease)		(28)	(28)	28	28

(b) Credit risk

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

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

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

(c) Liquidity risk

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

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

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

Note 21: Financial Instruments

Interest Rate Exposures

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

2012	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)			
Financial Assets										
Cash and cash equivalents	1,190	-	-	-	-	-	-	2	1,192	1.71%
Receivables	-	-	-	-	-	-	-	21,611	21,611	n/a
Other financial assets	-	-	-	-	-	-	-	40	40	n/a
Total Financial Assets	1,190	-	-	-	-	-	-	21,653	22,843	
Financial Liabilities										
Payables	-	-	-	-	-	-	-	13,902	13,902	n/a
Finance lease liabilities	-	3,033	3,274	3,535	3,816	4,119	74,042	-	91,819	7.65%
Loans from TCV	2,082	-	23,000	25,000	24,000	25,000	204,000	-	303,082	5.88%
Total Financial Liabilities	2,082	3,033	26,274	28,535	27,816	29,119	278,042	13,902	408,803	
Net Financial Liabilities	(892)	(3,033)	(26,274)	(28,535)	(27,816)	(29,119)	(278,042)	7,751	(385,960)	

2011	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)			
Financial Assets										
Cash and cash equivalents	5,110	-	-	-	-	-	-	2	5,112	0.75%
Receivables	-	-	-	-	-	-	-	17,786	17,786	n/a
Other financial assets	-	-	-	-	-	-	-	40	40	n/a
Total Financial Assets	5,110	-	-	-	-	-	-	17,828	22,938	
Financial Liabilities										
Payables	-	-	-	-	-	-	-	19,581	19,581	n/a
Finance lease liabilities	-	2,814	3,037	3,277	3,537	3,817	78,093	-	94,575	7.65%
Loans from TCV	2,325	-	29,000	23,000	25,000	24,000	158,000	-	261,325	6.06%
Total Financial Liabilities	2,325	2,814	32,037	26,277	28,537	27,817	236,093	19,581	375,481	
Net Financial Liabilities	2,785	(2,814)	(32,037)	(26,277)	(28,537)	(27,817)	(236,093)	(1,753)	(352,543)	

Note 22: Commitments

a) Capital Expenditure Commitments

The value of capital expenditure commitments including GST outstanding as at 30 June 2012 totalled \$14.9 million (2010/11: \$22.8 million).

For the reporting period ended 30 June 2012	2012 (\$'000)	2011 (\$'000)
Capital Expenditure Commitments		
Not later than one year	14,468	22,133
Later than one year and not later than five years	456	671
Later than five years	–	–
Total capital expenditure commitments	14,924	22,804

b) Operating Service Commitments

The value of operating service commitments including GST as at 30 June 2012 totalled \$132.5 million (2010/11 – \$168.5 million). This amount is represented by three major operations contracts. Two of these contracts are for the service component of the BOOT schemes delivered as part of Victoria's Public Private Partnership process for the provision of wastewater and water treatment services. Refer to Note 23 for more details of these schemes. The third contract is a 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	24,670	24,035
Later than one year and not later than five years	25,721	44,985
Later than five years	82,114	99,502
Total operating expenditure commitments	132,505	168,522

c) Environmental Contribution Commitments

There were environmental contribution commitments as at 30 June 2012 of \$11.8 million (2010/11 – \$2.0 million). See Note 1 (vi) 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	9,816	–
Later than five years	–	–
Total environmental contribution commitments	11,847	2,031

Note 23: Finance Lease Liabilities – Boot Schemes

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

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

Coliban Water signed a contract deed on 26 November 2002 with Water Infrastructure Group Pty Ltd for the provision of water reclamation and reuse services for Echuca and Rochester. Water Infrastructure Group Pty Ltd is a fully owned subsidiary of Earth Tech Engineering Pty Ltd, which is an Australian subsidiary of the global company, Tyco International Ltd. Commercial acceptance of this facility was granted on 28 September 2004.

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

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

Value of expected future obligations

For the reporting period ended 30 June 2012	2012 (\$'000)	2011 (\$'000)
(a) Finance Lease Commitments		
Commitments for minimum lease payments excluding GST of \$9.2 million (2010/11 – \$9.5 million) in relation to finance leases are payable as follows:		
within one year	9,979	9,951
one to five years	39,916	39,805
six to ten years	49,997	49,831
more than ten years	60,268	70,102
	160,160	169,689
Less future interest charges	68,341	75,114
Total Finance Lease Commitments	91,819	94,575
(b) Represented by Lease Liabilities		
Current lease liability	3,033	2,814
Non current lease liability	88,786	91,761
Total Finance Lease Liabilities – BOOT Schemes	91,819	94,575
(c) BOOT operating commitments (not including future interest charges but including GST) contracted for but not recognised as liabilities.		
within one year	5,940	6,081
one to five years	25,721	26,313
six to ten years	36,962	38,192
more than ten years	45,152	61,310
	113,775	131,896

The above BOOT operating commitments are included in operating service commitments – Note 22 (b).

Note 24: Operating Lease Commitments

a) Operating Lease on Head Office Building

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

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

Total lease payments over the remaining periods of the leases including GST are expected to be \$2.1 million (2010/11 – \$2.5 million).

For the reporting period ended 30 June 2012	2012 (\$'000)	2011 (\$'000)
Operating Lease Expenditure Commitments		
Not later than one year	361	422
Later than one year and not later than five years	1,394	1,517
Later than five years	375	541
Total operating expenditure commitments	2,130	2,480

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 (including GST) of \$328,968 (2010/11 – \$302,841) have been included in Operating and Administration Expenses in the determination of the operating result for the accounting period.

Note 25: Contingent Liabilities and Contingent Assets

There were no material contingent liabilities or contingent assets at 30 June 2012 (2010/11 – \$nil).

Note 26: Financing Facilities

The bank overdraft limit of Coliban Water is \$400,000. This facility is subject to annual review and at 30 June 2012 the amount of unused credit was \$400,000 (2010/11 – \$400,000).

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

Loan facilities from Treasury Corporate of Victoria have various maturity dates through to 2024 and may be extended by mutual agreement.

Note 27: Auditors Remuneration

The fee for auditing the financial statements of Coliban Water excluding GST for 2011/12 has been set at \$80,000 (2010/11 – \$74,250) by the Victorian Auditor-General Office. No other benefits were received or are receivable by the Victorian Auditor-General Office.

Note 28: Events occurring after the Balance Sheet date

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

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Coliban Region Water Corporation

The Financial Report

The accompanying financial report for the year ended 30 June 2012 of the Coliban Region Water Corporation which comprises the operating statement, statement of other comprehensive income, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification has been audited.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Opinion

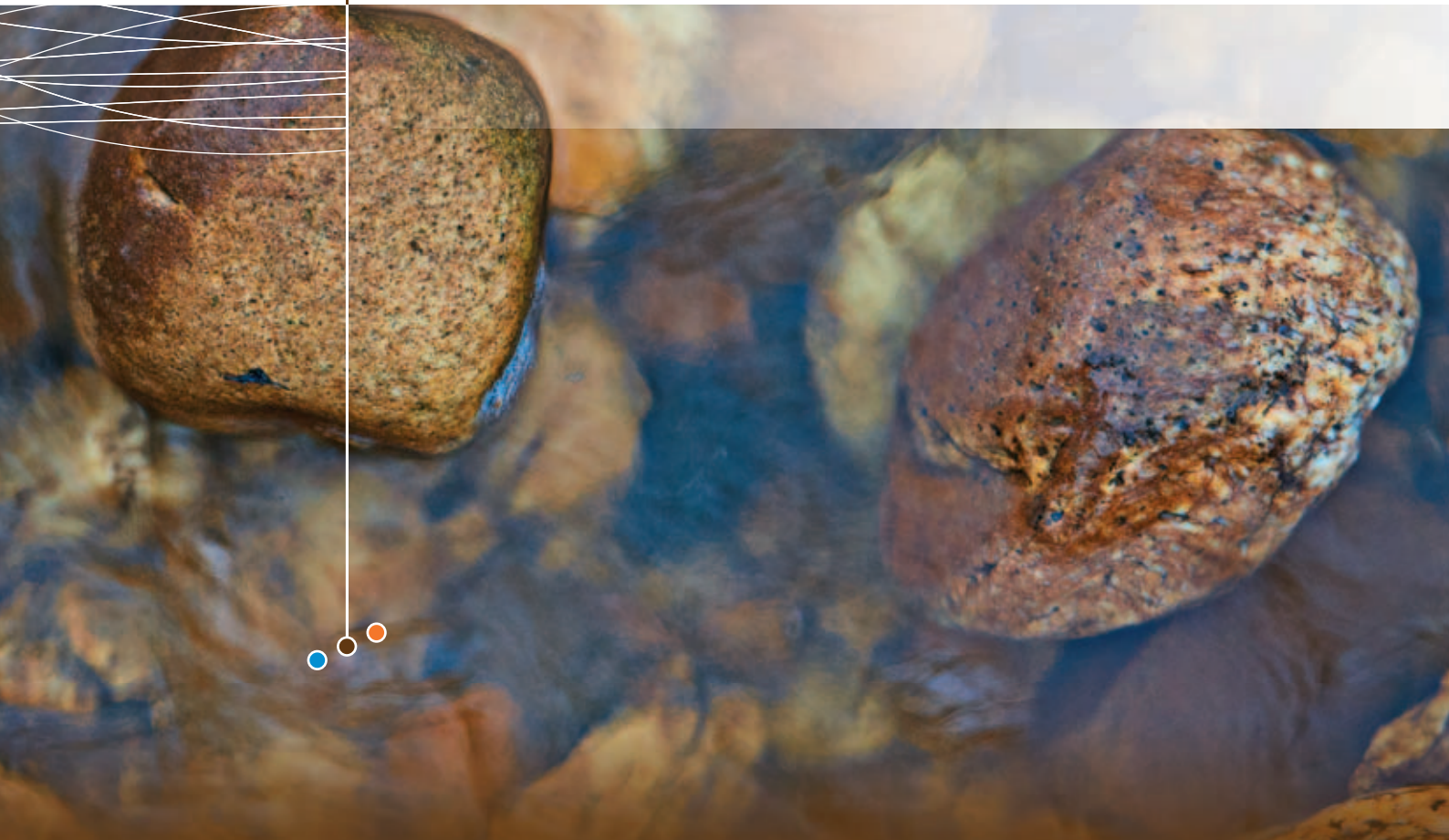
In my opinion, the financial report presents fairly, in all material respects, the financial position of the Coliban Region Water Corporation as at 30 June 2012 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Coliban Region Water Corporation for the year ended 30 June 2012 included both in the Coliban Region Water Corporation's annual report and on the website. The Board Members of the Coliban Region Water Corporation are responsible for the integrity of the Coliban Region Water Corporation's website. I have not been engaged to report on the integrity of the Coliban Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
21 August 2012

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



37– 45 Bridge Street
Bendigo Victoria 3550

PO Box 2770
BENDIGO DC VIC 3554

TEL > 1300 363 200
FAX > 03 5434 1341

WEB > www.coliban.com.au
ABN > 96 549 082 360

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