

annualREPORT
2011/12

REGIONAL MAP



CONTENTS

- 3 Vision, Mission, Strategic Objectives**
- 4 Message from Chairman & Managing Director**
- 5 Profile of Wannon Water**
- 6 Achievements at a Glance**
- 8 Highlights 2011/12**
- 9 Corporate Governance**
 - 9 Corporate governance
 - 9 Board of Directors
 - 11 Board and committee meeting attendance
 - 12 Board committees
 - 13 Corporate structure
- 14 Economic Report**
 - 14 Financial result
 - 14 Summary of financial results
 - 15 Future challenges
 - 16 Consultancies
 - 17 Capital works program
- 18 Social Report**
 - 18 Customer service performance indicators
 - 19 Customer assistance
 - 20 Provision of water services
 - 21 Water quality
 - 21 Provision of sewerage services
 - 22 Stakeholder engagement
 - 23 Workforce and Occupational Health and Safety
- 26 Environmental Report**
 - 26 Bulk entitlements
 - 29 Water consumption and managing demand
 - 32 Sustainable water use
 - 33 Environmental health
 - 33 Recycling water
 - 34 Treating sewage and trade waste
 - 35 Producing and reusing biosolids
 - 35 Greenhouse gas emissions
- 36 General Information**
- 37 Financial Statements**
- 70 Performance Reporting**
- 78 Appendix 1 – Whistleblowers Protection Policy**
- 80 Appendix 2 – Disclosure Index**
- 82 Glossary of Terms**
- 84 Index**

Our vision

To be recognised for excellence in integrated water services.

Our mission

To provide secure, safe, reliable and innovative integrated water services to communities in South West Victoria.

Our strategic objectives

- Integrated water management
- Deliver customer value
- Maximise business efficiency
- Robust decision making
- Maintain financial viability
- Grow organisational capability



© State of Victoria, Wannon Water, 2012.

This publication is copyright. No part may be reproduced by any process except in accordance with the provisions of the *Copyright Act 1968*.

MESSAGE FROM THE CHAIRMAN AND MANAGING DIRECTOR

Supporting a liveable, sustainable and prosperous South West Victoria, Wannon Water continued to show industry leadership in integrated water management throughout 2011/12.

Among the highlights were the awards bestowed on Wannon Water for its sustainable and sensitive urban water design. The Regional Roof Water Harvesting Project continued to receive national acclaim by winning the savewater!® Australian Achiever award and the corporation's sustainable business practices earned a Regional Excellence Award as Warrnambool's Joint Green Business of the Year. Wannon Water was also named a finalist in the ENVIRO Innovation in Sustainability awards.

Wannon Water maintains financial viability by applying sound business planning, managing financial risks and meeting debt commitments. Wannon Water delivered a profit before tax of \$4.91 million for the reporting period.

Wannon Water completed \$19.9 million of key projects to strengthen its reliable asset base, increase network capacity, service delivery capability and meet regulatory standards. These projects included construction of a new sewer main in Dennington, upgrading the Camperdown Industrial Water Reclamation Plant, installing large meters in the Otway water system to identify water losses and commencement of the \$13.4 million upgrade of the Portland Water Reclamation Plant. Wannon Water also continued its proactive maintenance strategy, contributing to exceeding many service standards and achieving a 93 per cent customer satisfaction rating.

Wannon Water strives for excellence in its service delivery, but also looks beyond this to achieving environmental outcomes and supporting regional development. During the reporting period Wannon Water implemented the State Government Small Business Grants Scheme, which aims to help local businesses improve their water efficiency. The corporation also delivered social outcomes, expanding its education program to include community designed murals on its assets and establishing a partnership with Warrnambool Community Garden to reuse organic waste.

The reporting period saw the release of Wannon Water's 2012-2060 Water Supply Demand Strategy. Incorporating Alternative Water Atlases for the first time, the strategy is underpinned by the need to deliver smart and secure water for future generations. While Wannon Water is in the enviable position of not requiring major augmentation of any of its 14

water supply systems in the coming regulatory period, the strategy maps long-term plans for water demand reduction and water use efficiency options balancing social, environmental and economic factors.

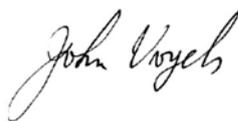
August 2011 marked a milestone with Hamilton reservoirs reaching capacity for the first time since November 2004. Completely free of water restrictions, Wannon Water introduced a simplified Permanent Water Saving Plan in Summer 2011/12. While the water conservation culture of our customers remains, demand for water increased with average household usage increasing from 134 kilolitres in 2010/11 to 148 kilolitres per year in 2011/12.

Nearing the end of its heavy capital works program, Wannon Water will refocus investment on industry innovations that maximise the efficiency of its business and deliver value-for-money solutions to our customers and industry.

Sound business planning has laid the groundwork for Wannon Water to keep its prices affordable for customers throughout the next regulatory period and no water and sewerage tariff increases, other than annual CPI adjustments, are proposed through to 2017/18.

Finally, we acknowledge the exceptional contribution of Wannon Water's inaugural Chairman, Harry Peeters, whose term ended in September 2011. Harry's wealth of water industry knowledge and governance experience was a great benefit to Wannon Water in its formative years. Under his Chairmanship the corporation completed more than \$151 million in capital projects, which has paved the way for future efficient service delivery across our service area. Outgoing Directors Jacinta Ermacora, Paul Battista and Di Clanchy also made outstanding contributions to Wannon Water in its formative years.

In accordance with the *Financial Management Act 1994*, we attest that Wannon Region Water Corporation's annual report is compliant with all statutory reporting requirements.



John Vogels
Chairman
21 August 2012



Grant Green
Managing Director
21 August 2012



Profile

Wannon Water (Wannon Region Water Corporation) is Victoria's second largest regional urban water corporation by service area and is a statutory corporation constituted on 1 July 2005 under the *Water Act 1989*.

For the reporting period, Wannon Water was responsible to the Honourable Peter Walsh MLA, Minister for Water.

Our assets

Our \$592 million asset base includes:

- 2,758 kilometres of pipes;
- 11 reservoirs;
- 29 water treatment plants;
- 18 water reclamation plants; and
- 2 tertiary water reclamation plants.

Our region

Our service area extends over 23,500 square kilometres from the South Australian border in the west, to Balmoral in the north, to Lismore in the east and the lower Gellibrand River catchment on the south coast. The Warrnambool City, Corangamite Shire, Glenelg Shire, Moyne Shire and Southern Grampians Shire Councils are all within our service area.

Functions, powers and duties

Wannon Water's statutory functions, powers and duties are set out in the *Water Act 1989* and by-laws. These functions include the collection, storage, treatment and delivery of water; the collection and treatment of sewage and trade waste; and water recycling.

Our customers

Wannon Water supplies water services to a permanent population of 80,000 people, including residential, commercial, industrial and rural customers.

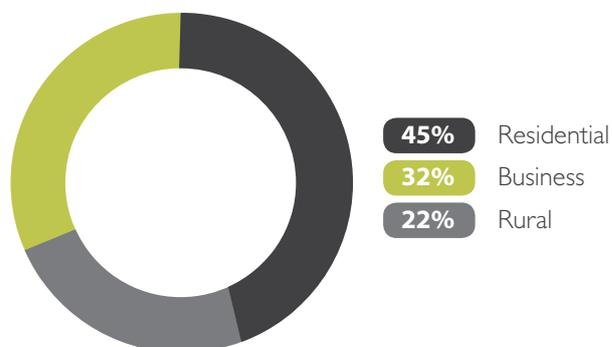
Our water sources

Wannon Water manages a diverse range of water supplies, including water catchments, geothermal groundwater and shallow groundwater systems.

Our water systems include:

- the Otway system, which is sourced from the Gellibrand River (and groundwater), supplies water to Warrnambool, Simpson, Cobden, Camperdown, Glenormiston, Lismore, Derrinallum, Terang, Mortlake, Purnim, Allansford and Koroit;
- the Grampians system, which is sourced from streams in the southern Grampians catchment, supplies water to Hamilton, Cavendish, Dunkeld and Tarrington (this system is augmented by supplies from Rocklands Reservoir as required);
- the Balmoral system, which is sourced from Rocklands Reservoir in the Grampians;
- the Glenthompson system, which is sourced from a local catchment and groundwater;
- the Portland, Port Fairy, Peterborough, Port Campbell, Timboon, Heywood and Dartmoor systems, which are all sourced from the deep Dilwyn Aquifer; and
- other local aquifers are the source of water for Caramut, Casterton, Coleraine, Darlington Macarthur, Merino, Peshurst and Sandford.

Percentage of water consumption



Customer numbers and water use

Customer segment	Customers (No.)	Customers (% of total)	Total consumption (megalitres)	Consumption (% of total)	3-year average (megalitres)	Kilolitres per customer
Residential	34,870	85%	5,170	45%	5,104	148
Business	4,633	11%	3,675	32%	3,677	793
Rural	1,733	4%	2,557	22%	2,536	1,476
Total	41,236	100%	11,402	100%	11,317	

2011/12 ACHIEVEMENTS AT A GLANCE

Governance Achievements

- ✓ Risk Management Framework reviewed
- ✓ Water Supply Demand Strategy 2012-60 completed
- ✓ Extensive consultation on draft Water Plan 2013-18 conducted
- ✓ Revised Permanent Water Saving Plan implemented
- ✓ New corporate vision, mission and strategic objectives
- ✓ Trade Waste Charter implemented
- ✓ New Water Restrictions By-Law enacted

Economic Achievements

- ✓ Profit before tax of \$4.91 million
- ✓ A favourable gearing ratio of 15.1 per cent achieved
- ✓ Improved capacity to service borrowings
- ✓ Completed \$19.9 million of capital works
- ✓ Upgrade of Port Fairy sewerage network completed
- ✓ Construction of new \$13.5 million Portland Water Reclamation Plant commenced
- ✓ Sewer main replacement in Dennington completed
- ✓ Construction of West Portland Sewerage Scheme commenced
- ✓ \$243,000 invested in cleaning 370 kilometres of water mains

Social Achievements

- ✓ High customer satisfaction maintained (93 per cent for residential customers; 91 per cent for business customers)
- ✓ Strong performance in meeting service level targets
- ✓ Master Plan for future use of Konongwootong Reservoir drafted
- ✓ Mobile Information Management System installed
- ✓ Corporate website redesigned and restructured to better assist customers
- ✓ E-bill facility developed, adding to our extensive range of payment options
- ✓ Convenient 'Smart Forms' introduced online
- ✓ School mural added to Pertobe Road Pump Station, Warrnambool
- ✓ Dutton Way Sewerage Scheme notices issued to landowners
- ✓ Partnership with Warrnambool Community Garden established to provide organic waste from Gateway Road office as soil improver
- ✓ Reappointment of Customer Engagement Committee members
- ✓ Water bottle refill stations rolled out in Warrnambool
- ✓ 3,500 drink bottles distributed to schools and community groups
- ✓ 33 schools visited under our education program
- ✓ OH&S certification and safety culture maintained
- ✓ Employee leadership program implemented
- ✓ Employee health and wellbeing program continued
- ✓ Supported Future Leaders of Industry program

Environmental Achievements

- ✓ Joint Green Business Award winner of 2011 Warrnambool Business Excellence Awards
- ✓ Roof Water Harvesting mastermind Peter Wilson wins savewater!® Australian Achiever Award
- ✓ Finalist in national ENVIRO Innovation in Sustainability Award for Roof Water Harvesting Project
- ✓ EPA licence compliance increased from 89 per cent to 96 per cent
- ✓ Project to reduce water losses in Otway supply system implemented
- ✓ Expansion of research into using aquaculture to aid sewage treatment
- ✓ Fuel reduction burn of land at Cobden Treatment Plant
- ✓ Revegetation and weed control programs implemented on land managed by Wannon Water at Portland, Dartmoor, Peterborough, Casterton and Heywood
- ✓ Flora and fauna study commenced at Dunkeld Water Reclamation Plant
- ✓ Energy mapping project commenced to help reduce business energy use
- ✓ 100 per cent of biosolids reused
- ✓ Recycled water provided to Origin Energy's Mortlake Power Plant
- ✓ More than 70 houses connected to innovative Roof Water Harvesting scheme
- ✓ Maintained our 10 per cent greenhouse reduction target

HIGHLIGHTS 2011/12

Improved sewerage services for Portland on the way

Portland customers can soon expect improved, environmentally sustainable sewerage services thanks to Wannon Water's largest ever investment in the city.

In 2011/12 Wannon Water made significant progress on a \$13.5 million upgrade of the Portland Water Reclamation Plant.

The upgrade will see a new state-of-the-art Intermittent Decanted Extended Aeration (IDEA) treatment plant constructed to treat sewage and trade waste discharged from Portland's existing 5,220 sewerage connections as well as upcoming schemes in West Portland and Dutton Way.

The works include the construction of two 2.8-megalitre IDEA tanks and a 1.5-megalitre balancing storage, which commenced in March 2012.

The same IDEA technology is used to treat more than 4,500 megalitres of sewage at the Warrnambool Water Reclamation Plant each year and the system has a proven track record of environmental outcomes.

When commissioned, the new plant will deliver a complete and efficient process for removing organics from the waste stream, ensuring the plant will consistently meet the Environment

Protection Authority licence limit requirements, which cannot be achieved by the current reed bed based treatment plant.

This significant investment will ensure that Portland customers continue to receive quality, effective, reliable and environmentally sustainable sewerage services into the future.

Weather permitting, the works are expected to be completed by mid-2013.



Reducing water loss in the Otways

2011/12 saw Wannon Water undertake a landmark project that has the potential to save up to 730 million litres of drinking water.

The Reducing Water Loss in the Otway Water Supply System project has led to the installation of a new monitoring system to improve water main leak detection and response times in the Otway system.

Wannon Water manages a complex network of more than 2,750 kilometres of pipes over a broad geographical area; with a network that big, some water losses are inevitable.

However, this project aims to minimise those water losses by improving Wannon Water's ability to monitor the system and detect leaks within transfer mains and water storages.

Once it is determined where in the system the water is being lost, Wannon Water can proactively identify cost-effective actions to address the cause of the losses.

Added benefits are lower operating costs and energy consumption, and additional water for environmental flows.

Wannon Water has installed 21 water meters and a telemetry system to allow real-time monitoring and measurement of water losses within the water supply system, as well as a bulk water meter at the North Otway Gellibrand Main Pump Station in April 2012.

With the meters installed, Wannon Water will now monitor the water losses regularly and identify the most appropriate remedial actions to improve the efficiency of the system.

The Otway Water Supply System services 13 towns within Wannon Water's service area, including Warrnambool, Camperdown, Cobden, Koroit and Terang.

The \$1.28 million project is jointly funded through the *National Water Security Plan for Cities and Towns* program and by Wannon Water.



CORPORATE GOVERNANCE

Strategic objective:
maintain financial viability

Wannon Water ensures decision making is evidence-based and robust by implementing management and information systems based on externally recognised principles and standards relevant to our business.

Corporate Governance

Wannon Water's Board of Directors has overall responsibility for corporate governance, including:

- setting strategic direction, values, standards and policies;
- establishing goals for management and monitoring the delivery of strategies and targets;
- monitoring the identification and management of business risks; and monitoring the performance of the corporation.

For the reporting period, the Board was accountable to the Honourable Peter Walsh MLA, Minister for Water:

Board of Directors

The Board of Wannon Water comprises seven non-executive Directors and one executive Director. The non-executive Directors are appointed by the corporation's sole shareholder, the Victorian Government. The Managing Director is appointed by the Board.

September 2011 saw the departure of the corporation's inaugural Chairman, Harry Peeters, and Directors Jacinta Ermacora, Paul Battista and Di Clanchy. A new Chairman, John Vogels, was appointed, together with three new Directors, Russell Worland, Georgina Gubbins and Frank Zeigler.

Wannon Water's Directors have diverse backgrounds, relevant skills and experience.



Governance highlights 2011/12:

- Appointment of four new Directors
- Review of corporate vision, mission and strategic objectives
- Water Plan 2013-18 discussion papers released

John Vogels - Chairman

Appointed 1 October 2011.

John is Chairman of the Board. He has a long history of representing South West Victoria, serving as Mayor of Corangamite Shire prior to entering parliament as Member for Warrnambool in 1999.

For eight years John represented the region in the Legislative Council as the Member for Western Province (2002-2006) and Member for Western Region (2006-2010). Throughout his parliamentary career John held shadow portfolios including Local Government and Victorian Communities and Agriculture.

Running a dairy farm at Scotts Creek, John is a leader in the local community. He is a former President and Life Member of Timboon and District Health Care Services. John was also President of the Timboon Branch of the Victorian Farmers Federation and was a member of the Timboon APEX club for more than 20 years.

John is Chairman of the Strategic Issues Committee and is an ex-officio member of the Audit and Risk Management Committee, the Executive Remuneration Committee, the Health and Safety Committee and the Water Plan Committee.

Rob Wallis - Deputy Chairman

BSc (Hons), MSc, PhD, Dip. Ed Grad. Dip. Ed. Studs, Grad. Cert. Management, FAICD

Appointed 1 October 2007.

Rob was appointed Deputy Chairman of the Board in February 2011. Rob has worked in higher education for 38 years and has held positions of Pro Vice-Chancellor (Rural and Regional) at Deakin University and Pro Vice-Chancellor (Research) at the University of Ballarat.

Rob has postgraduate qualifications in Science, Education and Management and has longstanding research interests in vertebrate ecology, environmental education, sustainable development and community engagement in universities.

Rob has previously served as Director for a number of Boards and is a Fellow of the Australian Institute of Company Directors.

Rob is Chairman of the Audit and Risk Management Committee and is a member of the Executive Remuneration Committee, the Health and Safety Committee, the Strategic Issues Committee and the Water Plan Committee.

Grant Green – Managing Director

MBA, Grad. Dip. Man., Dip. BS (Acc.), FCPA, MAICD

Appointed 1 July 2007.

Grant was the inaugural Chief Executive Officer of Wannon Water from September 2005 until being appointed Managing Director in July 2007. He has extensive experience in the Victorian water industry, including six senior executive management roles at Barwon Water and Melbourne Water.

Grant is a Board member of the South West Sustainability Partnership Incorporated, Board member of savewater!® Alliance Incorporated, and a Director of Horizon 21 Incorporated, a Fellow of the Institute of Water Administration, a Fellow Certified Practising Accountant and a Member of the Australian Institute of Company Directors.

Grant is a member of the Health and Safety Committee, the Strategic Issues Committee and the Water Plan Committee.

Rod Coutts

BCom, MBA, FCPA, CA, AFAIM, GAICD

Appointed 1 July 2010.

Rod worked as a chartered accountant before embarking on a long career in higher education. He has undertaken a variety of academic and administrative roles, including Dean of Business and Deputy Director at the former Warrnambool Institute of Advanced Education, and Director of International Programs and Head of Campus at Deakin University.

Rod's academic career has led him to business, academic and consultancy roles throughout the world, including Canada, Kenya, Malaysia and the Fiji Islands. He has taught Accounting and Auditing subjects at several universities and has a particular interest in fraud detection and deterrence.

Rod is Chairman of the Executive Remuneration Committee and is a member of the Audit and Risk Management Committee, the Health and Safety Committee, the Strategic Issues Committee and the Water Plan Committee.

Kate Fraser

B Ec, GAICD

Appointed 1 October 2008.

Kate brings to Wannon Water more than 20 years of commercial experience in corporate marketing and communications. Her professional experience includes strategic marketing roles within the banking, consumer goods and health insurance sectors and senior organising committee roles with several high profile international sporting events.

Kate runs a boutique marketing consultancy and is commercially involved in farming near Peshurst. Kate is a Graduate of the Australian Institute of Company Directors.

Kate is Chair of the Water Plan Committee and a member of the Health and Safety Committee and the Strategic Issues Committee.

Georgina Gubbins

BN, MAB, GAICD

Appointed 1 October 2011

Georgina practised as a Registered Nurse prior to concentrating on a career in Agribusiness.

Georgina holds a Masters in Agribusiness and has been the Managing Director of Maneroo Partnership since 1994, a specialist beef and lamb producer near Heywood. Georgina employs sustainable and environmental farming practices and extends to local waterway protection and the establishment of wildlife corridors.

Over the past decade Georgina has served on several Agricultural Advisory Committees and is actively involved in a number of Warrnambool sporting associations.

Georgina received an MLA Governance Scholarship to complete the Australian Institute of Company Directors course.

Georgina is a member of the Audit and Risk Management Committee, the Health and Safety Committee, the Water Plan Committee, the Strategic Issues Committee and the Customer Engagement Committee.

Russell Worland

Dip Public Admin (Local Government), GAICD, CM

Appointed 1 October 2011

Russell joins the Wannon Water Board with a long and distinguished career in the water industry.

Russell spent 19 years as town clerk of Hamilton City Council and was also secretary of the Hamilton Water Board for 20 years.

In 1995 Russell was appointed as Chief Executive Officer of South West Water, one of the three water authorities that merged to form Wannon Water in 2005.

Awarded the Centenary Medal for his contribution to the water industry in 2002, Russell is a Fellow of the Institute of Water Administration and Graduate of the Australian Institute of Company Directors.

Russell has been a Director of South West Health Care since 2009 and runs a consultancy business that provides strategic planning services.

Russell is a member of the Audit and Risk Management Committee, the Health and Safety Committee, the Water Plan Committee and the Strategic Issues Committee.

Frank Zeigler

Grad Dip Dis Mgt, MOHS, MAICD, CMSIA, FAIM

Appointed 1 October 2011.

Frank joins the Board with extensive business and community service experience. A former policeman with more than 20 years' experience, Frank went on to serve as Mayor of the Glenelg Shire Council and a Member of the Ministerial Crime Prevention Council.

Frank is the owner and Chief Executive Officer of Professional Diving Services and has extensive experience in Occupational health and safety and water engineering solutions.

With a keen interest in marine ecology and bushland protection, Frank volunteers, and leads, several community based initiatives. He is a lieutenant of the Portland Fire Brigade, a former Country Fire Authority Board Member and a Volunteer Fire Brigade Victoria Board Member. He Chairs Portland's Harbour Walk Community Group and is a former Chair of the Portland Eco Trust.

Frank is Chairman of the Health and Safety Committee and is a member of the Water Plan Committee and the Strategic Issues Committee.

Director attendance at Board and committee meetings

	Board Meetings	Audit & Risk Management Committee Meetings	Executive Remuneration Committee Meetings	Strategic Issues Committee Meetings	Health & Safety Committee Meetings	Water Plan Committee Meetings
John Vogels	8 of 8	5 of 5	1 of 1	2 of 2	0 of 1	8 of 8
Rod Coutts	11 of 12	5 of 5	2 of 2	2 of 2	2 of 2	10 of 10
Kate Fraser*	9 of 12			2 of 2	0 of 2	7 of 10
Grant Green	12 of 12			2 of 2	2 of 2	10 of 10
Georgina Gubbins	8 of 8	5 of 5		2 of 2	1 of 1	8 of 8
Rob Wallis	10 of 12	4 of 5	1 of 1	2 of 2	1 of 1	8 of 10
Russell Worland	8 of 8	5 of 5		2 of 2	1 of 1	8 of 8
Frank Zeigler	8 of 8			2 of 2	1 of 1	8 of 8
Paul Battista#	4 of 4		1 of 1		1 of 1	2 of 2
Di Clanchy#	2 of 4	1 of 1			1 of 1	1 of 2
Jacinta Ermacora#	4 of 4		1 of 1		1 of 1	2 of 2
Harry Peeters#	4 of 4	1 of 1	1 of 1		1 of 1	1 of 2

*Director on leave of absence from 1 April 2012 until 31 January 2013.

#Directors Peeters, Ermacora, Battista and Clanchy completed their terms as Directors on 30 September 2011.

Board committees

The following Board committees assist the Board in carrying out its responsibilities:

- Audit and Risk Management Committee;
- Executive Remuneration Committee;
- Health and Safety Committee;
- Strategic Issues Committee; and
- Water Plan Committee.

Audit and Risk Management Committee

The Audit and Risk Management Committee comprises five independent non-executive Directors – Rob Wallis (Chairman), Rod Coutts, Russell Worland, Georgina Gubbins and John Vogels (ex-officio) – plus external member Steve Bird.

The primary role of the committee is to provide independent assurance and assistance to the Board on Wannon Water's risk, control and compliance framework and its external accountability responsibilities.

The committee meets with the internal auditor, RSM Bird Cameron, and the external auditor.

Executive Remuneration Committee

The Executive Remuneration Committee comprises three independent non-executive Directors: Rod Coutts (Chair), Rob Wallis and John Vogels (ex-officio).

The primary role of the committee is to assist the Board with succession planning and remuneration policies and practices for executive employment in line with Government Sector Executive Remuneration Panel guidelines.

Health and Safety Committee

The Health and Safety Committee comprises seven independent non-executive Directors – Frank Zeigler (Chairman), Rod Coutts, Kate Fraser, Russell Worland, Georgina Gubbins, John Vogels (ex-officio) and Rob Wallis – and Managing Director Grant Green.

The primary role of the committee is to assist the Board with the strategic review of processes for identifying, assessing and prioritising public health and occupational health and safety risks and associated risk abatement programs.

Strategic Issues Committee

The Strategic Issues Committee comprises seven independent non-executive Directors – John Vogels (Chairman), Russell Worland, Frank Zeigler, Georgina Gubbins, Rod Coutts, Kate Fraser and Rob Wallis – and Managing Director Grant Green.

The primary role of the committee is to assist the Board by providing a forum for Directors to explore issues of strategic importance to Wannon Water in depth and monitor relationships with key stakeholders.

Water Plan Committee

The Water Plan Committee comprises seven independent non-executive Directors – Kate Fraser (Chair), Rod Coutts, Russell Worland, Frank Zeigler, Georgina Gubbins, John Vogels (ex-officio) and Rob Wallis – and Managing Director Grant Green.

The primary role of the committee is to provide guidance and strategic direction for the development of Wannon Water's Water Plans, review customer and stakeholder consultation programs and to monitor implementation of Water Plans.

Board communication

The decisions of the Board were recorded in the minutes of meetings. A summary of Board meeting outcomes is published on Wannon Water's website.

Directors received stakeholder feedback and communication through a range of mechanisms, including the Customer Engagement Committee, the Strategic Issues Committee, customer surveys, community consultation and project monitoring committees.

Ethical standards

The Board acknowledges the need for, and continued maintenance of, the highest standards of corporate governance practice and ethical conduct by Directors, employees and contractors. The Board has a comprehensive governance framework that seeks to ensure high standards of ethical behaviour through policies supported by specific awareness and compliance programs.

The Directors' Code of Conduct, issued by the Public Sector Standards Commissioner, provides guidance to Directors for compliance with the public sector values and good governance practice. An Instrument of Delegation has been adopted for financial and non-financial decision-making.

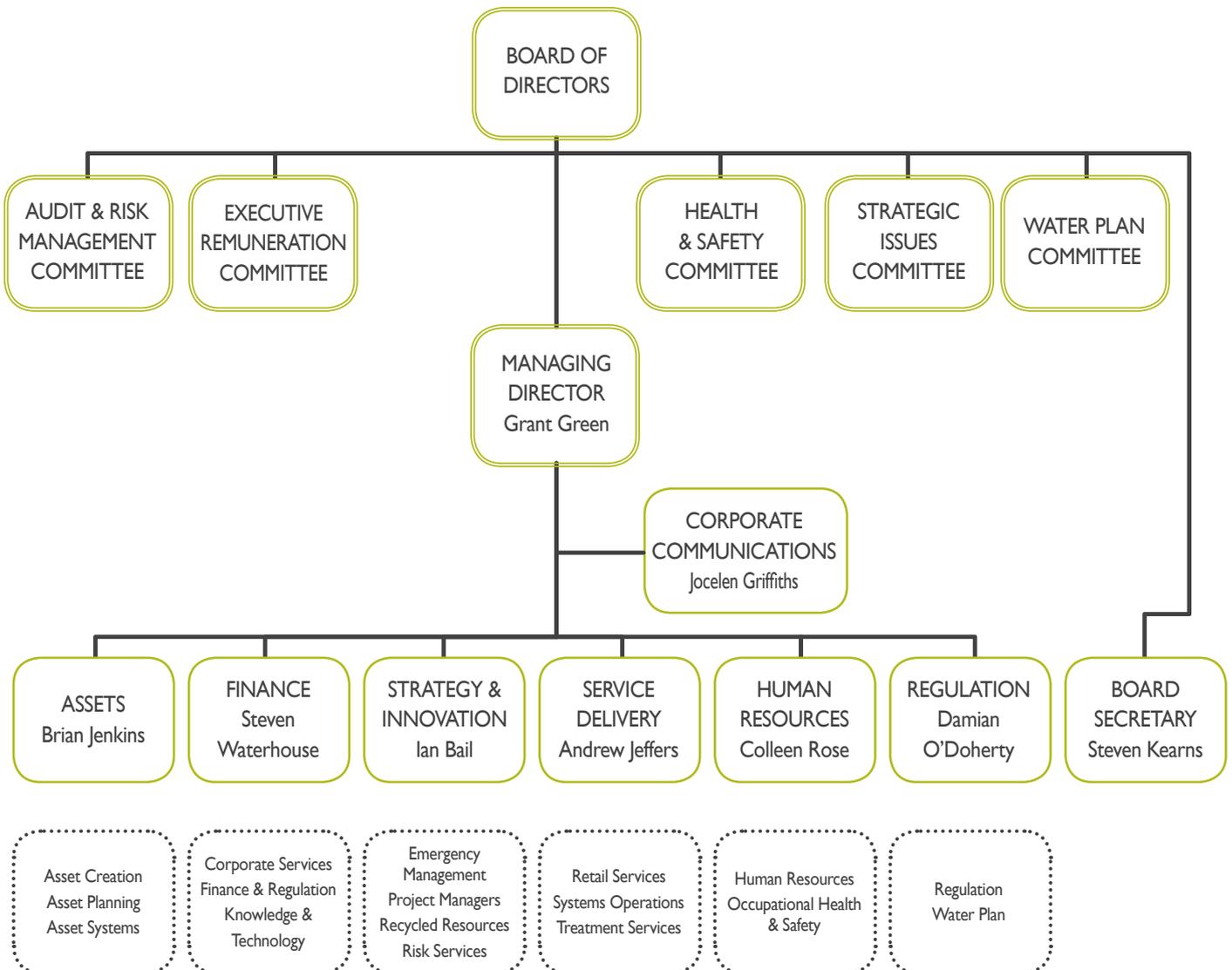
Pecuniary and conflict of interest declarations

All Directors and managers completed declarations of pecuniary interests and declared potential conflicts of interest they may have in relation to matters to be addressed by the Board.

Independent advice

The Board has adopted a number of measures to ensure that independent judgment is maintained. Directors are entitled to seek independent legal advice on matters relating to the business of Wannon Water at the corporation's expense, subject to consultation with the Chairman. No Director exercised this right during the reporting period.

WANNON WATER ORGANISATIONAL STRUCTURE



ECONOMIC REPORT

Strategic objective:
maintain financial viability

Wannon Water maintains financial viability by applying sound business planning, managing financial risks and ensuring sufficient income is generated to meet operating costs and debt commitments.

Economic highlights 2011/12:

- Profit before tax of \$4.91 million
- Wannon Water completed \$19.9m of capital works
- Construction of Portland Water Reclamation Plant commenced

Financial result

Wannon Water achieved a net profit before tax of \$4.91 million for the reporting period and a total comprehensive result of \$3.74 million.

Total operating revenue increased to \$80.03 million, primarily due to a significant contribution of water supply assets of \$11.9 million from a major energy customer. Other revenue items increased on the back of greater demand for water, leading to higher water sales, and a continued increase in trade waste sales.

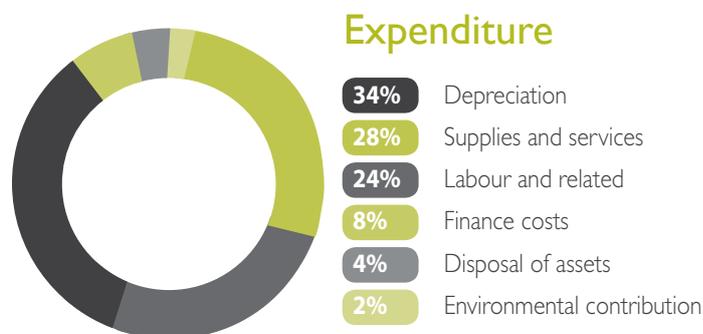
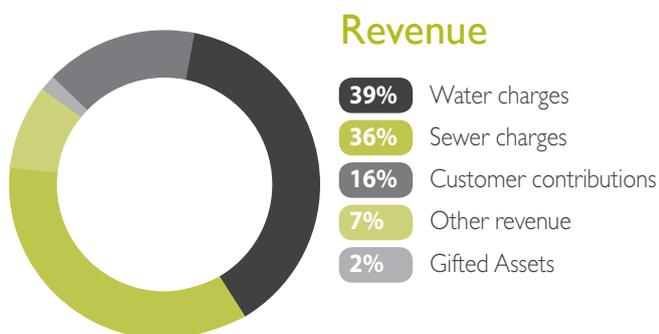
Wannon Water's operating expenditure was \$75.12 million. Depreciation increased significantly due to the revaluation of assets at 30 June 2011 to fair value. Employee benefits rose by 18 per cent, largely due to making provision for a \$1.46 million contribution towards the Local Authorities Superannuation Fund defined benefit scheme. Supplies and services increased by 13.6 per cent due to increased water sales.

Summary of financial results

	2011/12	2010/11	2009/10	2008/09	2007/08
	(\$'000s)	(\$'000s)	(\$'000s)	(\$'000s)	(\$'000s)
Core business revenue	74,358	52,960	46,599	42,685	38,497
Government contributions	621	674	500	625	1,050
Other revenue	5,049	4,876	3,674	2,759	2,087
Total revenue	80,028	58,510	50,773	46,069	41,634
Operating expenditure	40,687	35,415	32,796	33,104	29,560
Depreciation & amortisation expenditure	25,445	13,217	11,707	10,698	9,726
Finance costs	5,873	5,854	4,881	3,344	1,775
Other expenditure	3,112	2,602	890	509	470
Total expenditure	75,117	57,088	50,274	47,655	41,531
Net result before tax	4,911	1,422	499	(1,586)	103
Current assets	16,249	14,435	13,991	17,836	10,801
Non-current assets	576,182	560,728	555,174	512,660	484,992
Total assets	592,431	575,163	569,165	530,496	495,793
Current liabilities	19,053	15,619	18,805	11,823	13,810
Non-current liabilities	116,073	106,798	102,051	88,545	63,512
Total liabilities	135,126	122,417	120,856	100,368	77,322
Net cash flows from operations	19,446	12,545	13,855	7,333	5,317
Payments for property, plant and equipment (including infrastructure)	30,820	17,070	46,450	30,124	25,537

Summary of financial performance

Performance indicator	2011/12	2010/11	2009/10	2008/09	2007/08
Internal Financing Ratio	63.10%	73.50%	29.83%	23.56%	20.82%
Gearing Ratio	15.10%	13.98%	13.95%	11.27%	7.41%
Interest Cover (EBIT)	2.0 times	1.3 times	1.1 times	0.5 times	1.0 times
Interest Cover (Cash)	4.9 times	3.5 times	4.3 times	3.5 times	4.4 times



Significant changes in financial position during the year

Property, plant and equipment increased in value by a net \$2.71 million dollars during the reporting period. This included depreciation of \$25.45 million. The \$30.8 million invested in capital works included \$10.8 million in water supply assets from a major energy customer and were funded through revenue and new borrowings.

Interest-bearing liabilities have increased by \$71.3 million in the past five years due to a heavy capital works program worth \$151.7 million. During 2011/12 interest-bearing liabilities increased by \$9 million to \$89.47 million. The gearing ratio has increased from 13.98 per cent in 2010/11 to 15.10 per cent in 2011/12. This reflects Wannon Water's commitment to delivering infrastructure for future growth, meeting regulatory standards, and maintaining service standards. However, Wannon Water's gearing ratio remains low.

Factors affecting performance

Major factors that affected Wannon Water's financial performance during the reporting period were:

- the contribution of \$11.9 million of water supply assets from a major energy company on completion of works;
- volumetric revenue increasing significantly on the prior year with an additional 1,050 megalitres in water sales;
- operational expenditure savings of \$1.6 million;
- increased electricity costs of \$0.7 million to meet the increased demand for water; and
- depreciation expense increasing by \$12.2 million due to the asset revaluation process undertaken in 2010/11.

Events subsequent to balance date

At the time of printing this annual report Wannon Water was not aware of any events subsequent to balance date that would significantly impact its operations.

National competition policy

Competitive neutrality seeks to enable fair competition between government and private sector businesses. Any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralised. The National Competition Policy aims to improve the performance of Australian businesses by exposing them, where applicable, to the pressure of competitive markets. The National Competition Policy continues to be implemented, and the principle of competitive neutrality applied, by Wannon Water in its business undertakings.

Future challenges

Wannon Water plans to undertake \$24.26 million of capital works in 2012/13, largely funded through cash flows from operating activities. Wannon Water will refinance maturing borrowings during 2012/13 and, provided there are no extraneous demands on cash, commence reducing borrowings from 2013/14 onwards.

The 2012/13 financial year is the final year in the current regulatory period and will see the completion of several major projects, including the West Portland Sewerage Scheme, Portland Water Reclamation Plant upgrade, Warrnambool brine project and SCADA/Telemetry stage 3 installation.

Strategic objective: maintain financial viability

At Wannon Water we strive to maximise the efficiency of our business by using our initiative, embracing innovation and investing in assets and technology that minimise whole-of-life costs.

Disclosure of major contracts

Wannon Water entered into a contract for the construction of the Portland Water Reclamation Plant upgrade with Stirloch Constructions Pty Ltd for the contract sum of \$11,121,689 during the reporting period.

Consultancies costing less than \$10,000 in 2011/12

Number of consultants	Total cost of engagements
23	\$157,824 (excl. GST)

Consultants costing more than \$10,000 in 2011/12

Consultant	Purpose of consultancy	Total approved project fee (excl. GST) \$'000	Expenditure 2011/12 (excl. GST) \$'000	Future expenditure (excl. GST) \$'000
Andrew Long & Associates	Aboriginal cultural heritage plan	11	11	Nil
Biosis Research Pty Ltd	Waterways assessment	13	13	Nil
Corporate GIS Consultants	GIS strategy	32	32	Nil
Enterprise Knowledge Pty Ltd	Records management	30	30	Nil
Fujitsu Australia Ltd	IT strategy	76	76	Nil
Geoff Nunn & Associates Pty Ltd	Benchmarking survey	20	20	Nil
MPC Services Pty Ltd	Coating survey	23	23	Nil
Nexus Research Pty Ltd	Customer satisfaction survey	25	25	Nil
Odysseus-imc Pty Ltd	Asset management plan	34	34	Nil
Periscope Consulting	Software maintenance	15	15	Nil
RM Consulting Group	Financial modeling	40	40	Nil
Step Two Designs	Intranet project	29	29	Nil
Wallage Executive	Recruitment services	14	14	Nil



Victorian Industry Participation Policy

The *Victorian Industry Participation Policy Act 2003* requires public bodies to report on the implementation of the Victorian Industry Participation Policy (VIPP).

Contracts commenced during 2011/12

Wannon Water commenced four contracts during 2011/12, totaling \$16.24 million, to which the VIPP applied. All contracts were in regional Victoria.

The commitments by the contractors under VIPP included:

- local content contributing 92 per cent of the total value of the contracts;
- 43 full-time equivalent jobs; and
- three apprenticeships/traineeships.

The following benefits to the Victorian economy in terms of skills and technology transfer include:

- construction and commissioning water reclamation plant upgrades;
- skills in earthworks, electrical, structural steel, civil and pipe work;
- health and safety training; and
- plumbing, plant operation and management training.

Contracts completed during 2011/12

No contracts to which VIPP applied were completed during 2011/12.

Capital works program

Wannon Water completed \$19.9 million in capital works in the reporting period to further improve the delivery of water, sewerage and trade waste services and to service growth in south-west Victoria.

Capital works projects greater than \$0.25 million:

Project	2011/12 expenditure (\$ million)
Portland water reclamation plant upgrade	\$5.15
Port Fairy sewer main rehabilitation	\$1.32
Camperdown industrial water reclamation plant upgrade	\$1.13
Stage 3 SCADA upgrade	\$1.02
Reducing water loss in the Otway system	\$0.70
Metering for non-revenue water reduction	\$0.44
Warrnambool brine management project	\$0.62
Dennington trunk sewer replacement	\$0.32
Terang branch main replacement	\$0.32
Mobile information management system	\$0.28

SOCIAL REPORT

**Strategic objective:
deliver customer value**

Social highlights 2011/12:

- High customer satisfaction maintained
- Master Plan developed for future use of Konongwootong Reservoir
- Strong performance against KPIs

Our goal is to deliver long-term value to our customers by supplying water-related products and services that reflect their expectations for quality, reliability and price.

Customer service performance indicators

Wannon Water largely met the targets in the following table for the reporting period. Explanations for those areas not met are provided below.

Key Performance Indicator	Target	2011/12 Actual	Target Achieved	2010/11 Actual
Reliability of water supply system				
Unplanned water supply interruptions (per 100km of water main)	10	5	✓	7
Water response indicators				
Average time to attend Priority 1 bursts and leaks (minutes)	35	17	✓	17
Average time to attend Priority 2 bursts and leaks (minutes)	60	43	✓	22
Average time to attend Priority 3 bursts and leaks (minutes)	240	60	✓	91
Unplanned water supply interruptions restored within 5 hours	97%	98%	✓	98%
Planned water supply interruptions restored within 5 hours	90%	92%	✓	100%
Water interruption time indicators				
Average duration of unplanned water supply interruptions (minutes)	108	89	✓	73
Average duration of planned water supply interruptions (minutes)	180	196	X ¹	113
Average unplanned customer minutes off water supply (minutes)	9.9	2.6	✓	3.2
Average planned customer minutes off water supply (minutes)	9	2	✓	0
Water interruption frequency indicators				
Average frequency of unplanned water supply interruptions	0.09	0.03	✓	0.04
Average frequency of planned water supply interruptions	0.05	0.01	✓	0.00
Reliability of sewerage collection system				
Sewer blockages per 100km of main	38.3	8.3	✓	10.4
Sewer response indicators				
Average time to attend sewer blockage/spill (minutes)	30	96	X ²	21
Average time to rectify a sewer blockage/spill (minutes)	90	163	X ²	80
Sewerage spills contained within 5 hours	98%	100%	✓	100%
Customer service indicators				
Complaints to EWOV (complaints per 1,000 customers)	0.6	1.0	X ³	1.1
Telephone calls answered within 30 seconds	98.9%	99.6%	✓	99.6%

Notes:

1. This indicator was not met due to works in Chesswas Street, Penshurst (November 2011) and Laidlaw Street, Hamilton (December 2011). The scope of these works was unforeseeable and subsequently not able to be completed within the planned timeframe.
2. These indicators were not met due to one event. Wannon Water is commissioning a mobile workforce management system to improve efficiency; however, a single case was not dispatched, leading to a three-day delay in attending a minor sewer blockage which resulted in a minor sewer spill.
3. Complaints to the Energy and Water Ombudsman Victoria (EWOV) exceeded the target due to Wannon Water's proactive investigative and complaints management approach, which includes placing EWOV's contact details on all customer accounts. Monthly analysis of complaints referred to EWOV has not identified any systemic issues requiring specific attention by Wannon Water.

Customer satisfaction

Wannon Water maintained its consistently high customer satisfaction rating during the reporting period. The annual independent customer survey found that 93 per cent of residential customers and 91 per cent of business customers were satisfied or extremely satisfied with Wannon Water's services.

Improving customer services

At Wannon Water we continually strive to improve our services for customers. In 2011/12 we expanded our extensive range of payment options, developing an e-billing function to allow customer accounts to be sent via email. We also redesigned our web site, restructuring the content to better reflect our customers' needs, and introduced online 'Smart Forms' to provide a faster and more convenient customer experience.

Community Service Obligations

The following Community Service Obligation rebates and grants were funded by the State Government. Administration of these schemes was funded and managed by Wannon Water:

Community Service Obligations	2011/12	2010/11	2009/10	2008/09	2007/08
Concession card grants	\$2,581,979	\$2,345,036	\$2,258,560	\$1,906,875	\$1,608,610
Water and sewer rebates for not-for-profit organisations	\$257,211	\$246,233	\$244,139	\$242,156	\$250,186
Utility relief grant schemes	\$52,502	\$48,618	\$68,072	\$22,090	\$16,289
Water usage life machine rebates	\$979	\$1,396	\$1,699	\$993	\$732
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	\$0	\$0	\$0	\$0	\$10,200
Total	\$2,892,671	\$2,641,283	\$2,572,470	\$2,172,114	\$1,886,017

Assisting customers experiencing financial hardship

Wannon Water provides tailored assistance to customers in financial hardship, including:

- encouraging customers receiving Centrelink payments to use the fortnightly Centrepay facility;
- assisting customers to complete government assistance program applications;
- providing information on reducing household water consumption;
- referring customers to a free independent financial counseling service; and
- waiving interest on overdue charges, providing relief for unexpected high water use, installment bonus waiver and reduction in fire service charges for not-for-profit organisations.

Customer assistance	Number of customers 2011/12	Total value 2011/12	Number of customers 2010/11	Total value 2010/11	Number of customers 2009/10	Total value 2009/10	Number of customers 2008/09	Total value 2008/09
High water usage allowances	273	\$138,619	167	\$82,086	114	\$73,203	71	\$36,294
Bonus credit system	516	\$26,202	74	\$2,560	294	\$11,245	37	\$1,475
Debt write-off	101	\$50,708	5	\$5,025	17	\$3,974	18	\$10,210
Fire service not-for-profit hardship rebate	7	\$8,537	7	\$8,537	3	\$1,560	74	\$78,262
Total	897	\$224,066	253	\$98,208	428	\$89,982	200	\$126,241

To assist residential customers we tailored payments on request, including offering installment payment plans for customers who prefer regular payment installments.

Flexible payment arrangements as at 30 June	2011/12	2010/11	2009/10	2008/09	2007/08
Number of customers on installment payment plans	2,028	1,574	1,608	1,516	1,428
Total amount under installment payment arrangements	\$659,490	\$562,801	\$590,977	\$418,239	\$292,696

Provision of water services

Wannon Water provides water services to residential, commercial, large industry and rural customers across 34 customer zones. Growth across our region was one per cent for the reporting period. The majority of these new water connections were recorded in Warrnambool.

City/Town	Residential		Non-residential		Rural	2011/12 Total Water Customers	2010/11 Total Water Customers	% Change
	Connected	Unconnected	Connected	Unconnected				
Allansford	303	10	39	2	7	361	359	1%
Balmoral	104	3	30	2	17	156	156	0%
Balmoral Pipeline	-	-	-	-	2	2	2	0%
Camperdown	1,571	60	210	7	-	1,848	1,849	0%
Camperdown Rural	-	-	-	-	385	385	381	1%
Caramut	53	3	16	-	7	79	80	-1%
Caramut Pipeline	-	-	-	-	12	12	12	0%
Casterton	814	24	153	3	23	1,017	1,021	0%
Cavendish	65	10	24	1	4	104	104	0%
Cobden Rural	-	-	-	-	18	18	18	0%
Cobden Urban	695	26	101	7	86	915	917	0%
Coleraine	513	43	94	4	15	669	667	0%
Coleraine Pipeline	-	-	-	-	3	3	3	0%
Darlington	19	-	3	-	-	22	22	0%
Dartmoor	119	45	17	1	-	182	169	8%
Dunkeld	300	32	52	1	28	413	414	0%
Glenthompson	95	5	27	2	8	137	137	0%
Hamilton	4,662	126	640	21	50	5,499	5,487	0%
Hamilton Pipeline	-	-	-	-	41	41	42	-2%
Heywood	642	24	102	4	7	779	779	0%
Konongwootong Pipeline	-	-	-	-	51	51	52	-2%
Koroit	643	48	56	-	2	749	727	3%
Lismore & Derrinallum	339	53	71	1	75	539	538	0%
Macarthur	138	-	38	1	2	179	179	0%
Merino	124	11	19	2	37	193	193	0%
Mortlake	570	43	113	4	4	734	728	1%
Noorat & Glenormiston	159	2	17	-	75	253	237	7%
North Otway Pipeline	-	-	1	-	447	448	448	0%
Penshurst	256	12	54	2	3	327	326	0%
Peterborough	290	87	15	-	6	398	398	0%
Port Campbell	247	16	43	-	-	306	305	0%
Port Fairy	1,979	139	225	6	2	2,351	2,335	1%
Portland	5,005	364	690	73	6	6,138	6,067	1%
Purnim	-	-	-	-	86	86	84	2%
Sandford	56	2	7	-	27	92	92	0%
Simpson	78	3	19	1	10	111	111	0%
Tarrington	122	4	5	-	17	148	147	1%
Terang	944	13	146	1	1	1,105	1,103	0%
Timboon	409	21	79	-	103	612	605	1%
Tullich Pipeline	-	-	-	-	7	7	7	0%
Warrnambool	13,556	311	1,527	41	29	15,464	15,157	2%
Willaura Pipeline	-	-	-	-	30	30	30	0%
Totals	34,870	1,540	4,633	187	1,733	42,963	42,488	1%



Providing high quality water

Wannon Water maintained its commitment to supplying high quality drinking water to its customers. Our water quality management system was again independently certified through Hazard, Analysis and Critical Control Point (HACCP) and the Department of Health (DoH) water quality risk management plan processes. The HACCP system is adopted from "catchment to tap".

Water quality data is assessed for compliance with the Australian Drinking Water Guidelines 2011 and the Safe Drinking Water Regulations 2005.

In 2011/12 a total of 2,028 water samples were analysed by an independent laboratory certified by the National Association of Testing Authorities.

Drinking water quality

	Actual	Target	Number of samples
E. coli	99.85%	98% ¹	2,028
Aluminium (Acid Soluble)	99.1% ³	100%	216
Treatment by-products	100.0%	100%	1,628
Turbidity (5 NTU, 95% UCL)	100.0%	95% ²	2,028

Notes:

- For E. coli compliance, at least 98% of all samples of drinking water collected within a locality in any 12-month period must contain no E. coli organism/100mL of drinking water. This was achieved in all drinking water localities except Peshurst (96.2%), which was the result of an illegal tank water connection at the sample tap. This connection did not affect any other customers and has been removed from the system.
- For turbidity compliance the 95th upper confidence limit (UCL) of the mean of samples of drinking water collected in a 12-month period must be less than or equal to 5.0 Nephelometric Turbidity Units (NTU). This was achieved in all drinking water localities.
- The Cavendish water supply contains natural levels of aluminium, which caused the non-compliance against the guideline. Consultation has been undertaken with customers and exemption has been sought from the Minister for Health for this natural occurring parameter.

Provision of sewerage services

During the reporting period the number of sewerage connections increased one per cent from the previous year. Similar to new water connections, the majority of new sewerage connections were recorded in Warrnambool.

City/Town	Residential		Non-residential		Trade Waste	2011/12 Total Sewerage Customers	2010/11 Total Sewerage Customers	% Change
	Connected	Unconnected	Connected	Unconnected				
Allansford	250	27	12	3	5	297	295	1%
Camperdown	1,436	108	130	12	54	1,740	1,741	0%
Casterton	691	37	97	6	27	858	863	-1%
Cobden Urban	648	31	58	9	25	771	770	0%
Coleraine	488	50	63	7	19	627	628	0%
Dunkeld	233	40	26	7	8	314	313	0%
Hamilton	4,209	196	416	43	113	4,977	4,970	0%
Heywood	612	40	53	11	28	744	745	0%
Koroit	615	63	29	3	20	730	709	3%
Mortlake	505	52	53	10	21	641	636	1%
Noorat & Glenormiston	2	-	-	-	-	2	2	0%
Peterborough	244	129	5	3	3	384	384	0%
Port Campbell	222	23	16	4	20	285	284	0%
Port Fairy	1,838	187	99	8	65	2,197	2,181	1%
Portland	4,627	448	384	81	221	5,761	5,689	1%
Simpson	66	3	9	-	3	81	81	0%
Terang	856	30	96	1	30	1,013	1,011	0%
Timboon	351	42	50	5	19	467	465	0%
Warrnambool	13,129	587	1,058	58	333	15,165	14,865	2%
Total	31,022	2,093	2,654	271	1,014	37,054	36,632	1%

Wannon Water finalised arrangements for the Dutton Way sewerage scheme, with construction due to commence in 2012/13. This project will see 168 properties connected to the Portland sewerage system via following construction of a low pressure sewerage system in the Dutton Way area. A Victorian Government grant of \$767,443 will be applied to the scheme, capping residential owner scheme contributions at \$800.

Engaging with our community

Wannon Water recognises that engaging, informing, consulting and collaborating with its customers and other stakeholders is pivotal to its core business. As such, we have developed a set of Customer Engagement Guidelines to clearly define our commitment to engagement and to deliver a framework for Wannon Water employees to consult with customers and stakeholders as effectively as possible.

Customer Engagement Committee

Wannon Water's Customer Engagement Committee provided valuable input and assisted Wannon Water in better understanding the needs of its customers and the wider community in 2011/12. With several members reappointed during the reporting period, the committee continues to represent various customer groups, including residential, business and rural customers.

During the reporting period the committee met quarterly. Members reviewed Wannon Water's customer policies, Permanent Water Saving Measures and the 2012-2060 Water Supply Demand Strategy. Consultation with the committee on key proposals for Water Plan 3, including tariff structure, service standards and customer assistance programs, assisted Wannon Water in shaping its Discussion Papers and wider consultation program.

Other customer engagement

Customer consultation is central to the success of Wannon Water's capital works program. Wannon Water worked closely with customers and key stakeholders, providing information and timely updates on key projects to ensure customers' views and expectations were considered and that they were kept informed.

In some instances Wannon Water recognises that the significance and potential customer impacts of a project require more formal and regular consultation. For example:

Cavendish water quality

The Cavendish water supply has levels of natural aluminium above the level stipulated in the Safe Drinking Water Regulations 2005, yet below any health guideline value. Wannon Water consulted the Cavendish community on two options to address this: construction of a water treatment plant to remove the aluminum; or apply to the Department of Health to exclude the parameter from the Safe Drinking Water Regulations in Cavendish. The community overwhelmingly indicated its support for the latter option. Wannon Water has submitted the application and is awaiting a response.

Dutton Way Sewerage Scheme

Following consultation with relevant landowners, Wannon Water resolved to proceed with the Dutton Way Sewerage Scheme. Dutton Way is a priority town for a sewerage scheme under the State Government Country Towns Water Supply and Sewerage Program due to public health and environmental issues associated with the discharge of septic tank effluent.

A Project Monitoring Committee, including landowners and a Glenelg Shire Council representative, continues to assist Wannon Water as the scheme progresses.

Konongwootong Reservoir Master Plan

In Spring 2011 Wannon Water proactively sought stakeholder input to help prepare a draft Master Plan for the future of Konongwootong Reservoir and adjoining land managed by Wannon Water. The aim was to guide actions that offer opportunities for recreation in natural and cultural landscapes, enhance biodiversity values and preserve the reservoir's primary function as a water supply. Further consultation on the draft plan was undertaken in Autumn 2012 before the Master Plan was finalised. The plan has been approved and Wannon Water will establish a Konongwootong Advisory Committee to assist implementing recommendations in the Master Plan.

Protecting cultural heritage

Wannon Water prepared cultural heritage management plans in accordance with the *Aboriginal Heritage Act 2006* for the following projects:

- Konongwootong Reservoir embankment upgrade;
- Portland Water Reclamation Plant upgrade;
- Dutton Way Sewerage Scheme;
- Terang branch water main;
- Camperdown rural water main; and
- Warmambool brine receival facility.

Wannon Water sought input from relevant cultural heritage groups at the outset of these projects to identify cultural heritage needs and expectations. Expert consultants were engaged to undertake cultural heritage surveys to ensure sites of cultural importance were identified and plans put in place to ensure their preservation. Wannon Water liaised closely with the consultant and Registered Aboriginal Party applicants Guditj Mirring Traditional Owners Aboriginal Corporation, Kuuyang Maar Aboriginal Corporation and Ella Maar Aboriginal Corporation.

Wannon Water completed consultation with Guditj Mirring Traditional Owners Aboriginal Corporation and other stakeholders in relation to the long-term master plan for the future of Konongwootong Reservoir and recognition of the Guditjmara people's association with the site.

Strategic objective: grow organisational capability

At Wannon Water we are committed to growing the capability of our organisation by investing in the skills and wellbeing of our employees.

Growing our workforce capability

Wannon Water continues to recruit and retain appropriately skilled, qualified, experienced and responsive employees, resulting in a diverse and flexible workforce capable of meeting our strategic and operational needs.

2012	Full Time	Part Time	Casuals	Total (headcount)	Total (percentage)	FTE
Female	48	14	1	63	29%	58
Male	149	3	2	154	71%	150
Total	197	17	3	217	100%	208

2011	Full Time	Part Time	Casuals	Total (headcount)	Total (percentage)	FTE
Female	43	12	1	56	27%	51
Male	144	4	2	150	73%	146
Total	187	16	3	206	100%	197

Note: FTE refers to full time employee equivalent

In 2011/12, our total workforce was 217 (206 in 2010/11), with growth predominantly in full time roles. The proportion of female employees increased to 29 per cent (27 per cent in 2010/11) and the average age of our employees is 40. Turnover was 7.8 per cent for the reporting period (8.7 per cent in 2010/11).

Wannon Water's Engineering Scholarship program is now in its fourth year and guarantees the availability of graduate civil engineers for our workforce. The scholarship is awarded each year to a student residing in our service area intending to study Civil Engineering and provides financial assistance for study expenses. Following the completion of their tertiary studies, the students enter our graduate engineering rotation program for three years.

Wannon Water also provided tertiary students with opportunities in Finance, Corporate Communications and Electrical Services over their academic breaks.

Wannon Water continued to support trainees in Customer Relations, Systems Operations and Mechanical Trades, providing valuable on-the-job training and experience while employees completed formal qualifications to Certificate levels II & III in relevant disciplines.

Wannon Water values the experience long-standing employees contribute to the business and recognises them through a Service Recognition Program for their contribution to the corporation.

Opportunities for learning & development

Wannon Water's professional development philosophy has fostered positive attitudes towards learning, teamwork and involvement of its managers in training and mentoring. Wannon Water offered a variety of learning and development programs to assist employees realise their full potential, including Post Graduate and Masters studies in Water Resources Management, Engineering, Commerce and Spatial Information. In total, employees spent 15,957 hours (76.72 hours per employee) on learning and development in 2011/12.

Wannon Water also continued supporting local career paths, including the Future Leaders of Industry Program in Portland, the Emerging Technologies Industry Program with Warrnambool College, VCE business students at Warrnambool's King's College and Terang College, and Deakin University research partnerships.

Merit and equity

Wannon Water's values and employment principles are integral to the performance of our workforce. Wannon Water remains committed to the employment and conduct principles outlined by the State Services Authority in accordance with the *Public*

Administration Act 2004. Through its policies and procedures, Wannon Water upholds the principles of equal opportunity, employee diversity and work/life balance.

Principles and conduct

Wannon Water ensures

- 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 are available

Our employees must:

- act with impartiality
- display integrity, including avoiding real or apparent conflicts of interest
- be accountable for actions
- provide responsive service

In 2011/12 there were no incidents or actions reported relating to discrimination at Wannon Water.

Leadership

Wannon Water's vision to be recognised for excellence in integrated water services is driven by its people. Developing and supporting current and future leaders contributes to a sustainable long-term business.

The 34-member Leadership Team strives to build a work culture and environment to help achieve the corporate vision and meaningful goals by inspiring and empowering employees.

In the reporting period Wannon Water's Leadership Charter was updated and the team reviewed the corporate vision, mission and values. Working groups actioned outcomes from the Leadership Development Program, including investigating a mentoring system, implementing a recognition program, improving communications and learning from cross-industry leaders.

Occupational health & safety (OH&S)

Wannon Water's OH&S culture cements a high regard for the health and safety of all employees and contractors involved in our business. Central to this is the link between personal wellbeing and working life via our internal health and wellbeing program.

This proactive program promotes a new health and wellbeing theme every two months, aligning national and workplace events. Each theme incorporates education sessions and activities available to all employees. Themes undertaken during the reporting period included:

- men's health;
- mental health;
- drugs and alcohol;
- cancer awareness;
- heart disease; and
- stress management.



In conjunction with the health and wellbeing program, Wannon Water continued its WorkSafe HomeSafe campaign throughout the reporting period. This campaign personalises OH&S to help key safety messages resonate with all employees. WorkSafe HomeSafe seeks to:

- align OH&S within Wannon Water to a key message;
- be easily recognisable and understandable;
- continually promote Wannon Water's safe work message; and
- link workplace safety to employees' quality of life.

OH&S certification

During the reporting period Wannon Water maintained its OH&S system certification to the AS/NZS 4801 standard following audits by external auditing body SGS. This outcome reinforces Wannon Water's commitment to implementing and maintaining the safest possible work systems.

Improve the capacity of employees to manage OH&S effectively

Wannon Water continues to invest in OH&S training beyond the legislative requirements. Training delivered in 2011/12 included:

- confined space entry;
- train track safety awareness;
- mini excavator;
- driver education training;
- traffic management;
- OHS technical support training for managers;
- manual handling; and
- construction induction.

Performance measures

Wannon Water's key OH&S indicators are aligned with the standards set out in the workplace injury and disease recording standard AS 1885.1—1990. For the reporting period Wannon Water maintained a low occurrence of Lost Time Injuries (LTIs) and Lost Time Injury Frequency Rate (LTIFR).

OH&S Indicators	2011/12	2010/11	2009/10	2008/09	2007/08
Number of Lost Time Injuries (LTI)	3	3	5	6	8
Lost Time Injury Frequency Rate (LTIFR - LTI occurrences per one million hours worked)	9	9	16	20	23
Lost Time Injury Severity Rate	17	7	48	46	9

ENVIRONMENTAL REPORT

Strategic objective: integrated water management

Environmental highlights 2011/12:

- Joint Green Business Award winner
- EPA compliance increased from 89% to 96%
- Expansion of research into aquaculture to improve sewage treatment

Our objective is to supply fit-for-purpose water products now and for the future by developing and implementing integrated solutions using the range of water resources within our region.

During the reporting period we made significant advances to further support liveable and sustainable communities through reducing water losses in our supply system, protecting the health of our waterways, revegetating and managing weeds on our land, and increasing the use of recycled water.

Wannon Water also received local and national recognition for its environmental achievements, being named joint winner of the Green Business Award at the 2011 Warrnambool Business Excellence Awards, and a finalist in the national ENVIRO Innovation in Sustainability Award for the Roof Water Harvesting Project. The mastermind behind the Roof Water Harvesting concept, Peter Wilson, also won the savewater!® Australian Achiever Award.

Environmental flows

Bulk entitlements

Wannon Water complied with its passing flow obligations in according with its bulk entitlements, the legal rights to water granted by the Minister for Water under the *Water Act 1989*. Bulk entitlements are commonly held by water corporations to:

- provide a clearly defined property right to water;
- provide flexibility to manage water within the entitlement;
- provide a basis for sharing limited water resources, protecting the entitlements of other users and protecting in-stream values;
- facilitate water trading between user groups to ensure appropriate redistribution over time to finite water resources; and
- allow specific entitlements for environmental purposes.

Wannon Water operates under seven surface water bulk entitlements, each of which contains provisions on minimum passing flows and maximum daily extractions from waterways. Wannon Water achieved 100 per cent compliance with these requirements in 2011/12.

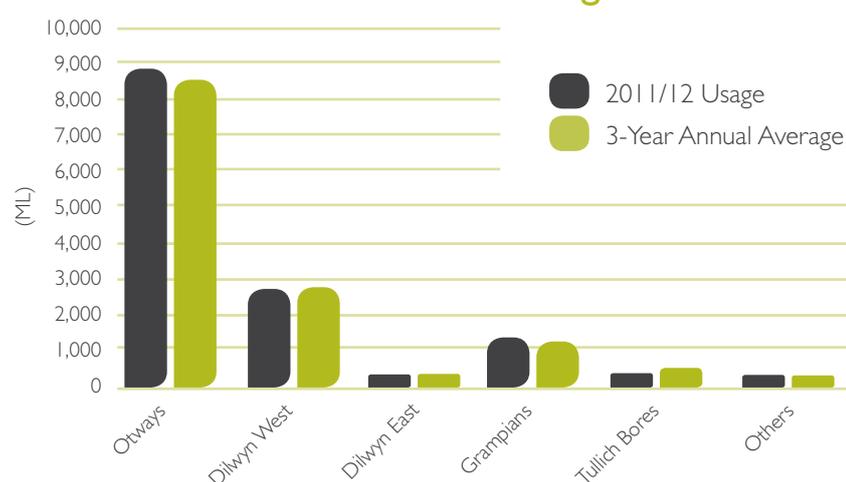
The total volume of water harvested under bulk entitlements increased in 2011/12 primarily due to Wannon Water capitalising on the high summer rainfall and increased stream flows during the year to replenish water storages, particularly in Hamilton.

In April 2012 a new bulk entitlement (Willaura System Conversion Order 2012) was secured for water traditionally extracted under an agreement with GWM Water, as identified in our Water Supply Demand Strategy. The bulk entitlement allows a total of 58 megalitres to be extracted each year.

In July 2012 the Minister for Water approved Wannon Water's bulk water metering program.

Summary of bulk entitlement	Volume of entitlement (ML)	Volume extracted 2011/12 (ML)	Bulk entitlement used in 2011/12 (%)	Water in storage on 30 June 2012
Otway System Conversion Order	12,580	9,685.52	77.0	1,985
Hamilton Conversion Order	3,435	1,284.76	37.4	2,174.6
Coleraine, Casterton & Sandford Conversion Order	855	104.21	12.2	694.8
Dunkeld Conversion Order	170	0.03	0.02	92.6
Glenthompson Conversion Order	94	21.48	22.8	80.7
Wimmera and Glenelg Rivers - Wannon Water Order 2010	2,120	112.9	5.3	N/A
Willaura System Conversion Order 2012	58	17.6* (of which 2.8 ML was sourced from 3 May 2012 to 30 June 2012)	30.3%	N/A

Bulk Water Usage



The volume of non-revenue water for 2011/12 was 2,243.9 megalitres, which represents 16.4 per cent of total bulk water. During the reporting period, Wannon Water installed a new monitoring system to improve water main leak detection and response times in the Otway system, which could potentially save up to 730 million litres of drinking water annually.

For more details see page 8.

Bulk Entitlement (Otway System) Conversion Order 1998

12.1(e) - approval, amendment and implementation of programs and proposals under clauses 8,9 and 11	Programs and proposals implemented
12.1(f) - volume taken 2011/12	9,685.5 ML
12.1(g) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
12.1(h) - any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system	Nil
12.1(i) - any amendment to this bulk entitlement	Nil
12.1(j) - any new bulk entitlement granted to the corporation with respect to the system	Nil
12.1(k) - any failure by the corporation to comply with any provision of this bulk entitlement	Nil
12.1(l) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

Bulk Entitlement (Hamilton) Conversion Order 1997

12.1(d) - approval, amendment and implementation of programs and proposals under clauses 8,9 and 11	Programs and proposals implemented
12.1(e) - volume taken 2011/12	1,284.8 ML
12.1(f) - the amount in, credited to and taken from the drought reserve	520 ML in drought reserve; no water credited to or taken
12.1(g) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
12.1(h) - any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system	Nil
12.1(i) - any amendment to this bulk entitlement	Nil
12.1(j) - any new bulk entitlement granted to the corporation with respect to the system	Nil
12.1(k) - any failure by the corporation to comply with any provision of this bulk entitlement	Nil
12.1(l) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

Bulk Entitlement (Dunkeld System) Conversion Order 1997

13.1(b) – water level and storage volume at 30 June 2012	216.90m AHD - 92.6 ML
13.1(c) - volume taken 2011/12	0.03 ML
13.1(d) - approval, amendment and implementation of programs and proposals under clauses 10, 11 and 12	Programs and proposals implemented
13.1(e) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
13.1(f) - any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system	Nil
13.1(g) - any amendment to this bulk entitlement	Nil
13.1(h) - any new bulk entitlement granted to the corporation with respect to the system	Nil
13.1(i) - any failure by the corporation to comply with any provision of this bulk entitlement	Nil
13.1(j) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

Bulk Entitlement (Glenthompson) Conversion Order 1997

13.1(b) – water level and storage volume at 30 June 2012 Glenthompson Reservoir Railway Reservoir	307.98m AHD - 60.0 ML 294.45m AHD - 20.7 ML
13.1(c) - volume taken 2011/12	21.48 ML
13.1(d) - approval, amendment and implementation of programs and proposals under clauses 10, 11 and 12	Programs and proposals implemented
13.1(e) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
13.1(f) - any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system	Nil
13.1(g) - any amendment to this bulk entitlement	Nil
13.1(h) - any new bulk entitlement granted to the corporation with respect to the system	Nil
13.1(i) - any failure by the corporation to comply with any provision of this bulk entitlement	Nil
13.1(j) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

Bulk Entitlement (Coleraine, Casterton and Sandford) Conversion Order 1997

13.1(b) – water level and storage volume at 30 June 2012	272.8m AHD – 694.8 ML
13.1(c) - volume taken 2011/12	104.2 ML
13.1(d) - approval, amendment and implementation of programs and proposals under clauses 10, 11 and 12	Programs and proposals implemented
13.1(e) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
13.1(f) - any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system	Nil
13.1(g) - any amendment to this bulk entitlement	Nil
13.1(h) - any new bulk entitlement granted to the corporation with respect to the system	Nil
13.1(i) - any failure by the corporation to comply with any provision of this bulk entitlement	Nil
13.1(j) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

Bulk Entitlement (Wimmera and Glenelg Rivers – Wannon Water) Order 2010

13.1(b) – volume taken at each of the off-take points for 2011/12	67.1 ML to Hamilton Pipeline; 45.7 ML to Balmoral
13.1(c) – volume and location of any water taken under this bulk entitlement at any other works of Wannon Water	Nil
13.1(d) – final allocation to Wannon Water for the year under this Order	2,120 ML
13.1(e) – approval, amendment and implementation of the metering program under sub clause 12.4	Programs and proposals implemented
13.1(f) – any temporary or permanent transfer of all or part of this bulk entitlement	Nil
13.1(g) – any bulk entitlement, licence or water right temporarily or permanently transferred to Wannon Water supply systems under this Order	Nil
13.1(h) – any amendment to this bulk entitlement	Nil
13.1(i) – any new bulk entitlement granted to Wannon Water with respect to the Wannon Water supply system under this Order	Nil
13.1(j) – any failure by the corporation to comply with any provision of this bulk entitlement	Nil
13.1(k) – any difficulties experienced or anticipated by the corporation in complying with this Order and any remedial action taken or proposed	Nil

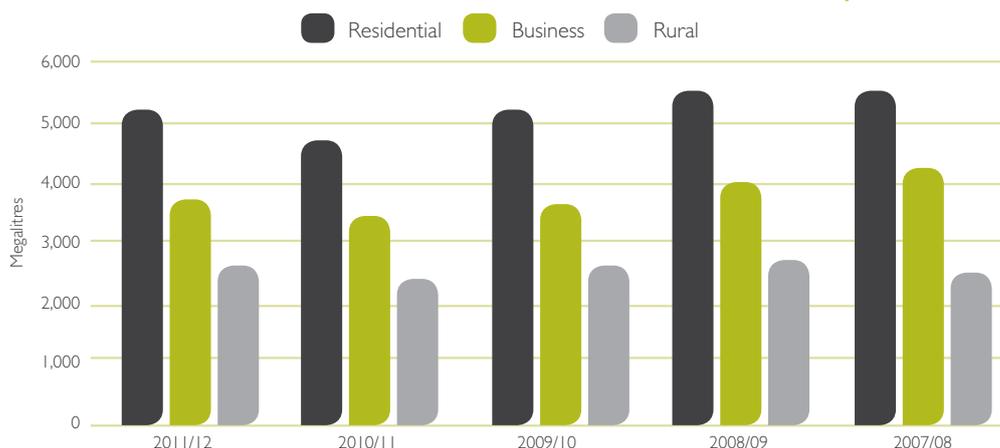
Bulk Entitlement (Willaura System - Wannon Water) Conversion Order 2012

10.1(b) – annual amount of water taken under this entitlement for 2011/12	2.8 ML* from 3 May 2012 to 30 June 2012 under this entitlement (Total annual volume is 17.6 ML)
10.1(c) – approval, amendment and implementation of the metering program approved under sub clause 9.4	An updated metering program is being developed to include this bulk entitlement
10.1(d) – any temporary or permanent transfer of all or part of this bulk entitlement	Nil
10.1(e) – any bulk entitlement, licence or water right, temporarily or permanently transferred to Wannon Water for the Willaura supply system	This bulk entitlement came into effect 3 May 2012
10.1(f) – any amendment to this bulk entitlement	Nil
10.1(g) – any new bulk entitlement granted to Wannon Water with respect to the Willaura System	This bulk entitlement came into effect 3 May 2012
10.1(h) – any failure by Wannon Water to comply with any provision of this Order	Nil
10.1(i) – any existing or anticipated difficulties experienced by Wannon Water in complying with this Order and any remedial action taken or proposed by Wannon Water	Nil

Water consumption

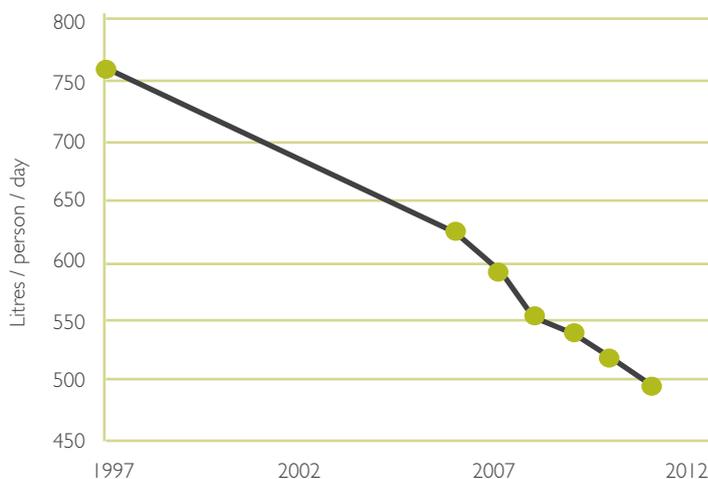
Total water consumption increased by 9.5 per cent in the reporting period, from 10,410 megalitres in 2010/11 to 11,402 megalitres in 2011/12. Consumption increased by 11.1 per cent for residential customers, 8.0 per cent for business customers and 8.7 per cent for rural customers.

Residential, business and rural customer water consumption



Wannon Water's blueprint for supplying water to the growing South West Victorian community – the Water Supply Demand Strategy – assessed water demand and potential new water sources to meet the future needs of our communities for 50 years. The demand management program implemented by Wannon Water has effectively encouraged consumers to be more water efficient, resulting in a 30 per cent reduction in total per capita consumption five years ahead of schedule.

Average consumption per person



During the reporting period Wannon Water reviewed and updated the strategy with input from the community, releasing the Water Supply Demand Strategy 2012-2060 in March 2012. A snapshot of the revised strategy shows:

- regional water supplies are reliable beyond 2060;
- alternative Water Atlases, mapping recycled water use and other potential water sources, have been produced for Warrnambool and Hamilton;
- Hamilton's water supply is secure following completion of the Hamilton-Grampians Pipeline in 2010;
- Wannon Water aims to reduce leakage by the equivalent of 200 Olympic swimming pools annually by 2018; and
- annual Water Security Outlooks are included for the first time.

Water treatment plant volumes (megalitres)

Plant	2011/12 Volume (ML)	Change (%)	2010/11 Volume (ML)	Change (%)	2009/10 Volume (ML)	Change (%)	2008/09 Volume (ML)	Change (%)	2007/08 Volume (ML)	Change (%)
Balmoral	44	45%	30	-30%	43	-15%	51	15%	44	6%
Casterton	397	8%	368	-28%	514	31%	393	-2%	402	-9%
Cobden	739	17%	633	-9%	697	-4%	722	-2%	736	-16%
Donalds Hill (Camperdown)	1,201	0%	1,199	3%	1,162	-6%	1,242	-1%	1,258	-10%
Glenthompson	21	-1%	21	2%	21	42%	15	4%	14	18%
Hamilton	1,298	10%	1,184	1%	1,170	-5%	1,232	-5%	1,299	4%
Port Campbell	313	3%	305	-14%	355	27%	280	-2%	284	-13%
Simpson	105	8%	97	0%	97	-15%	114	-11%	128	-18%
Terang	506	16%	437	-18%	536	-5%	567	12%	504	-10%
Warrnambool	4,738	14%	4,172	-12%	4,715	-3%	4,839	0%	4,852	-7%
Port Fairy	652	-2%	665	-12%	757	-5%	794	-4%	826	-2%
Portland	1,648	-2%	1,678	-7%	1,797	-15%	2,121	-3%	2,175	-3%
Heywood	149	-1%	150	-12%	171	-1%	173	-8%	189	-15%
Totals	11,811	8%	10,939	-9%	12,035	-4%	12,543	-1%	12,713	-7%

Water consumption by town/city (megalitres)

City/Town	Residential		Non-residential		Rural customers		Total Consumption		3-year average annual consumption
	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	
Allansford	303	51.2	39	41.3	7	18.0	349	110.5	103.9
Balmoral	104	13.8	30	8.6	17	9.6	151	32.0	31.9
Balmoral Pipeline	-	-	-	-	2	4.8	2	4.8	3.3
Camperdown	1,571	236.2	210	110.6	-	-	1,781	346.7	313.9
Camperdown Rural	-	-	-	-	385	593.5	385	593.5	577.7
Caramut	53	8.4	16	3.1	7	2.5	76	14.0	16.2
Caramut Pipeline	-	-	-	-	12	3.6	12	3.6	3.0
Casterton	814	113.1	153	50.9	23	7.5	990	171.4	183.2
Cavendish	65	7.9	24	2.1	4	0.7	93	10.7	9.9
Cobden Rural	-	-	-	-	18	20.3	18	20.3	22.5
Cobden Urban	695	115.0	101	347.2	86	123.8	882	586.1	591.7
Coleraine	513	59.9	94	21.7	15	9.3	622	90.9	89.3
Coleraine Pipeline	-	-	-	-	3	0.2	3	0.2	0.0
Darlington	19	2.0	3	0.3	-	-	22	2.3	1.7
Dartmoor	119	11.7	17	1.6	-	-	136	13.3	15.5
Dunkeld	300	49.9	52	15.9	28	10.5	380	76.3	52.9
Glenthompson	95	8.3	27	5.5	8	1.0	130	14.8	10.9
Hamilton	4,662	699.7	640	227.8	50	36.3	5,352	963.8	902.7
Hamilton Pipeline	-	-	-	-	41	16.3	41	16.3	19.7
Heywood	642	92.6	102	29.2	7	2.7	751	124.5	135.8
Konongwootong Pipeline	-	-	-	-	51	46.0	51	46.0	44.4
Koroit	643	94.9	56	68.9	2	1.9	701	165.7	164.3
Lismore & Derrinallum	339	44.0	71	15.9	75	54.6	485	114.5	104.9
Macarthur	138	14.1	38	4.1	2	1.3	178	19.5	18.5
Merino	124	17.1	19	4.8	37	16.1	180	37.9	36.9
Mortlake	570	76.3	113	43.0	4	3.7	687	123.0	107.5
Noorat & Glenormiston	159	27.1	17	39.5	75	57.3	251	123.9	126.5
North Otway Pipeline	-	-	1	11.5	447	1339.7	448	1,371.5	1,351.2
Penshurst	256	38.8	54	11.1	3	0.4	313	50.2	58.7
Peterborough	290	19.6	15	8.0	6	4.8	311	32.4	44.8
Port Campbell	247	24.9	43	31.1	-	-	290	55.9	60.2
Port Fairy	1,979	257.9	225	325.0	2	0.2	2,206	583.1	599.5
Portland	5,005	735.3	690	710.5	6	1.0	5,701	1,446.8	1,544.2
Purnim	-	-	-	-	86	15.2	86	15.2	13.1
Sandford	56	8.3	7	2.3	27	8.2	90	18.8	21.9
Simpson	78	11.9	19	55.4	10	13.7	107	81.0	92.1
Tarrington	122	20.6	5	2.1	17	5.2	144	27.9	27.1
Terang	944	145.9	146	54.4	1	7.5	1,091	207.9	203.8
Timboon	409	57.0	79	41.5	103	79.0	591	177.6	165.4
Tullich Pipeline	-	-	-	-	7	1.6	7	1.6	1.3
Warrnambool	13,556	2,106.4	1,527	1,380.4	29	22.6	15,112	3,509.4	3,414.1
Willaura Pipeline	-	-	-	-	30	16.7	30	16.7	19.7
Totals	34,870	5,170	4,633	3,675	1,733	2,557	41,236	11,402	11,318

Water consumption by system (megalitres)

System/District	2011/12 Volume (ML)	Change (%)	2010/11 Volume (ML)	Change (%)	2009/10 Volume (ML)	Change (%)	2008/09 Volume (ML)	Change (%)	2007/08 Volume (ML)	Change (%)
East Dilwyn	265.9	9%	245.0	-16%	293.1	7%	272.8	0%	273.1	-15%
Grampians	1,163.2	18%	983.0	-10%	1,090.4	-6%	1,161.1	-7%	1,242.3	-8%
Other	135.6	26%	107.7	-30%	154.7	-6%	165.3	-5%	173.7	22%
Otway	7,348.9	9%	6,730.1	-7%	7,220.7	-6%	7,647.4	1%	7,552.2	-8%
Tullich	320.7	27%	252.7	-29%	356.8	-8%	388.3	-6%	415.0	-17%
West Dilwyn	2,167.7	4%	2,091.9	-8%	2,286.1	-9%	2,507.2	1%	2,487.7	-6%
Totals	11,402	10%	10,410	-9%	11,402	-6%	12,142	-8%	13,198	-9%

SUSTAINABLE WATER USE

Wannon Water office water consumption

Wannon Water office water consumption decreased by 303 kilolitres (38 per cent) from the prior year, primarily due to reduced water use at the Gateway Road office. Prior to relocation to the Gateway Road office in November 2010, water use across the various Warrnambool offices was 3,759 litres per day. This has reduced significantly to 680 litres per day following occupation of the Gateway Road office:

Metered water use (kilolitres)

Town	Address	2011/12	2010/11	2009/10	2008/09	2007/08	No staff	Kilolitres per full time equivalent staff member	Litres per square metre of office space
Warrnambool	25 Gateway Road	249	547	1,114	1,144	904	117	2.1	71
Portland	15 Townsend Street	197	158	157	154	91	9	21.9	413
Hamilton	66 Gray Street	46	90	93	52	39	11	4.2	75
Totals		492	795	1,364	1,350	1034	137	3.6	106

Major customers' water use

Wannon Water reports on the volume of water used by major non-residential water users in accordance with section 122ZJ of the *Water Act 1989*.

Customers by volume range

Volume – ML per year	No. customers 2011/12	No. customers 2010/11	No. customers 2009/10	No. customers 2008/09	No. customers 2007/08
200ML to 300ML	1	2	1	0	0
300ML to 400ML	1	1	2	3	2
400ML to 500ML	1	1	1	0	2
500ML to 750 ML	1	1	1	2	1
750ML to 1,000ML	0	0	0	0	0
Greater than 1,000ML	0	0	0	0	0
Total no. of customers	4	5	5	5	5

Major customers' participation in water conservation programs

All major customers of Wannon Water have developed water conservation programs.

Customers by volume range

Name of customer	Location of customer	Participation in water conservation program
Warrnambool Cheese & Butter*	Allansford	Yes
Fonterra Milk Australia Pty Ltd	Warrnambool	Yes
Alcoa Portland Aluminum Pty Ltd	Portland	Yes
Fonterra Australia Limited	Cobden	Yes

*Warrnambool Cheese & Butter is supplied with non-potable water.



Western Region Sustainable Water Strategy

The Western Region Sustainable Water Strategy was published by the Victorian Government in November 2011. The strategy addresses pressures on water resources, including climate change and land use change, and aims to provide security for urban and rural water users, rivers and aquifers over a 50-year planning horizon.

A key task for Wannon Water arising from this strategy is to improve environmental flows in the Gellibrand River (Action 7.3). Wannon Water is working with the Corangamite Catchment Management Authority to assess options for improving low summer flows in the Gellibrand River. The assessment is expected to be completed by 2014.

Permanent Water Saving Measures and water restrictions

Permanent Water Saving Measures apply for all customers in Wannon Water's service area. No higher level water restrictions were applied during the reporting period and Wannon Water implemented its new Permanent Water Saving Plan.

Regional Catchment Management Strategy

The Regional Catchment Management Strategies of the Corangamite and Glenelg Hopkins Catchment Management Authorities (CMAs) provide the primary planning framework for land, water and biodiversity management across Wannon Water's service area. Wannon Water, through its Water Supply Demand Strategy and active contribution to the Western Region Sustainable Water Strategy, continues to be a significant contributor to regional water management outcomes.

Wannon Water also undertook a range of biodiversity and land management actions during the year that contribute to regional and state biodiversity outcomes. Wannon Water is actively participating in the development of new Regional Catchment Management Strategies due for release in 2012/13.

Victorian Biodiversity Strategy

Wannon Water continued to deliver outcomes on its land base that support the Victorian Biodiversity Strategy, including preparing, establishing or maintaining revegetation works at Portland, Dartmoor, Peterborough, and Casterton, and follow-up programs for weed control and river protection at Heywood.

Wannon Water has identified priority sites through its Biodiversity and Land Management Strategy and is completing works in partnership with local agencies and contractors, including the Glenelg Hopkins and Corangamite CMAs. Wannon Water also manages a range of farms that integrate recycled water with agricultural production. Ongoing soil and

groundwater management programs are in place to ensure these farms are managed for sustainable production.

Wannon Water has also commenced a one-year project to better understand the flora and fauna at the Dunkeld Water Reclamation Plant. The site supports over 25 hectares of remnant Plains Grassy Woodland, regarded endangered in the Victorian Volcanic Plains Bioregion, and is listed as a site of biodiversity significance by the Department of Sustainability and Environment. The native vegetation has high conservation significance and provides habitat for three rare or threatened species: Plump Swamp Wallaby Grass, Striped Legless Lizard and the Growling Grass Frog.

Victorian River Health Strategy

Wannon Water has a five-year partnership with the Corangamite CMA to improve the water quality and waterway health within the Gellibrand River Special Water Supply Catchments. During the reporting period Wannon Water continued to contribute to on-ground projects that have achieved the following improvements to the Gellibrand River and tributaries since the partnership commenced in 2008/09:

- river health projects covering over 130 hectares;
- around 70 hectares of riparian buffer strips established;
- willows removed from around 100 kilometres of river banks; and
- four fishways constructed to reinstate fish movement between the estuary and upper catchment.

Recycling water

Wannon Water continues to implement recycled water projects, transforming a once low-value product into a beneficial resource. Recycled water is routinely used for agricultural, recreational and industrial purposes, including the process water for the Mortlake Power Station which commenced operation during the reporting period.

During the reporting period, Wannon Water established a Recycled Resources unit, integrating responsibility for recycled water and biosolids reuse and is exploring opportunities to improve the efficiency of existing reuse operations, as well as identifying new customers and markets.

The total volume of water reuse for non-drinking purposes in 2011/12 was 1,249 megalitres, an increase of 477 megalitres since 2010/11. The majority of the recycled water was used for agriculture over the summer irrigation period.

Recycled water use increased from 6.9 per cent to 12.5 per cent. Construction and maintenance activities, infrastructure issues and the large volumes of recycled water already in winter storage from the previous year limited further recycled water use during the year.

Treating sewage and trade waste

Sewage and trade waste is treated at Wannan Water's water reclamation plants and is governed by a corporate licence issued by the Environment Protection Authority (EPA).

Wannan Water's overall compliance with its EPA corporate licence increased substantially from 89 per cent in 2010/11 to 96 per cent in 2011/12. Factors leading to this result included:

- treated effluent discharged/reused from 16 plants fully complied with EPA corporate licence requirements; and
- three plants did not achieve 100 per cent compliance with corporate licence requirements due to organic overloading and under design.

During the reporting period Wannan Water finalised its proactive program to sign approximately 1,000 minor trade

waste customers to new agreements to protect the sewerage system and the environment. The program aims to ensure these customers have appropriate equipment in place to capture fats and oils leaving their premises.

Wannan Water also expanded its innovative research into using aquaculture to improve the sewage treatment process. Trials in Hamilton have shown that goldfish thrive on consuming and removing nutrients and sludge from sewage. This has the potential to aid the treatment of sewage, reduce carbon emissions and cut operating costs. The potential for goldfish to assist the sewage treatment process at other Wannan Water reclamation plants is now being explored.

For a further breakdown of sewage treatment and compliance with the corporate licence at each water reclamation plant, see page 72.

Water reclamation plant - treated effluent volumes (megalitres)

Plant	2011/12 Volume (ML)	Change (%)	2010/11 Volume (ML)	Change (%)	2009/10 Volume (ML)	Change (%)	2008/09 Volume (ML)	Change (%)	2007/08 Volume (ML)	Change (%)
Camperdown Domestic	371	-46%	693	65%	420	8%	388	-2%	396	37%
Camperdown Industrial	26	-14%	30	17%	26	-28%	36	13%	32	-18%
Casterton	96	-61%	247	6%	233	0%	234	-3%	242	13%
Cobden	170	-34%	256	20%	214	13%	189	6%	178	10%
Coleraine	72	-17%	87	41%	61	-1%	62	-7%	67	3%
Dunkeld	35	-16%	41	18%	35	4%	34	-13%	39	22%
Hamilton	1,013	-19%	1,251	14%	1,094	11%	987	31%	756	-6%
Heywood	344	-11%	387	12%	346	13%	305	-13%	350	54%
Mortlake	116	-27%	159	22%	130	9%	120	8%	111	16%
Peterborough	24	-28%	33	-30%	48	241%	14	0%	-	0%
Port Campbell	57	6%	54	-8%	59	13%	52	-5%	55	-2%
Portland	1,425	2%	1,403	14%	1,235	7%	1,155	-30%	1,645	46%
Port Fairy Domestic	859	7%	805	4%	777	4%	747	1%	742	19%
Port Fairy Industrial	169	-16%	201	1%	200	31%	153	-5%	161	-2%
Simpson	22	-45%	40	57%	25	20%	21	-13%	24	71%
Terang	210	-40%	351	47%	239	6%	226	2%	222	21%
Timboon	57	-17%	69	17%	59	6%	56	0%	56	0%
Warrnambool	4,909	-7%	5,277	13%	4,676	10%	4,251	-1%	4,287	2%
Totals	9,975	-12%	11,385	15%	9,878	9%	9,030	-4%	9,363	12%

Producing and reusing biosolids

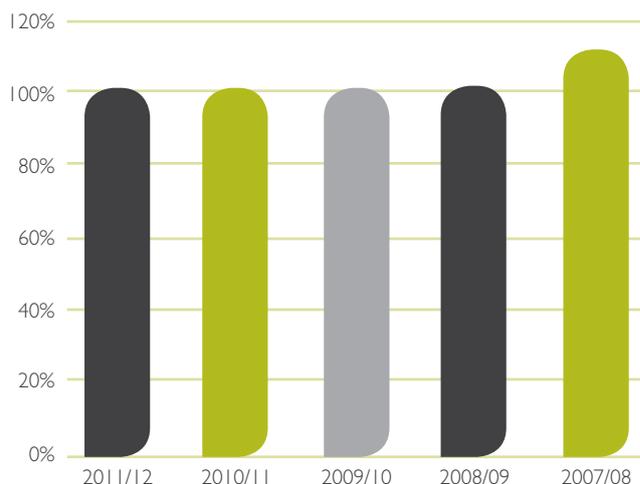
Biosolids are nutrient-rich organic material processed from treated sewage sludge (the solid components of sewage removed during treatment). The sludge is generated as a by-product of the sewage treatment process.

Sludge produced at Warmambool and Port Fairy domestic water reclamation plants was transported to the biosolids treatment facility at Camperdown where the sludge was dried and composted into biosolids for reuse on farms in the surrounding area.

In 2011/12:

- Wannon Water reused 100 per cent of its available biosolids by applying 1,372 dry tonnes to land as a soil conditioner;
- all of the sludge generated at the Port Fairy Industrial Water Reclamation Plant (339 dry tonnes) was transported for reuse in Mount Gambier;
- sludge generated at other plants was stockpiled on site for future processing into biosolids; and
- Wannon Water, in partnership with the Smart Water Fund, RMIT University and Gippsland Water, commenced research to provide data on the microbial safety and nutrient status of biosolids produced by lagoon-based systems. The research will influence a revision of the Victorian EPA Biosolids Land Application Guidelines for Environmental Management.

Percentage of biosolids reuse



For a breakdown of biosolids reuse and production at each water reclamation plant, see page 74.

Greenhouse gas emissions

Wannon Water produced 33,753 tonnes of greenhouse gas emissions during the reporting period, maintaining our 10 per cent greenhouse reduction target compared to the 2006/07 base year.

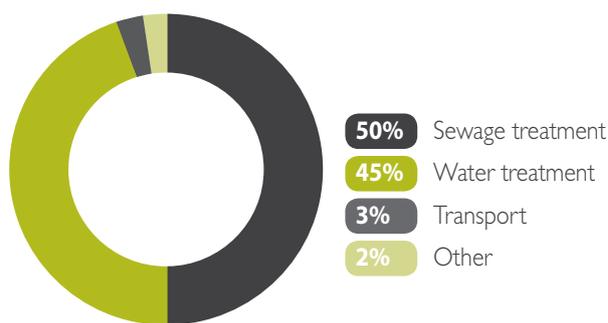
Wannon Water recorded reductions in sewage treatment and office emissions.

Wannon Water's vehicle fleet reduced our overall emissions through increased use of fuel-efficient vehicles. However, the slight increase in transport emissions is due to a revised calculation methodology, which now includes 100 per cent of commercial vehicle use.

The largest contributor to our increased emissions profile was the transfer of water from the Otway Catchment. Dry summer conditions in 2011/12 increased demand for water,

necessitating additional pumping from the North and South Otway pump stations.

Wannon Water is actively pursuing energy efficiencies and has commenced a major energy data mapping project to assess energy use across the business.



Emission by activity	t CO ₂ -e 2011/12	t CO ₂ -e 2010/11	t CO ₂ -e 2009/10	t CO ₂ -e 2008/09	t CO ₂ -e 2007/08
Water treatment	15,271	9,923	12,946	15,247	13,526
Sewage treatment	16,984	17,178	18,053	24,280	22,851
Transport	829	801	864	849	987
Other (inc. office energy use)	668	676	459	520	484
Reductions/Offsets	0	0	-1,588	-1,844	-
Total	33,753	28,578	30,734	39,052	37,848

GENERAL INFORMATION

Whistleblowers protection

The *Whistleblowers Protection Act 2001* is designed to protect people who disclose information about serious wrongdoing within the Victorian Public Sector and to provide a framework for the investigation of these matters.

There were no disclosures under the Act in 2011/12.

The Protected Disclosure Coordinator for Wannon Water is its internal auditor, who acts as an agent for Wannon Water to receive disclosures under the Whistleblowers Protection Act 2001 and applies departmental procedures in managing disclosures. Disclosures may also be made directly to the Ombudsman. The contact details for the Protected Disclosure Coordinator are:

Warwick Spargo

Level 8, Rialto South Tower

525 Collins Street, Melbourne, Victoria, 3000

Telephone: (03) 9286 1824

Mobile: 0438 385 132

Email: warwick.spargo@rsmi.com.au

Or

Scott Campbell

Level 8, Rialto South Tower

525 Collins Street, Melbourne, Victoria, 3000

Telephone: (03) 9286 1828

Mobile: 0409 210 490

Email: scott.campbell@rsmi.com.au

Wannon Water's full Whistleblowers Protection Policy is detailed in Appendix 1 of this report.

Freedom of information

The *Freedom of Information Act 1982* provides persons with a right of access to documents held by Wannon Water, subject to certain exemptions.

Wannon Water received two applications under the Act in 2011/12. Both requests related to business matters and Wannon Water supplied the requested information on both occasions.

Applications for access to information under the *Freedom of Information Act 1982* must be made in writing, addressed to:

Steven Kearns

Freedom of Information Manager

Wannon Water

PO Box 1158

Warrnambool Vic 3280

The request should describe the documents to which access is sought and include an application fee of \$25.10 (further charges may apply). Fees and charges levied under the *Freedom of Information Act 1982* are not subject to GST.

Availability of other information

Information relevant to the following areas listed under the *Financial Management Act 1994* is available on request from any Wannon Water office, subject to the provisions of the *Freedom of Information Act 1982*, the *Water Act 1989* and the *Information Privacy Act 2000*:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers;
- details of shares held by a senior officer as nominee, or held beneficially in a statutory authority or subsidiary;
- details of publications produced by the agency about itself, and how these can be obtained;
- details of changes in prices, fees, charges, rates and levies charged by the entity;
- details of any major external reviews carried out on the entity;
- details of major research and development activities undertaken by the entity;
- details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit;
- details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services;
- details of assessments and measures undertaken to improve the occupational health and safety of employees;
- a general statement on industrial relations within the entity, and details of time lost through industrial accidents and disputes;
- a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved; and
- details of all consultancies and contractors, including:
 - consultants/contractors engaged;
 - services provided; and
 - expenditure committed to for each engagement.

Wannon Water provides free access to a comprehensive range of information on its web site, www.wannonwater.com.au.

Building Act 1993

Wannon Water complied with the building and maintenance provisions of the *Building Act 1993*.

Attestation on compliance with the Australian/New Zealand Risk Management Standard

I, John Vogels, certify that the Wannon Region Water Corporation has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard AS/NZS ISO 31000:2009 (or its successor) and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures.

The Audit and Risk Management Committee verifies this assurance and that the risk profile of the Wannon Region Water Corporation has been critically reviewed within the last 12 months.



John Vogels
Chairman
Wannon Water

21 August 2012

FINANCIAL STATEMENTS

CONTENTS

Comprehensive Operating Statement	38
Balance Sheet	39
Statement of Changes in Equity	40
Cash Flow Statement	41
Notes to the Financial Report	42
Note 1 – Accounting policies	42
Note 2 – Financial risk management objectives and policies	50
Note 3 – Critical accounting estimates and judgements	52
Note 4 – Revenue and expense disclosures	52
Note 5 – Income tax	54
Note 6 – Cash and cash equivalents	55
Note 7 – Receivables	55
Note 8 – Inventories	56
Note 9 – Prepayments	56
Note 10 – Assets classified as held for sale	56
Note 11 – Property, plant and equipment	57
Note 12 – Intangible assets	58
Note 13 – Payables	59
Note 14 – Interest bearing liabilities	59
Note 15 – Employee benefits	60
Note 16 – Contributed capital	61
Note 17 – Reserves	61
Note 18 – Accumulated funds	61
Note 19 – Financial instruments	62
Note 20 – Commitments	63
Note 21 – Contingent liabilities and contingent assets	63
Note 22 – Superannuation	63
Note 23 – Responsible persons and executive office disclosures	64
Note 24 – Reconciliation of profit/(loss) for the period after related income tax to net cash flows from operating activities	66
Note 25 – Ex Gratia Payments	66
Note 26 – Remuneration of Auditors	66
Note 27 – Events occurring after the balance sheet date	66
Certification	67
Auditor-General's Report	68

COMPREHENSIVE OPERATING STATEMENT

For the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Revenue	1(d)		
Service charges	4(a)	31,897	27,508
Usage charges	4(a)	27,889	23,007
Interest	4(a)	178	262
Developer and customer contributions	4(a)	12,730	802
Assets received free of charge or for nominal consideration	4(a)	1,664	1,381
Government grants and contributions	4(a)	621	674
Other income	4(a)	5,049	4,876
Total Revenue		80,028	58,510
Expenses			
Employee benefits	1(e), 4(c)	(17,922)	(15,188)
Depreciation	1(e), 4(c)	(24,974)	(12,866)
Amortisation	1(e), 4(c)	(471)	(351)
Supplies and services	4(c)	(21,196)	(18,658)
Borrowing costs	1(e), 4(c)	(5,873)	(5,854)
Net loss on disposal of non financial assets	1(d), 4(b)	(3,112)	(2,112)
Net loss on revaluation of land & buildings	4(c)	-	(490)
Environmental contribution	1(e)	(1,569)	(1,569)
Total Expenses		(75,117)	(57,088)
Net result before tax		4,911	1,422
Income tax (expense) / revenue	5(a)	(1,170)	183
Net result for the period		3,741	1,605
Other comprehensive income			
Net gain on revaluation of property, plant & equipment	17	-	2,064
Comprehensive result		3,741	3,669

The above Comprehensive Operating Statement 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	I (f), 6	24	1,064
Receivables	I (f), 7	14,730	12,005
Inventories	I (f), 8	606	612
Prepayments	I (f), 9	626	754
Assets classified as held for sale	I (f), 10	263	-
Total current assets		16,249	14,435
Non-current assets			
Receivables	I (f), 7	15,660	5,048
Property, plant and equipment	I (f), 11	553,287	550,575
Intangible assets	I (f), 12	7,235	5,105
Total non-current assets		576,182	560,728
TOTAL ASSETS		592,431	575,163
LIABILITIES			
Current liabilities			
Payables	I (g), 13	5,393	4,969
Interest bearing liabilities	I (g), 14	10,700	8,113
Employee benefits	I (g), 15	2,960	2,537
Total current liabilities		19,053	15,619
Non-current liabilities			
Payables	I (g), 13	1,458	-
Interest bearing liabilities	I (g), 14	78,770	72,280
Employee benefits	I (g), 15	769	613
Deferred tax liabilities	I (j), 5(d)	35,076	33,905
Total non-current liabilities		116,073	106,798
TOTAL LIABILITIES		135,126	122,417
NET ASSETS		457,305	452,746
Equity			
Contributed Capital	I (h), 16	441,165	440,347
Reserves	17	11,744	11,857
Accumulated funds	18	4,396	542
TOTAL EQUITY		457,305	452,746

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		439,579	9,793	(1,063)	448,309
Total comprehensive income for the year as reported in the 2011 financial report		-	2,064	1,605	3,669
Transactions with the State in its capacity as owner:					
Contributions by owners	16	768	-	-	768
Balance at 30 June 2011		440,347	11,857	542	452,746
Total comprehensive income for the period		-	-	3,741	3,741
Transfer to accumulated funds on disposal		-	(113)	113	-
Transactions with the State in its capacity as owner:					
Contributions by owners					
Grant - Warrnambool Roof Water Harvesting Project	16	476	-	-	476
Grant - Small Towns Water Quality Fund	16	342	-	-	342
Balance at 30 June 2012		441,165	11,744	4,396	457,305

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		61,084	53,479
GST recovered		4,781	3,482
Capital grants received		621	421
Capital charges received		1,175	1,901
		67,661	59,283
Payments			
Payments to suppliers and employees		(35,900)	(35,674)
GST paid		(4,895)	(3,715)
Interest and other costs of finance paid		(5,851)	(5,780)
Environmental contributions		(1,569)	(1,569)
		(48,215)	(46,738)
Net cash inflow from operating activities	24	19,446	12,545
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(30,820)	(17,070)
Proceeds from sale of infrastructure, property, plant and equipment		440	3,029
Net cash (outflow) from investing activities		(30,380)	(14,041)
Cash flows from financing activities			
Proceeds from borrowings		15,151	11,700
Repayment of borrowings		(6,075)	(10,702)
Proceeds from contributions by owners		818	767
Net cash inflow from financing activities		9,894	1,765
Net increase/(decrease) in cash and cash equivalents		(1,040)	269
Cash and cash equivalents at start of the financial year		1,064	795
Cash and cash equivalents at the end of the financial year	6(a)	24	1,064
Financing arrangements	14		

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Note I. Accounting policies

(a) Basis of Accounting

General

The financial report includes separate financial statements for Wannon Region Water Corporation as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS's), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. Wannon Region Water Corporation is a not-for-profit entity for the purpose of preparing the financial statements.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

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

Accounting policies

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

Functional and presentation currency

Items included in this financial report are measured using the currency of the primary economic environment in which Wannon Region Water Corporation operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Wannon Region Water Corporation'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 in the next twelve months, being the Corporation's operating cycle. See Note I(g) for a variation in relation to employee benefits.

Rounding

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

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 AAS's requires the use of certain 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.

Financial Statement Presentation

Wannon Water has applied the revised AASB 101 *Presentation of Financial Statements* which became effective for reporting periods beginning on or after 1 July 2011, and AASB 1054 *Australian Additional Disclosures* which became effective for reporting periods beginning on or after 1 July 2011.

(b) Changes in accounting policy

The accounting policies are consistent with those of the previous year.

(c) Comparative amounts

No reclassification was made to comparative amounts.

(d) Revenue

Service and usage charges

Tariff and service charges are recognised as revenue when levied or determined. Trade waste charges are recognised as revenue at the end of the service delivery period. Volume meters are read and appropriate charges levied as per trade waste agreements. The meters are read on a monthly basis with accounts sent on a quarterly basis.

Water usage charges by measure are recognised as revenue when the water is provided. Meter reading is undertaken progressively during the year. An estimation, calculated by multiplying the number of days since the last reading by the customer's average service usage, is made at the end of each accounting period in respect of meters which have not been read at balance date.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note I. Accounting policies (continued)

(d) Revenue (continued)

Interest

Interest income is recognised using the effective interest rate method.

Developer contributions / Fees paid by developers

Water infrastructure assets built by developers in new land subdivisions that on completion are provided to the Corporation, or fees paid by developers to connect new developments to the Corporation's existing water supply and sewerage systems, are recognised as revenue when the contributions are received.

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 *Contributions*, whichever is the sooner, and disclosed in the comprehensive operating statement as government grants and 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 - Contributions by owners.

Sale of assets

The profit or loss on sale of an asset is determined when control has passed to the buyer. In accounting for the sale of non-current assets, gross proceeds from the sales are deducted from the total cost of assets sold and decommissioned to determine a result which is included in the statement of comprehensive income.

(e) Expenses

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

Depreciation and amortisation of non-current assets

All non-current physical assets that have a limited useful life are depreciated. Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

Depreciation is calculated using the straight line method to allocate their cost 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.

Intangible assets with finite useful lives are amortised as an expense on a straight line basis commencing from the time the asset is available for use. The amortisation periods are reviewed and adjusted if appropriate at each balance sheet date. All intangible assets are assessed for impairment annually as outlined in Note I (f).

Major depreciation periods used are listed below and are consistent with the prior year, unless otherwise stated.

Asset Class	Period	Asset Class	Period
Bores	40 years	Buildings	80 years
Electrical	15 - 25 years	Furniture and fittings	5 - 20 years
Lagoons	80 years	Manholes	80 years
Mechanical	20 - 25 years	Meters	15 - 20 years
Pipes	80 - 100 years	Plant, equipment & motor vehicles	8 - 20 years
Pumps	15 - 40 years	Reservoirs	100 years
Service basins	100 years	Tanks	40 - 80 years
Towers	50 - 80 years		

Repairs and maintenance

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

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs include interest on short-term and long-term borrowings and financial accommodation levy.

Note I. Accounting policies (continued)

(e) Expenses (continued)

Environmental contributions

The *Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by the water supply authorities. The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each Corporation. The contribution period has been extended to cover the period 1 July 2012 until 30 June 2016.

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

The environmental contributions are disclosed separately within the comprehensive operating statement.

(f) Assets

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in values.

Receivables

Trade receivables are recognised initially at amounts due, less an allowance for impaired receivables. Trade receivables are due for settlement no more than 28 days from the date of recognition for water utility debtors, and no more than 30 days for other debtors.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance for impaired receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. The amounts credited to the allowance are recognised as an expense in the comprehensive operating statement.

Inventories

Inventories comprise stores and materials used 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 first in, first out basis.

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.

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 the Corporation in its operations. Items with a cost or value in excess of \$1,000 and a useful life of more than one year or are considered to be an attractive item are recognised as an asset. All other assets acquired are expensed.

Assets acquired at no cost, or for nominal consideration by the Corporation, are recognised at their fair value at the date of acquisition.

Measurement of non-current physical assets

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

Revaluations are conducted in accordance with FRD 103D. Scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to 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 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.

Plant, equipment and motor vehicles are measured at cost. Managements assessment is that depreciated cost approximates fair value.

For the plant, equipment and vehicles asset class, where the Corporation 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note I. Accounting policies (continued)

(f) Assets (continued)

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 in accordance with FRD 103D. 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 fair value assessment for water infrastructure in the prior period was undertaken with involvement from the Valuer General of Victoria (VGV) and under the instructions of the 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 are provided in Note 11.

Revaluation of non-current physical assets

Revaluation increments are credited directly to equity in the revaluation reserve surplus/(deficit), 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 net result, the increment is recognised as revenue in determining the net result.

Revaluation decrements are recognised immediately as an expense 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.

Impairment of assets

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

- Inventories
- Deferred tax assets
- Financial instrument assets; and,
- Non-current assets held for sale

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying amount exceeds its recoverable amount, the difference is written off by a charge to the comprehensive operating statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to the 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. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. 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.

An impairment loss on a revalued asset is recognised directly against the revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount of the revaluation reserve for that same class of asset.

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 comprehensive operating statement.

Assets classified as held for sale

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

Note I. Accounting policies (continued)

(f) Assets (continued)

Intangibles

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

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

	Bulk Water Entitlement	Software Costs
Useful lives	Indefinite	Finite
Amortisation method used	Not amortised or revalued	4 years - Straight line
Internally generated / Acquired	Acquired	Acquired
Impairment test / Recoverable amount testing	Annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year end. Reviewed annually for indicators of impairment

(g) Liabilities

Payables

Payables consist predominantly of trade and sundry creditors. These amounts represent liabilities for goods and services provided to the Corporation prior to the end of the financial year, which are unpaid at financial year end. These amounts are unsecured and are usually paid within 30 days of recognition. Payables are initially recognised at fair value, being the cost of goods and services, and subsequently measured at amortised cost.

Interest bearing liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the comprehensive operating statement over the period of the borrowings, using the effective interest method.

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

Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in employee benefit liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, at their nominal values. Employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the entity, in respect of services rendered by employees up to the reporting date. Regardless of the expected timing of settlements, liabilities 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, as per the Wannon Water EBA Agreement 2010) is disclosed as a current liability even where the Corporation 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 the Corporation does not expect to settle within 12 months
- Nominal value - component that the Corporation expects to settle within 12 months

Non-Current Liability - conditional LSL (representing less than 7 years of continuous service, as per the Wannon Water EBA Agreement 2010) 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.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note I. Accounting policies (continued)

(g) Liabilities (continued)

Superannuation

The amount charged to the comprehensive operating statement in respect of superannuation represents the contributions made by the Corporation to the superannuation plan in respect to the current services of entity staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

Employee benefit on-costs

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

(h) Equity

Contributed capital

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners. Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

(i) Financial instruments

Recognition

Financial instruments are initially measured at fair value, plus in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or the issue of the financial asset or liability.

Subsequent to initial recognition, the financial instruments are measured as set out below.

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 trade and other receivables and other receivables in the balance sheet. Loans and receivables are recorded at amortised cost less impairment.

Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired.

(j) Taxation

The Corporation is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

The Corporation's deferred tax liabilities exceed the level of deferred tax assets and therefore a net deferred tax liability has been disclosed in the balance sheet.

(k) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 20) at their nominal value and inclusive of the goods and services tax (GST) payable.

These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(l) 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 21), and if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

Note 1. Accounting policies (continued)

(m) Dividend policy

The Corporation is required to pay a dividend in accordance with the 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 the Treasurer, and a formal determination is made by the Treasurer. The Corporation's preliminary estimate for the reporting period is \$Nil.

(n) 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 Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

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

(o) New Accounting Standards and Interpretations issued that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2012 reporting period. As at 30 June 2012, the following standards and interpretations had been issued but were not mandatory for the financial year ending 30 June 2012. The Corporation 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 Corporations 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. The entity has not yet decided when to adopt AASB 9.	1 January 2013	The entity is yet to assess its full impact. However, initial indications are that it may affect the entity'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 1053 Application of Tiers of Australian Accounting Standard, AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements, AASB 2011-2 Amendments to Australian Accounting Standards arising from the Tans-Tasman Convergence Project - 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. <i>Tier 1 are the Australian Accounting Standards as currently applied and Tier 2 is the reduced disclosure regime which retains the recognition and measurement requirements of Australian Accounting Standards but with reduced disclosure requirements.</i>	1 January 2013	The impact of this standard will depend on instructions provided by DTF on its applicability to the entity. The entity 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	The entity is yet to assess its full impact. The entity will apply amended standard from 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note I. Accounting policies (continued)

(o) New Accounting Standards and Interpretations issued that are not yet effective (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on Corporations financial statements
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 (removed 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	The entity is yet to assess its full impact. The entity will apply amended standard from 1 January 2013.
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	The entity will apply the amendment from 1 July 2012. It is 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 the entity.
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 changes to the Manual and improve related disclosures. Applicable only to not-for-profit entities and/or public sector entities.	1 July 2012	The entity will apply the amended standard from 1 July 2012. When the amendments are applied, the group 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 Corporation Act 2001. The amendments cannot be adopted early.	1 July 2013	This amendment is expected to have a limited 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	The entity will apply this amendment from 1 July 2012. This will only have an impact on disclosure and presentation.
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.

Note 2: Financial risk management objectives and policies

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

The Corporation's Board has the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. The Corporation 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 risks and ageing analysis for credit risk.

Risk management is carried out by the Audit and Risk Management Committee under policies approved by the Board. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

An effective framework is in place to adequately assess, monitor, manage and report, the significant financial risks to which the Corporation is exposed to as a result of, and in the course of its activities and responsibilities.

The main risks the Corporation is exposed to through its financial instruments are as follows:

(a) Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Corporation's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk, there is insignificant exposure to foreign exchange risk and insignificant exposure to other price risk.

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

(i) Interest rate risk

The Corporation's exposure to market interest rates relates primarily to the Corporation's long term borrowings.

The Corporation minimises its exposure to interest rate changes on its long term borrowings by holding fixed rate debt. Debt is sourced from Treasury Corporation of Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly.

In accordance with Wannon Water's Treasury Management Policy, floating debt is limited to less than 20% of the total borrowing portfolio. This debt is restricted to short term borrowings, which limits the exposure to interest rate risk further. The Corporation has minimal exposure to interest rate risk through its holding of cash assets and other financial assets.

(ii) Foreign exchange risk

The Corporation has limited exposure to changes in the foreign exchange rate. Borrowings are not conducted in foreign currencies. Wannon Water transacts in foreign currencies only in rare instances and for small dollar value transactions, therefore the associated risk is minimal.

In managing foreign currency risk, Wannon Water generally uses forward exchange contracts to hedge its foreign currency risk in respect of purchases.

(iii) Other price risk

The Corporation has no significant exposure to other price risk.

Market risk sensitivity analysis

Cash flow sensitivity analysis for variable rate instruments

A change of 1% in interest rates constantly applied during the reporting period would increase (decrease) equity and profit by the amounts shown below. This analysis assumes that all other variables remain constant. It has taken into consideration past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets. The Corporation believes that a movement of 1% in interest rates is reasonable over the next 12 months.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note 2: Financial risk management objectives and policies (continued)

Market risk sensitivity analysis (continued)

The following table summarises the impact of increases/decreases of the relevant interest rates on the Corporation's post-tax profit for the year and equity.

30 June 2012	Carrying Amount \$'000	INTEREST RATE RISK			
		Result \$'000	-1% Equity \$'000	+1% Result \$'000	Equity \$'000
Financial assets					
Cash and cash equivalents	22	(4)	(4)	4	4
Receivables	21,329	-	-	-	-
Financial liabilities					
Payables	6,815	-	-	-	-
Interest bearing liabilities	89,470	13	13	(13)	(13)
Total increase / (decrease)		9	9	(9)	(9)

30 June 2011	Carrying Amount \$'000	INTEREST RATE RISK			
		Result \$'000	-1% Equity \$'000	+1% Result \$'000	Equity \$'000
Financial assets					
Cash and cash equivalents	1,064	(15)	(15)	15	15
Receivables	9,683	-	-	-	-
Financial liabilities					
Payables	5,272	-	-	-	-
Interest bearing liabilities	80,393	16	16	(16)	(16)
Total increase / (decrease)		1	1	(1)	(1)

(b) Credit risk

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

The Corporation's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Receivable balances are monitored on an on-going basis to ensure that exposure to bad debts is not significant. The Corporation has in place a policy and procedure for the collection of overdue receivables.

An analysis of the ageing of the Corporation's receivables at reporting date has been provided in Note 7.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation'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.

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continually monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

To manage liquidity risk Wannon Water has in place an ability to access funds via overnight notifications to Treasury Corporation of Victoria in accordance with the Treasurer's borrowing approval limits. Under the State of Victoria's centralised borrowing arrangement, Treasury Corporation of Victoria has assumed responsibility for securing adequate access to global financial markets. Thus, the liquidity risk faced by Wannon Water is commensurate with the liquidity risk of the State of Victoria, which is not considered significant.

The Corporation's financial liability maturities have been disclosed on Note 19.

(d) Fair value measurements

The carrying amounts of trade receivables and payables are assumed to approximate their fair value due to their short-term nature.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments. The fair value of current borrowings approximate the carrying amount, as the impact of discounting is not significant.

The carrying amount and aggregate net fair values of financial assets and financial liabilities at balance date have been provided in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There were no estimates or assumptions made that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Note 4. Revenue and expense disclosures

(a) Revenues	2012	2011
	\$'000	\$'000
Service charges		
Water	9,422	8,328
Sewer	22,475	19,180
Total service charges	31,897	27,508
Usage charges		
Water	21,638	17,222
Trade Waste	6,251	5,785
Total usage charges	27,889	23,007
Interest		
Interest on bank deposits	24	34
Income from investments	10	82
Other	144	146
Total interest	178	262
Developer and customer contributions		
Fees paid by developers and customers	12,730	802
Total developer and customer contributions	12,730	802
Assets received free of charge or for nominal consideration		
Assets received free of charge from developers	1,664	1,381
Total assets received free of charge or for nominal consideration	1,664	1,381
Government grants and contributions		
Government contributions	621	674
Total government grants and contributions	621	674
Other income		
Rental	325	279
Cost recoveries	1,157	1,916
Information statements	287	298
Connection and inspection fees	467	464
Miscellaneous	2,813	1,919
Total other revenue	5,049	4,876

NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note 4. Revenue and expense disclosures (continued)

	2012 \$'000	2011 \$'000
(b) Net gain / (loss) on disposal of non-current assets		
Cost of assets disposed		
Infrastructure	(3,083)	(3,095)
Land	-	(775)
Buildings	-	(828)
Office equipment	(122)	(74)
Motor vehicles	(347)	(372)
Total written down value of assets disposed	(3,552)	(5,144)
Proceeds of assets disposed		
Motor vehicle trade ins	438	374
Other asset sales	2	2,658
Total proceeds of asset disposed	440	3,032
Net gain/ (loss) on disposal of non current assets	(3,112)	(2,112)
(c) Expenses		
Employee benefits expense		
Salaries and wages	(13,396)	(12,457)
Annual leave	(1,084)	(945)
Long service leave	(754)	(406)
Employer superannuation contributions	(1,100)	(998)
Defined benefit superannuation	(1,588)	(382)
Total employee benefits expense	(17,922)	(15,188)
Depreciation		
Land improvements	(14)	(8)
Buildings	(499)	(261)
Infrastructure	(22,164)	(10,917)
Other equipment	(2,297)	(1,680)
Total depreciation	(24,974)	(12,866)
Amortisation		
Intangible assets - computer software	(471)	(351)
Total amortisation	(471)	(351)
Supplies and services		
Chemicals	(865)	(841)
Consultancies and contractors	(9,645)	(8,505)
Electricity	(2,832)	(2,505)
Other goods and services	(7,854)	(6,807)
Total supplies and services	(21,196)	(18,658)
Borrowing costs		
Interest on loans - other institutions	(3)	(4)
Interest on loans - TCV	(5,065)	(5,094)
Financial Accommodation Levy	(805)	(756)
Total borrowing costs	(5,873)	(5,854)
Net loss on revaluation of land & buildings		
Net loss on revaluation of land	-	(487)
Net loss on revaluation of buildings	-	(3)
Total net loss on revaluation of land & buildings	-	(490)

Note 5. Income tax

(a) Reconciliation of income tax to prima facie tax payable

The income tax expense for the financial year differs from the amount calculated on the net result. The differences are reconciled as follows:

	2012 \$'000	2011 \$'000
Net result before income tax expense	4,911	1,422
Income tax calculated @ 30% (2011: 30%)	1,473	427
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Balancing deduction on disposal of fixed assets - tax	(307)	(143)
Non-deductible expenses	4	3
Capital investment allowance one-off deduction	-	(470)
Income tax as reported in the statement of comprehensive income	1,170	(183)

(b) Deferred tax assets

The balance comprises temporary differences attributable to:
Amounts recognised in the statement of comprehensive income

Prior and current tax losses	41,466	40,410
Provisions and accrued expenditure not deductible	1,792	1,104
	43,258	41,514
Movement		
Opening balance 1 July	41,514	37,818
Annual movement	1,744	3,696
Closing balance 30 June	43,258	41,514

(c) Deferred tax liabilities

The balance comprises temporary differences attributable to:
Amounts recognised in the statement of comprehensive income

Depreciation and revaluation	(75,616)	(73,208)
Other	(2,718)	(2,211)
	(78,334)	(75,419)
Movement		
Opening balance 1 July	(75,419)	(71,023)
Annual movement	(2,915)	(4,396)
Closing balance 30 June	(78,334)	(75,419)

(d) Net deferred tax liabilities

Deferred tax assets	43,258	41,514
Deferred tax liabilities	(78,334)	(75,419)
Net deferred tax liabilities	(35,076)	(33,905)



NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note 6. Cash and cash equivalents

	2012 \$'000	2011 \$'000
Cash on hand	2	2
Cash at bank	22	1,062
	24	1,064
(a) Reconciliation to cash as at the end of year		
The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:		
Balance as above	24	1,064
Balances as per cash flow statement	24	1,064

Note 7. Receivables

Current

Tariffs and charges	3,131	2,653
Accrued tariffs and charges	9,061	7,370
Less: Provision for impaired receivables	(62)	(55)
	12,130	9,968
Amounts owing from the Victorian Government Schemes/ Receivables	129	148
	53	68
	182	216
Other receivables	1,898	1,413
GST receivable	520	408
	2,418	1,821
Total current receivables	14,730	12,005
Non-current		
Schemes / Receivables	89	275
Other receivables	15,571	4,773
Total non-current receivables	15,660	5,048
Total receivables	30,390	17,053

(a) Provision for impaired receivables

As at 30 June 2012, current receivables of the Corporation with a nominal value of \$62,401 (2011: \$54,895) were impaired. The amount of the provision is \$62,401 (2011: \$54,895). The individually impaired receivables mainly relate to customers who are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of these receivables is as follows:

1 to 3 months	9	4
3 to 6 months	19	12
Over 6 months	34	39
	62	55

NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note 7. Receivables (continued)

Movements in the provision for impaired receivables are as follows:

	2012 \$'000	2011 \$'000
As at 1 July	55	52
Provision for impairment recognised during the year	88	55
Receivables written off during the year as uncollectible	(81)	(52)
	62	55

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

(b) Past due but not impaired trade receivables

As of 30 June 2012, trade receivables of \$1,632,090 (2011: \$1,494,995) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

1 to 3 months	717	655
3 to 6 months	461	339
Over 6 months	454	501
	1,632	1,495

The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

Note 8. Inventories

Current

Stores and consumables - at cost

Total inventories

606	612
606	612

Note 9. Prepayments

Current

Prepaid expenses

Total other assets

626	754
626	754

Note 10. Assets classified as held for sale

Freehold land held for sale

Other assets held for sale

Total other assets

175	-
88	-
263	-

NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note 11. Property, plant and equipment

	2012 \$'000	2011 \$'000
(a) Classes of property, plant and equipment		
Land		
Freehold - at fair value	26,843	27,018
Crown - at fair value	146	146
Land improvements - at fair value	530	530
Less accumulated depreciation	(22)	(8)
	27,497	27,686
Buildings		
At fair value	30,980	31,090
Less accumulated depreciation	(8,208)	(7,974)
	22,772	23,116
Water Infrastructure		
At cost	13,521	-
At fair value	558,628	591,892
Less accumulated depreciation	(275,527)	(280,702)
	296,622	311,190
Sewer Infrastructure		
At cost	11,112	-
At fair value	346,557	319,225
Less accumulated depreciation	(177,789)	(152,097)
	179,880	167,128
Plant & equipment (including motor vehicles)		
At cost	16,377	15,339
Less accumulated depreciation	(7,362)	(5,957)
	9,015	9,382
Under construction - at cost		
	17,501	12,073
Total property plant and equipment		
	553,287	550,575

An independent valuation of Wannon Water's property, plant and equipment was performed by agents of the Valuer-General Victoria to determine the fair value of land, buildings and infrastructure. The valuations conform to Australian Valuation Standards and Australian Accounting Standards.

The effective date of the valuation is 30 June 2011.

Land was valued by Egan National Valuers (Vic). Fair value was determined as the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. Where there is no evidence of fair value because of the specialised nature of the asset, depreciated replacement cost (DRC) was used. DRC is the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. An allowance was made, for the continued use as a special purpose asset for the fulfilment of community service obligations.

Buildings were valued by Egan National Valuers (Vic). Fair value was determined using the depreciated replacement cost method, with current replacement cost taking into consideration the continued use as a special purpose asset for the fulfilment of community service obligations.

Buildings related to water and sewer infrastructure were valued by AECOM. Fair value was determined using the depreciated replacement cost method, with current replacement cost determined based on the optimum equivalent.

Infrastructure assets were independently valued at 30 June 2011 by the Valuer General of Victoria (using AECOM). The valuation methodology used was depreciated replacement costs using a Greenfields approach for assessing costs and only included assets that were constructed before 1 July 2010.

Cost models were built based on actual construction information complimented by a variety of information sources including capacity, height, material type, length and depth that could be applied broadly across the range of assets in each category.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note 11. Property, plant and equipment (continued)

(b) Movements during the reporting period

2011-12	Land \$'000	Buildings \$'000	Infrastructure \$'000	Plant & Equipment \$'000	In the course of construction \$'000	Total \$'000
Opening WDV at 1 July 2011	27,686	23,116	478,318	9,382	12,073	550,575
Additions	-	243	18,697	2,112	11,706	32,758
Revaluations	-	-	-	-	-	-
Disposals	-	-	(3,081)	(469)	-	(3,550)
Transfers between categories	-	-	4,732	287	(6,278)	(1,259)
Transferred to assets classified as held for sale	(175)	(88)	-	-	-	(263)
Depreciation expense	(14)	(499)	(22,164)	(2,297)	-	(24,974)
Closing WDV at 30 June 2012	27,497	22,772	476,502	9,015	17,501	553,287

2010-11	Land \$'000	Buildings \$'000	Infrastructure \$'000	Plant & Equipment \$'000	In the course of construction \$'000	Total \$'000
Opening WDV at 1 July 2010	39,433	13,328	444,543	7,233	44,274	548,811
Additions	613	5,016	5,108	1,841	6,211	18,789
Revaluations	(12,352)	(2,128)	16,938	-	-	2,458
Disposals	-	(29)	(2,130)	(446)	-	(2,605)
Transfers between categories	-	7,190	24,779	2,434	(38,412)	(4,009)
Depreciation expense	(8)	(261)	(10,920)	(1,680)	-	(12,869)
Closing WDV at 30 June 2011	27,686	23,116	478,318	9,382	12,073	550,575

Note 12. Intangible assets

(a) Classes of intangibles

Computer software at cost
Less: Accumulated amortisation

Bulk water entitlement

Total intangibles

2012 \$'000	2011 \$'000
4,191	2,340
(1,706)	(1,235)
2,485	1,105
4,750	4,000
7,235	5,105

NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note 12. Intangible assets (continued)

(b) Movements during the reporting period

2011-12

Opening WDV at 1 July 2011

Additions

Amortisation expense

Closing WDV at 30 June 2012

Software	Bulk Water Entitlement	Total
\$'000	\$'000	\$'000
1,105	4,000	5,105
1,851	750	2,601
(471)	-	(471)
2,485	4,750	7,235

2010-11

Opening WDV at 1 July 2010

Additions

Amortisation expense

Closing WDV as at 30 June 11

Software	Bulk Water Entitlement	Total
\$'000	\$'000	\$'000
831	-	831
625	4,000	4,625
(351)	-	(351)
1,105	4,000	5,105

Note 13. Payables

Current

Trade creditors

Accrued loan interest

Contract deposits

Income received in advance

Total current payables

Non-Current

Trade creditors

Total non-current payables

Total Payables

Sensitivity analysis

For an analysis of the sensitivity of payables to interest rate risk refer to note 2.

2012 \$'000	2011 \$'000
5,129	4,268
36	41
89	118
139	542
5,393	4,969
1,458	-
1,458	-
6,851	4,969

Note 14. Interest bearing liabilities

Current

Secured

Bank loans

TCV loans

Total current interest bearing liabilities

Non-current

Secured

Bank loans

TCV loans

Total non-current interest bearing liabilities

12	17
10,688	8,096
10,700	8,113
9	20
78,761	72,260
78,770	72,280

Security over borrowings

Borrowings are secured over the future tariff revenue of Wannon Region Water Corporation.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note 14. Interest bearing liabilities (continued)

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

Credit standby arrangements

Total facilities

Bank overdraft

Total facilities

Unused at balance date

Bank overdraft

Total unused at balance date

The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

The interest rate at 30 June 2012 was 6.17% (2011: 9.30%) on the overdraft facility.

Risk exposures

The exposure of the Corporation's borrowings to interest rate changes and the contractual repricing dates at the balance dates are as follows:

6 months or less

6 - 12 months

1 - 5 years

Over 5 years

Current borrowings

Non-current borrowings

For analysis of the sensitivity of the borrowings to interest rate risk refer to note 2.

Note 15. Employee benefits

Current

Annual leave

Long service leave - unconditional short term - measured at nominal value

Long service leave - unconditional long term - measured at present value

Other leave

Total current

Non-current

Long service leave - conditional

Total non-current

Aggregate carrying amount of provisions

Current

Non-current

Total provisions

	2012 \$'000	2011 \$'000
Financing arrangements		
Unrestricted access was available at the reporting date to the following lines of credit:		
Credit standby arrangements		
Total facilities		
Bank overdraft	250	250
Total facilities	250	250
Unused at balance date		
Bank overdraft	250	250
Total unused at balance date	250	250
The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.		
The interest rate at 30 June 2012 was 6.17% (2011: 9.30%) on the overdraft facility.		
Risk exposures		
The exposure of the Corporation's borrowings to interest rate changes and the contractual repricing dates at the balance dates are as follows:		
6 months or less	10,192	2,321
6 - 12 months	1	5,792
1 - 5 years	40,793	53,071
Over 5 years	38,484	19,209
	89,470	80,393
Current borrowings	10,700	8,113
Non-current borrowings	78,770	72,280
	89,470	80,393
For analysis of the sensitivity of the borrowings to interest rate risk refer to note 2.		
Note 15. Employee benefits		
Current		
Annual leave	910	826
Long service leave - unconditional short term - measured at nominal value	202	155
Long service leave - unconditional long term - measured at present value	1,789	1,506
Other leave	59	50
Total current	2,960	2,537
Non-current		
Long service leave - conditional	769	613
Total non-current	769	613
Aggregate carrying amount of provisions		
Current	2,960	2,537
Non-current	769	613
Total provisions	3,729	3,150

NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note 15. Employee benefits (continued)

Employee numbers

Employee numbers at end of financial year

As explained in note 1 (g), some amounts for long service leave are measured at their present values. The following assumptions were adopted in measuring present value of long service leave entitlements:

Weighted average increase in employee costs

Weighted average discount rates

Weighted average settlement period (years from 30 June)

2012 No.	2011 No.
217	206
4.31%	4.60%
3.06%	5.28%
6.36	6.27

Note 16. Contributed capital

Opening balance at 1 July

Capital transactions with the State in its capacity as owner arising from:

Grant - West Portland Sewerage Scheme

Grant - Warrnambool Roof Water Harvesting Project

Grant - Small Towns Water Quality Fund

Closing balance at 30 June

2012 \$'000	2011 \$'000
440,347	439,579
-	768
476	-
342	-
441,165	440,347

Note 17. Reserves

Asset revaluation reserve surplus/(deficit)

Movements in reserves

Land revaluation reserve surplus/(deficit)

Balance 1 July

Revaluation decrement on non-current assets, net of tax effect

Balance 30 June

Building revaluation reserve surplus/(deficit)

Balance 1 July

Revaluation decrement on non-current assets, net of tax effect

Balance 30 June

Infrastructure revaluation reserve surplus/(deficit)

Balance 1 July

Revaluation increment on non-current assets, net of tax effect

Transfer to accumulated funds

Balance 30 June

11,744	11,857
-	8,305
-	(8,305)
-	-
-	1,488
-	(1,488)
-	-
11,857	9,793
-	2,064
(113)	-
11,744	11,857

The asset revaluation reserve is used to record asset revaluation increments and decrements in the value of non-current physical assets.

Note 18. Accumulated funds

Opening balance at 1 July

Net result for the period

Transfer to asset revaluation reserve

Closing balance at 30 June

542	(1,063)
3,741	1,605
113	-
4,396	542

NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note 19. Financial instruments

(a) Interest rate risk exposure

The following table sets out the Corporation's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

Exposures arise predominately from assets and liabilities bearing variable interest rates as the Corporation intends to hold fixed rate assets and liabilities to maturity.

	Weighted average effective interest rate %	Floating interest rate \$'000	1 year or less \$'000	1 - 2 years \$'000	2 - 3 years \$'000	3 - 4 years \$'000	4 + years \$'000	Non interest bearing \$'000	Total \$'000
2012									
Financial assets:									
- Cash	3.50%	22	-	-	-	-	-	2	24
- Receivables 1	8.66%	-	4,608	921	984	1,067	12,484	1,265	21,329
Total		22	4,608	921	984	1,067	12,484	1,267	21,353
Financial liabilities:									
- Payables 1	-	-	-	-	-	-	-	6,815	6,815
- Interest bearing liabilities	5.84%	189	10,511	11,042	10,511	10,486	46,730	-	89,469
Total		189	10,511	11,042	10,511	10,486	46,730	6,815	96,284

2011

Financial assets:

- Cash	4.65%	1,062	-	-	-	-	-	2	1,064
- Receivables 1	8.98%	-	3,699	417	429	464	3,459	1,215	9,683
Total		1,062	3,699	417	429	464	3,459	1,217	10,747

Financial liabilities:

- Payables 1	-	-	-	-	-	-	-	4,928	4,928
- Interest bearing liabilities	6.12%	2,038	6,075	10,511	11,043	10,511	40,215	-	80,393
Total		2,038	6,075	10,511	11,043	10,511	40,215	4,928	85,321

Note 1 - The amount disclosed in receivables and payables excludes statutory amounts.

(b) Net fair value of financial assets and liabilities

The carrying amounts and fair values of financial assets and financial liabilities at balance date are:

On balance sheet	2012		Carrying amount \$'000	2011	Fair value \$'000
	Carrying amount \$'000	Fair value \$'000			
Financial assets					
- Cash and cash equivalents	24	24	1,064	1,064	
- Trade and other receivables	21,329	18,817	9,684	8,723	
Total	21,353	18,841	10,748	9,787	
Financial liabilities					
- Payables	6,815	6,774	5,272	5,272	
- Interest bearing liabilities	89,469	81,673	80,393	69,042	
Total	96,284	88,447	85,665	74,314	

NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note 20. Commitments

The following commitments are inclusive of GST where applicable.

Capital commitments

At 30 June 2012, the Corporation had capital commitments for the acquisition and/or construction of plant and equipment not recognised as liabilities payable, to be paid as follows:

Within one year

One to five years

Total capital commitments

Operating commitments

At 30 June 2012, the Corporation had operating commitments for the provision of contract and consultancy services to meet the Corporation's operations not recognised as liabilities payable to be paid as follows:

Within one year

One to five years

Total operating commitments

Environmental Contribution commitments

At 30 June 2012, the Corporation had environmental contribution commitments not recognised as liabilities payable, to be paid as follows:

Within one year

One to five years

Total environmental contribution commitments

Total commitments for expenditure

2012 \$'000	2011 \$'000
17,400	5,148
-	6
17,400	5,154
2,679	2,949
2,688	1,088
5,367	4,037
1,569	1,569
7,971	-
9,540	1,569
32,307	10,760

Note 21. Contingent liabilities and contingent assets

At balance date, the Corporation is unaware of any contingent liabilities or assets not recorded or disclosed within the financial statements.

Note 22. Superannuation

Post-employment benefit

Wannon Water makes employer superannuation contributions in respect of most of its employees to the Local Authorities Superannuation Fund (the Fund). Obligations for contributions are recognised as an expense in profit or loss when they are due. The Fund has two categories of membership, each of which is funded differently.

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9% required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Defined benefit plan

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

Wannon 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, Wannon Water makes the following contributions:

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

- the difference between resignation and retrenchment benefits paid to any retrenched employees, plus contributions tax (same as previous year)

The Fund surplus or deficit (ie the difference between fund assets and liabilities) is calculated differently for funding purposes (ie calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in the Corporation's financial statements. AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to measurement date, with no allowance for future benefits that may accrue.

Following an actuarial review of the Fund by the Trustee as at 31 December 2011, it was announced in July 2012 that a funding shortfall of \$453 million has been determined. Wannon Water has been notified that its share of this shortfall requires an additional contribution of \$1.458 million, payable 1 July 2013. This additional amount has been recognised in Wannon Water's accounts as at 30 June 2012.

Note 22. Superannuation (continued)

Accounting standard disclosure

The Fund's liability for accrued benefits was determined by the Actuary at 31 December 2011 pursuant to the requirements of Australian Accounting Standard Board AAS 25 as follows:

	31 December 2011
	\$'000
Net Market Value of Assets	4,315,324
Accrued Benefits	4,642,133
Difference between Assets and Accrued Benefits	<u>(326,809)</u>
Vested Benefits (Minimum sum which must be paid to members when they leave the Fund)	<u>4,838,503</u>

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

- Net Investment Return	7.50% p.a.
- Salary Inflation	4.25% p.a.
- Price Inflation	2.75% p.a.

Superannuation contributions for the reporting period are included as part of salaries and wages and associated costs in the statement of comprehensive income of the Corporation.

Wannon Water contributes in respect of its employee's to the following superannuation schemes:

Employer Contributions to Superannuation Funds:	2012	2011
Fund	\$'000	\$'000
State Superannuation Fund	57	55
Vision Super	1,044	929
Other	125	135
Total contributions	<u>1,226</u>	<u>1,119</u>

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

Note 23. Responsible persons and executive officer disclosures

(a) Responsible persons

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

The Hon. Peter Walsh MP, Minister for Water (1 July 2011 to 30 June 2012)

Board

Chairperson (1 October 2011 to 30 June 2012)
 Chairperson (1 July 2011 to 30 September 2011)
 Deputy Chairperson
 Director
 Director
 Director (1 October 2011 to 30 June 2012)
 Director (1 October 2011 to 30 June 2012)
 Director (1 October 2011 to 30 June 2012)
 Director (1 July 2011 to 30 September 2011)
 Director (1 July 2011 to 30 September 2011)
 Director (1 July 2011 to 30 September 2011)
 Managing Director / Accountable Officer

Mr John Vogels
 Mr Harry Peeters
 Mr Rob Wallis
 Mr Rod Coutts
 Ms Kate Fraser
 Mr Frank Zeigler
 Ms Georgina Gubbins
 Mr Russell Worland
 Ms Jacinta Ermacora
 Mr Paul Battista
 Ms Di Clanchy
 Mr Grant Green



NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note 23. Responsible persons and executive officer disclosures (continued)

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 the Parliament completes.

The number of responsible person's whose remuneration from the Corporation was within the specified bands were as follows:

Income band	2012 No.	2011 No.
\$0 - \$9,999	3	-
\$10,000 - \$19,999	5	-
\$20,000 - \$29,999	2	6
\$30,000 - \$39,999	1	-
\$50,000 - \$59,999	-	1
\$300,000 - \$309,999	1	1
Total numbers	12	8

	2012 \$'000	2011 \$'000
Remuneration received or due and receivable from the Corporation in connection with the management of the Corporation (includes termination payments and bonuses paid)	487	489

Other related party transactions

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

(b) Executive Officers' remuneration

The number of executive officers, other than the responsible persons, whose total remuneration falls within the specified bands above \$100,000 are as follows:

Income band	Total Remuneration		Base Remuneration	
	2012 No.	2011 No.	2012 No.	2011 No.
\$110,000 - \$119,999	1	1	1	-
\$130,000 - \$139,999	1	1	1	1
\$150,000 - \$159,999	1	2	1	2
\$160,000 - \$169,999	1	-	1	-
\$180,000 - \$189,999	1	-	1	-
\$190,000 - \$199,999	-	1	-	1
Total numbers	5	5	5	4

Income band	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Remuneration received or receivable by executives in respect of the management of the Corporation during the reporting period was:	767	752	767	705

During the 2010 / 2011 year an executive officer completed their contract. The officer's base remuneration for the 2010 / 2011 year was less than the reporting threshold, however total remuneration for the 2010 / 2011 year was greater than the reporting threshold.

Total remuneration includes annual leave and long-service leave payments made upon cessation of employment.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

Note 24. Reconciliation of profit/(loss) for the period after related income tax to net cash flows from operating activities

	2012 \$'000	2011 \$'000
Net result for the period after income tax	3,741	1,605
Add / (less) non-cash flows in net result		
Depreciation and amortisation	25,445	13,217
Net loss on disposal of non-current assets	3,064	2,112
Net loss on revaluation of non-current assets	-	490
Infrastructure assets contributed at no cost	(3,524)	(1,381)
Changes in Assets and Liabilities		
Decrease (increase) in receivables	(13,338)	(1,102)
Decrease (increase) in inventories	6	(52)
Decrease (increase) in other operating assets	128	(112)
Increase (decrease) in payables	2,174	(2,207)
Increase (decrease) in employee benefits	579	160
Increase (decrease) in deferred tax liabilities	1,171	(185)
Net cash (outflow)/ Inflow from operating activities	19,446	12,545

Note 25. Ex Gratia Payments

The authority has made the following ex gratia payments during the period:

Ex gratia payments

7	7
---	---

These ex-gratia payments related to settlement of minor individual claims.

Note 26. Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

a) Victorian Auditor-General's Office

Audit and review of financial statements

51	50
----	----

(a) Non-Victorian Auditor-General's Office audit firms

Audit and other assurance services

146	69
-----	----

Total auditors' remuneration

197	119
-----	-----

Note 27. Events occurring after the balance sheet date

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.



CERTIFICATION

Statutory Certification

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

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, 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 the 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.



J A Vogels
Chairman
Wannon Region Water Corporation



G V Green
Managing Director
Wannon Region Water Corporation



S J Waterhouse
Chief Finance & Accounting Officer
Wannon Region Water Corporation

DATE: 21st August 2012

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Wannon Region Water Corporation

The Financial Report

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

The Board Members' Responsibility for the Financial Report

The Board Members of the Wannon 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.

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Wannon 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 Wannon Region Water Corporation for the year ended 30 June 2012 included both in the Wannon Region Water Corporation's annual report and on the website. The Board Members of the Wannon Region Water Corporation are responsible for the integrity of the Wannon Region Water Corporation's website. I have not been engaged to report on the integrity of the Wannon 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
22 August 2012

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

PERFORMANCE REPORT

Financial Performance Indicators

Performance Indicator	Notes	2010/11 Result	2011/12 Result	2011/12 Target	Variance %
F1 Internal Financing Ratio (Net operating cash flow – dividends) / capital expenditure	1	73.50%	63.10%	46.34%	36.17%
F2 Gearing Ratio Total debt (including finance leases) / total assets	2	13.98%	15.10%	18.06%	16.39%
F3 Interest Cover (EBIT) Earnings before net interest and tax expense / net interest expense	3	1.3 times	2.0 times	1.5 times	33.33%
F4 Interest Cover (Cash) Cash flow from operations before net interest and tax payments / net interest payments	4	3.5 times	4.9 times	4.0 times	22.50%

Notes:

1. A significantly lower than expected cash outlay for capital projects in 2011/12 had a positive impact on the internal financing ratio when compared to target. The variance to the 2010/11 result is attributed to significantly higher cash outlay for capital projects, which reduces the ratio result.
2. The requirement for borrowings to fund capital projects during 2011/12 was significantly lower than expected due to the lower than forecast cash outlay on capital projects. This resulted in a favourable result to target.
3. A combination of higher than expected profit, due largely to a significant contribution of water supply assets from a major energy customer, and lower than expected net interest expense, due to lower than expected cash outlay for capital works, resulted in a favourable result compared to target and in comparison to the prior year.
4. The lower than expected borrowings to fund capital projects resulted in lower than expected interest payments. This resulted in a favourable result to target. The increase in cash flows from service and usage charges during 2011/12 resulted in an increased ratio result when compared to the prior year.



Service Performance Indicators

Performance Indicator	Notes	2010/11 Result	2011/12 Result	2011/12 Target	Variance %
S1	Water supply interruptions				
S1.1	Number of customers receiving 5 unplanned interruptions in the year	0	0	0	0%
S2	Interruption time indicators				
S2.1	Average duration of unplanned water supply interruptions	1 73 minutes	89 minutes	108 minutes	18%
S3	Restoration of water supply				
S3.1	Unplanned water supply interruptions restored within 5 hours	98%	98%	97%	1%
S4	Reliability of sewerage collection services				
S4.1	Sewage spills from reticulation and branch sewers (priority 1 and 2)	2 81	67	90	26%
S5	Containment of sewage spillages				
S5.1	Sewage spills contained within 5 hours	100%	100%	98%	2%
S6	Customer complaints indicators				
S6.1	Water quality complaints per 1000 customers	3 2.7	1.3	3.0	57%
S6.2	Sewerage service quality and reliability complaints per 1,000 customers	4 0.5	0.1	0.8	88%
S6.3	Billing complaints per 1,000 customers	5 4.1	2.8	3.0	7%
S6.4	Sewage odours complaints per 1,000 customers	6 0.2	0.2	0.8	75%

Notes:

1. A reduction in the total number of unplanned water supply interruptions, coupled with several complex repairs requiring interruptions to customers in the reporting period, has resulted in a slightly higher duration of unplanned water supply interruption events. The indicator remains favourable to target due to a focus on attending and repairing service interruptions to maintain customer satisfaction levels.
2. Spills from reticulation and branch sewers have reduced significantly since the wetter seasons of 2009/10 and 2010/11. The lower instances of spills can be attributed to fewer tree root intrusions due to the wetter soil conditions.
3. An improvement in water quality, specifically colour, in comparison to 2010/11 resulted in fewer complaints in 2011/12. The 2011/12 indicator is favourable to target as a result of a proactive mains flushing program.
4. The improved indicator result from 2010/11 is attributed to lower instances of storm water ingress during 2011/12. The indicator remains favourable to target as the focus on maintaining customer satisfaction levels is sustained.
5. Billing complaints during 2010/11 were unusually high, largely the result of a change made to cash payment options and complaints relating to debt collection.
6. Monitoring of venting systems and chemical dosing at sewer pump stations to minimise odours has resulted in a favourable 2011/12 result compared to target.

Sewage Treatment

Quality of recycled water disposal (by treatment or disposal facility)

I. Collective annual performance of the water reclamation plants

Performance Indicator	2010/11 Result	2011/12 Result	2011/12 Target	Variance %
Number of analyses complying with EPA corporate licence as % of samples	89%	96%	90%	7%

Water reclamation plant compliance with EPA Corporate Licence	Notes	2010/11 Result	2011/12 Result	2011/12 Target	Variance %
Camperdown Industrial		100%	100%	100%	0%
Camperdown Domestic		100%	100%	100%	0%
Casterton		100%	100%	100%	0%
Cobden		100%	100%	100%	0%
Coleraine		100%	100%	100%	0%
Dunkeld		100%	100%	100%	0%
Hamilton		100%	100%	100%	0%
Hamilton Tertiary	1	N/A	N/A	N/A	-
Heywood		100%	100%	100%	0%
Mortlake		100%	100%	100%	0%
Mortlake Tertiary	1	N/A	N/A	N/A	-
Peterborough		100%	100%	100%	0%
Port Campbell		100%	100%	100%	0%
Port Fairy Domestic	2	99.0%	99.0%	100%	-1%
Port Fairy Industrial	3	58.7%	82.2%	57.0%	44%
Portland	4	76.3%	84.3%	70.0%	20%
Simpson		100%	100%	100%	0
Terang		100%	100%	100%	0
Timboon		100%	100%	100%	0
Warrnambool	5	91.0%	100%	100%	0

Notes:

1. The Hamilton and Mortlake tertiary water reclamation plants do not have a specific EPA licence as they are defined as 'fit for purpose' plants. Quality is defined through the end users' needs.
2. The Port Fairy domestic water reclamation plant experienced deficiencies in wasting from the intermittent aeration tank during the high-load holiday period, resulting in minor solids carry-over into effluent.
3. The Port Fairy industrial plant's inability to effectively treat for phosphorus and nitrogen created some licence breaches during the reporting period. Significant improvements have been achieved on last year's result due to tighter load monitoring and more effective solids wasting.
4. Whilst some performance improvement was seen at the Portland water reclamation plant, the current reed bed system is under capacity and upgrade works are on target for completion by June 2013.
5. Increases in nitrogen concentrations from a major trade waste customer resulted in treated effluent discharged to ocean exceeding the median licence limit of 10mg/L for total nitrogen. The licence limit was amended and compliance is now 100%.

Environmental Performance Indicators

Water recycling

I. Recycled water reuse

	2011/12 Result	2011/12 Target	Variance from Target	2010/11 Result	2009/10 Result	2008/09 Result	2007/08 Result
Percentage Reuse	13%	28%	54%	7%	15%	21%	19%

Note: All reuse figures shown are calculated as per the current Essential Services Commission guidelines.

The percentage reuse of recycled water in the reporting period increased from 6.9% in 2010/11 to 12.5%. Significant infrastructure issues were encountered over the previous year at Dunkeld and Hamilton, which significantly reduced usage at these sites. Other issues which hampered recycled water usage over the past year were meeting storage requirements for recycled water at Mortlake to guarantee supply for Origin Energy Gas Fired Powerstation, and construction and maintenance activities at Camperdown Industrial and Port Campbell sites. In addition, many of the winter storages still had large volumes of recycled water inherited from the previous wet year, and therefore large volumes of recycled water were discharged via 30A approval at Camperdown Domestic, Casterton, Cobden, Mortlake and Port Campbell.

Water reclamation plant	Percentage Recycled 2011/12	Percentage Recycled 2010/11	Percentage Recycled 2009/10	Percentage Recycled 2008/09	Percentage Recycled 2007/08
Camperdown Industrial#	0%	0%	100%	100%	100%
Camperdown Domestic	86%	23%	78%	100%	80%
Casterton	14%	0%	33%	21%	46%
Cobden	18%	14%	10%	32%	85%
Coleraine	24%	0%	100%	100%	100%
Dunkeld	95%	37%	100%	100%	41%
Hamilton	46%	28%	50%	87%	100%
Heywood	20%	14%	44%	52%	43%
Mortlake	38%	23%	76%	1%	27%
Peterborough#	0%	0%	0%	0%	0%
Port Campbell	46%	30%	45%	78%	50%
Port Fairy Domestic*	0%	0%	0%	0%	0%
Port Fairy Industrial*	0%	0%	0%	0%	0%
Portland*	0%	0%	0%	0%	0%
Simpson	5%	0%	5%	9%	32%
Terang	100%	27%	100%	100%	100%
Timboon	100%	59%	100%	100%	100%
Warmambool*	0%	0%	0%	0%	0%

*Plants with no reuse infrastructure. Treated effluent from these plants was directed to ocean discharge.

#Plants with no current capacity to irrigate either under construction or not as yet full.

Environmental Performance Indicators (continued)

2. Biosolids reused/recycled

Biosolids reuse

	2011/12 Biosolids Reused (dry tonnes per annum)	2010/11 Biosolids Reused (dry tonnes per annum)	2009/10 Biosolids Reused (dry tonnes per annum)	2008/09 Biosolids Reused (dry tonnes per annum)	2007/08 Biosolids Reused (dry tonnes per annum)
Hamilton	0	0	0	0	0
Port Fairy Industrial	339	426	411	404	339
Portland	0	0	488	0	0
Warrnambool	1,373	1,583	2,223	1,523	1,797
Port Fairy Domestic	Blended with Warrnambool				
Total	1,712	2,009	3,122	1,927	2,136

	2011/12 Result	2011/12 Result	2011/12 Target	Variance %
As % of annual production	100%	100%	100%	0%

Sludge production and storage

Water reclamation plant	Estimate of Sludge Production 2011/12 (dry tonnes)	Sludge Stored 2011/12 (dry tonnes)	Biosolids Produced 2011/12 (dry tonnes)	Biosolids Reused 2011/12 (dry tonnes)	Biosolids Reused 2010/11 (dry tonnes)
Camperdown Industrial	N/A	12,155**	1,373	1,373	1,583**
Camperdown Domestic	24	-	-	-	-
Casterton	10	129	-	-	-
Cobden	8	1,492	-	-	-
Coleraine	6	60	-	-	-
Dunkeld	2	-	-	-	-
Hamilton	25	4,672	-	-	-
Heywood	6	-	-	-	-
Mortlake	5	-	-	-	-
Peterborough	1	-	-	-	-
Port Campbell	3	544#	-	-	-
Port Fairy Domestic*	478	**	**	**	**
Port Fairy Industrial	339	-	339	339	426
Portland	N/A	-	-	-	-
Simpson	0.8	377	-	-	-
Terang	12	-	-	-	-
Timboon	5	-	-	-	-
Warrnambool*	5,649	**	**	**	**
TOTAL	6,574	19,429	1,712	1,712	2,009

* Measured sludge volume biosolids stored at and recorded under Camperdown Industrial

** Biosolids stored at Camperdown industrial is derived from Port Fairy domestic and Warrnambool water reclamation plants.

Port Campbell stored at Camperdown industrial.

N/A – Estimates are not available for these sites due to construction works at each site. Camperdown industrial water reclamation plant is currently undergoing refurbishment and a new Portland water reclamation plant is currently under construction, with both plants due to be completed in 2013.

The 'estimate of sludge production' is the sludge accumulation in lagoon-based systems from survey data in the Treatment Solids Management Strategy (2009). Some sites (Warrnambool, Hamilton, Port Fairy Domestic and Industrial) have an annual extraction of sludge that is a 'measured volume'. 'Stored sludge' is material that is in treatment. Biosolids/sludge not in the inventory is material that is unsuitable for spreading under current guidelines.

All of the biosolids designated for agricultural reuse were applied to land this year. Wannon Water has 19,429 dry tonnes of sludge currently under treatment. Port Fairy industrial water reclamation plant is included in this list for completeness.

CERTIFICATION

Certification of Performance Report for 2011/12

We certify that the accompanying Performance Report of Wannon Region Water Corporation in respect of the 2011/12 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The statement outlines the relevant performance indicators as determined by the responsible Minister; the actual results achieved for the financial year against pre-determined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets.

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



J A Vogels

Chairman



G V Green

Managing Director

DATE: 21st August 2012

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Wannon Region Water Corporation

The Performance Report

The accompanying performance report for the year ended 30 June 2012 of the Wannon Region Water Corporation comprises the performance report, the related notes and the certification.

The Board Members' Responsibility for the Performance Report

The Board Members of the Wannon 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.



Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the performance report of the Wannon 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 Wannon Region Water Corporation for the year ended 30 June 2012 included both in the Wannon Region Water Corporation's annual report and on the website. The Board Members of the Wannon Region Water Corporation are responsible for the integrity of the Wannon Region Water Corporation's website. I have not been engaged to report on the integrity of the Wannon 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
22 August 2012

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

APPENDIX ONE

Wannon Water Whistleblowers Protection Policy

1.0 PURPOSE

These procedures establish a system for reporting disclosures of improper conduct or detrimental action by Wannon Water or its employees under the *Whistleblowers Protection Act 2001*. The system enables such disclosures to be made to the Protected Disclosure Coordinator or to one of the nominated Protected Disclosure Officers. Disclosures may be made by Wannon Water employees or by members of the public.

These procedures are designed to complement normal communication channels between Wannon Water employees and are encouraged to continue to raise appropriate matters at any time with their managers/ coordinators/team leaders. As an alternative, employees may make a disclosure of improper conduct or detrimental action under the Act in accordance with these procedures.

2.0 SCOPE

Wannon Water is committed to the aims and objectives of the *Whistleblowers Protection Act 2001* (the Act). It does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct.

Wannon Water recognises the value of transparency and accountability in its administrative and management practices, and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

Wannon Water will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure.

3.0 PERFORMANCE STANDARDS

The *Whistleblowers Protection Act 2001* commenced operation on 1 January 2002. The purpose of the Act is to encourage and facilitate the making of disclosures of improper conduct by public officers and public bodies. The Act provides protection to whistleblowers who make disclosures in accordance with the Act, and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

4.0 DEFINITIONS

Three key concepts in the reporting system are improper conduct, corrupt conduct and detrimental action. Definitions of these terms are set out below.

4.1 *Improper Conduct*

Improper conduct means conduct that is corrupt, a substantial mismanagement of public resources, or conduct involving substantial risk to public health or safety or to the environment. The conduct must be serious enough to constitute, if proved, a criminal offence or reasonable grounds for dismissal.

4.2 *Corrupt conduct*

Corrupt conduct means:

- Conduct of any person (whether or not a public officer) that adversely affects or could adversely affect the honest performance of a public officer's or public body's functions;
- The performance of a public officer's functions dishonestly or with inappropriate partiality;
- Conduct of a public officer, former public officer or a public body that amounts to a breach of public trust;
- Conduct by a public officer, former public officer or a public body that amounts to the misuse of information or material acquired in the course of the performance of their official functions; or
- A conspiracy or attempt to engage in the above conduct.

4.3 Detrimental action

The Act makes it an offence for a person to take detrimental action against a person in reprisal for a protected disclosure. Detrimental action includes:

- Action causing injury, loss or damage;
- Intimidation or harassment; and
- Discrimination, disadvantage or adverse treatment in relation to a person's employment, careers, profession, trade or business, including the taking of disciplinary action.

5.0 LEGISLATION/REGULATIONS

Whistleblowers Protection Act 2001

6.0 REPORTING SYSTEM

Points of Contact for Whistleblowers

A person wishing to make a protected disclosure should contact the Protected Disclosure Coordinator:

A person wishing to make a query about a protected disclosure may contact a Protected Disclosure Officer:

Protected Disclosure Officers provide general advice about the operation of the *Whistleblowers Protection Act*; discuss and, where necessary, document discussions on improper conduct. Protected Disclosure Officers are the: Branch Manager Human Resources; General Manager Finance; General Manager Retail & Corporate Services, and Managing Director:

Protected Disclosure Coordinator:

The Internal Auditor acts for Wannon Water to receive disclosures under the Act. The contact details of the Internal Auditor are as follows:

Tim Pittaway
Level 8, Rialto South Tower 525 Collins Street Melbourne VIC 3000
T (03) 9286 1892 M 0412 449 535
tim.pittaway@rsmi.com.au

OR

Scott Campbell
Level 8, Rialto South Tower 525 Collins Street Melbourne VIC 3000
T (03) 9286 1828 M 0409 210 490
scott.campbell@rsmi.com.au

The Internal Auditor will take the details and forward a report to the Managing Director. If the Managing Director is implicated, then the Internal Auditor will forward the report to the Chairman. Any investigation is then the responsibility of the Managing Director (or Chairman as appropriate).

If a police report is recommended due to the nature of the allegations, this will be initiated by the Managing Director (or Chairman as appropriate).

Disclosures of improper conduct by Wannon Water or its employees may also be made to:

The Ombudsman Victoria
Level 22, 459 Collins Street
Melbourne Victoria 3000
Telephone: (03) 9613 6222
Toll Free: 1800 806 314

7.0 REFERENCES

Whistleblowers Protection Act 2001 Ombudsman's Guidelines August 2009

Code of Conduct for Victorian Public Sector Employees (No.1) 2007

APPENDIX TWO

Disclosure index

The 2011/12 annual report of Wannon Region Water Corporation is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Corporation's compliance with statutory disclosure requirements.

Legislation	Requirement	Page reference
REPORT OF OPERATIONS		
Charter and purpose		
FRD 22C	Manner of establishment and the relevant Minister	5
FRD 22C	Objectives, functions, powers and duties	3, 5
FRD 22C	Nature and range of services provided	5
Management and structure		
FRD 22C	Organisational structure	13
Financial and other information		
FRD 10	Disclosure index	80-81
FRD 12A	Disclosure of major contracts	16
FRD 22C	Operational and budgetary objectives and performance against objectives	14, 70-74
FRD 22C	Employment and conduct principles	24
FRD 22C	Occupational health and safety policy	25
FRD 22C	Summary of the financial results for the year	14
FRD 22C	Significant changes in financial position during the year	15
FRD 22C	Major changes or factors affecting performance	15
FRD 22C	Subsequent events	15
FRD 22C	Application and operation of <i>Freedom of Information Act 1982</i>	36
FRD 22C	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	36
FRD 22C	Statement on National Competition Policy	15
FRD 22C	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	36, 78-79
FRD 22C	Details of consultancies over \$10,000	16
FRD 22C	Details of consultancies under \$10,000	16
FRD 22C	Statement of availability of other information	36
FRD 25A	Victorian Industry Participation Policy disclosures	17
FRD 27B	Presentation and reporting of performance information	70-74
FRD 29	Workforce data disclosures	23
FRD 30A	Standard requirements for the design and print of annual report	1-86
SD 4.5.5	Risk management compliance attestation	36
SD 4.2(g)	General information requirements	14-17
SD 4.2(j)	Sign-off requirements	4
Ministerial Reporting Directions		
MRD 01	Performance reporting	70-74
MRD 02	Reporting on water consumption and drought response	27, 29-33
MRD 03	Environmental and social sustainability reporting	32-35
MRD 04	Disclosure of information on bulk entitlements, transfers of water entitlements, allocations and licences, irrigation water usage and licence entitlements	26-29
MRD 05	Annual reporting of major non-residential water users	32

Legislation	Requirement	Page reference
-------------	-------------	----------------

FINANCIAL STATEMENTS

Financial statements required under part 7 of the FMA

SD4.2(a)	Statement of changes in equity	40
SD4.2(b)	Statement comprehensive income	38
SD4.2(b)	Balance sheet	39
SD4.2(b)	Cash flow statement	41

Other requirements understanding directions 4.2

SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	42
SD4.2(c)	Compliance with Ministerial Directions	42
SD4.2(d)	Rounding of amounts	42
SD4.2(c)	Accountable officer's declaration	67
SD4.2(f)	Compliance with Model Financial Report	38-66

Other disclosures as required by FRDs in notes to the financial statements

FRD 03A	Accounting for dividends	48
FRD 07A	Early adoption of authoritative accounting pronouncements	48-49
FRD 11	Disclosure of ex-gratia payments	66
FRD 17A	Long service leave wage inflation and discount rates	46
FRD 21B	Responsible person and executive officer disclosures	64-65
FRD 102	Inventories	44, 56
FRD 103D	Non-current physical assets	44-45, 57
FRD 104	Foreign currency	42, 50
FRD 105A	Borrowing costs	46, 59-60
FRD 106	Impairment of assets	45
FRD 109	Intangible assets	46, 58-59
FRD 110	Cash flow statements	41
FRD 112C	Defined benefit superannuation obligations	63-64
FRD 114A	Financial Instruments – general Government entities and public non-financial corporations	47
FRD 119	Contributions by owners	61
FRD 120F	Accounting and reporting pronouncements applicable to the 2011/12 reporting period	42
FRD 121	Infrastructure assets	45

Legislation

<i>Freedom of Information Act 1982</i>	36
<i>Building Act 1983</i>	36
<i>Whistleblowers Protection Act 2001</i>	36, 78-79
<i>Victorian Industry Participation Policy Act 2003</i>	17

GLOSSARY OF TERMS

Aquaculture	The culture of aquatic organisms (such as fish, crustacean and aquatic plants) under controlled conditions
Biodiversity	The number and variety of organisms found within a specified geographic region
Biosolids	Organic solids derived from the treatment of sewage, stabilised to the point of being ready for its intended safe reuse (e.g. as a soil conditioner)
Bulk entitlement	The right and conditions to water held by water corporations and other organisations as defined in the <i>Water Act 1989</i>
Catchment	An area of land on which water may be caught and collected into a stream, reservoir or aquifer
Effluent	An outflow stream from a sewage treatment system
Energy and Water Ombudsman Victoria (EWOV)	An independent resolution service whose principal activity is to investigate and resolve complaints by customers regarding their electricity, gas and water providers
Environment Protection Authority	A Victorian Government statutory authority whose purpose is to protect, care for and improve the environment
Essential Services Commission	Victoria's independent economic regulator of prescribed essential utility services supplied by the electricity, gas, water, ports, grain handling and rail freight industries
Greenhouse gas	Any atmospheric gases that contribute to the greenhouse effect
Groundwater	Water beneath the earth's surface in an aquifer or water table
HACCP	Hazard Analysis and Critical Control Points – a risk management framework used to protect the quality of water
Kilolitre (kL)	One thousand (1,000) litres
Major customer	A customer who uses greater than 40 megalitres of water per year
Megalitre (ML)	One million (1,000,000) litres
OH&S	Occupational Health and Safety – the protection of the health, safety and wellbeing of employees, contractors and visitors
Permanent Water Saving Measures	Measures aimed at encouraging households not affected by higher level water restrictions to encourage ongoing water conservation and best-practice water use
Potable water	Water suitable for human consumption
Raw water	Water harvested from the surface or below ground prior to any treatment process
Recycled water	Water produced from a water reclamation plant or industry process, treated to a standard appropriate for reuse
Reticulation	A network of pipes for distributing water to areas of consumption, such as residential districts and individual households
Roof Water Harvesting	The process of capturing rain water from roofs in new residential subdivisions and transporting it to an existing raw water storage to be treated before entering the drinking water supply
Sewage	Any human excreta or domestic waterborne waste, whether untreated or partially treated, but does not include trade waste
Sewerage system	The network of pipes, sewers, pump stations, treatment plants and reuse facility or discharge system used to convey of sewage or trade waste
Stakeholder	An individual or group with an interest in an organisation's operations, such as employees, customers, government bodies or the local community

Storm water	Rainfall run-off
Suspended solids	Material dispersed in liquid solution
Sustainability	The balance of governance, economic, environmental and social factors in the delivery of business operations
Trade waste	Waterborne waste other than sewage (e.g. industrial or commercial liquid wastes) suitable for discharge into the sewerage system
Turbidity	The measure of particles within water (e.g. cloudiness)
Unplanned interruption	An unforeseen interruption to a water supply system
Water Plan	A water corporation's five-year organisational plan submitted to the Essential Services Commission, outlining proposals to ensure high quality water and sewerage services for customers, and the balance between the expenditure needed and water, sewerage and trade waste charges
Water reclamation plant	A treatment facility for treating sewage or trade waste suitable for safe reuse or discharge to the environment
Water restriction	A restriction to regulate the use of water from the water supply system in periods of water shortage
Water Supply Demand Strategy (WSDS)	A 50-year plan to provide sustainable water supplies for the community into the future
Water treatment plant	A treatment facility that removes undesirable characteristics from the water, making it "fit for purpose" (such as safe drinking water)

INDEX

A			
Achievements at a glance	6-7		
Annual consumption tables	30-31		
Auditor-General's Report	68-69, 76-77		
Availability of information	36		
B			
Biosolids	35		
Board composition, meetings, committees	9-12		
Board Directors	9-10		
Board attendance	11		
<i>Building Act</i>	36, 74		
Bulk entitlements	26-29		
C			
Capital works expenditure	17		
Case study – Portland Water Reclamation Plant	8		
Case study – Reducing water losses in the Otways	8		
Community engagement	22		
Community service obligations	19		
Consultancies	16		
Corporate Governance	9		
Cultural heritage	22		
Customer assistance	19		
Customer Engagement Committee	22		
Customer numbers	5		
Customer satisfaction survey	19		
Customer service key performance indicators	18		
D			
Disclosure index	80-81		
E			
Employee recruitment and statistics	23		
Employee training	23		
Energy and Water Ombudsman Scheme	18		
Ethical standards	12		
Executive Team	13		
F			
Financial results summary	14		
Financial statements	38-66		
Freedom of information	36		
Future challenges	15		
G			
Glossary of terms	82-83		
Greenhouse gas emissions	35		
L			
Leadership program	24		
M			
Major changes affecting performance	15		
Major customers	32		
Map	2		
Merit and equity	24		
Message from Chairman and Managing Director	4		
Mission, values, strategic objectives	3		
N			
National Competition Policy	15		
O			
Occupational Health and Safety	25		
Office water consumption	32		
Organisational structure	13		
P			
Performance Report	70-74		
Profile	5		
R			
Recycled water	33		
Regional Catchment Strategy	33		
Risk management attestation	36		
S			
Sewage treatment	34		
Sustainable water use	32		
V			
Victorian Biodiversity Strategy	33		
Victorian Industry Participation Policy	17		
Victorian River Health Strategy	33		
W			
Water conservation and demand management	30, 33		
Water consumption graph	29		
Water quality	21		
Water sources	5		
Whistleblowers protection	36, 78-79		

NOTES



PO Box 1158
Warrnambool Vic 3280
Tel 1300 926 666
Fax 03 5565 6050
Email info@wannonwater.com.au

CUSTOMER SERVICE CENTRES

Hamilton: 66 Gray Street

Portland: 15 Townsend Street

Warrnambool: 25 Gateway Road

www.wannonwater.com.au

