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## OUR VISION

To deliver sustainable water services for regional prosperity.

## OUR MISSION

Wannon Water provides water and sewerage services in an efficient, timely, reliable and sustainable manner in order to meet the needs of the communities of south-west Victoria.

## OUR VALUES

Values underpin Wannon Water and reflect the behaviours essential to the relationship between Wannon Water and stakeholders, Wannon Water and the community, and between those who work at Wannon Water.

Wannon Water employees will demonstrate:

- **Responsiveness**
- **Integrity**
- **Impartiality**
- **Accountability**
- **Respect**
- **Leadership**
- **Human Rights**

## OUR STRATEGIC OBJECTIVES

- Enhancing our environmental performance
- Improving our service delivery
- Ensuring our business performance is sustainable
- Engaging with our community
- Building our organisational culture

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## Message from the Chairman and Managing Director

Wannon Water is committed to ensuring that its services contribute to south-west Victoria's sustainability, productivity and liveability. To help achieve this we completed \$19.4 million of capital works during the reporting period to maintain and improve services.

In July 2010 the official opening of the 52-kilometre Hamilton-Grampians Pipeline paved the way for the removal of water restrictions from Hamilton, Balmoral, Cavendish and Dunkeld. The pipeline, delivered on time and \$4 million under budget, augments the supply of water to these towns by up to two billion litres of water annually from Rocklands Reservoir. Since 1 August 2010 all Wannon Water customers have been free of water restrictions, with the Permanent Water Saving Measures now applying universally across Wannon Water's service area.

Supporting Victoria's target to set a national benchmark in integrated water management, in 2010/11 Wannon Water continued to work hand-in-hand with the State Government, industry, local governments and research partners on urban water planning, encouraging and promoting the use of alternative water sources and improving the efficiency of treatment options.

June 2011 saw the Minister for Water, Peter Walsh, officially open the visionary Warrnambool Roof Water Harvesting Demonstration Project. Despite the residential development being in its infancy, water harvested from trial properties demonstrates the concept is capable of meeting 100 per cent of water needs of the homes connected. The realisation of this sustainable 'urban catchment' will eventually see around 3,000 homes connected, yielding 450 megalitres of water annually. The expansion of the concept to address the growing demand of urban growth corridors has been supported and encouraged by the Minister for Water:

*"It [Roof Water Harvesting] increases the liveability of this particular subdivision. This is an example of what the Baillieu government wants to achieve with more areas throughout Victoria, and Wannon Water is leading the way on this particular project." (Hansard, Legislative Assembly, 15 June 2011, p13).*

Catering for urban growth in Warrnambool and industrial expansion across the region has seen Wannon Water's workforce expand to 206. Moving our corporate office to the five-star rated Gateway Road building is not only providing improved working conditions and space, but meeting and exceeding sustainability milestones, contributing to emission reductions, water savings and business efficiencies. Our committed workforce upheld our high customer service standard, with 95 per cent of business customers and 93 per cent of domestic customers satisfied or very satisfied with the corporation's performance in 2010/11.

Wannon Water has continued to embrace innovation and was particularly pleased with research trials undertaken with Deakin University to investigate the potential for aquaculture to improve sewage treatment processes. The research may lead to more cost-efficient sewage treatment options for our customers by minimising the need to de-sludge sewage effluent lagoons. The research trials are being expanded in 2011/12.

Certification of Wannon Water's Occupational Health and Safety System to the internationally recognised AS/NZS 4801 standard complements the earlier certification of our water supply systems and Environmental Management System. The corporate risk management framework was also upgraded to comply with ISO AS/NZ 31000.

Wannon Water delivered a modest profit of \$1.42 million for the reporting period.

## Future challenges

A key focus for Wannon Water in the year ahead will be the development of the 2013-18 Water Plan. The Water Plan sets Wannon Water's direction for service delivery, provides for new capital works projects and sets out proposed water and sewerage prices over a five-year period.

Wannon Water plans to complete a further \$40.2 million in capital works across the region in 2011/12. The new \$13.5 million Portland water reclamation plant will improve the sewage treatment process and cater for future growth in Portland. It will be Wannon Water's largest capital project for the year.

Wannon Water has exceeded expectations by achieving its Water Supply Demand Strategy goal of a 30 per cent reduction in per capita water use five years early. The Corporation will now undertake a comprehensive review of the strategy and the Drought Response Plan.

Wannon Water has demonstrated leadership in innovation, water supply security and sustainability and is proud of its achievements in 2010/11. We have a skilled and committed workforce and look forward to increasing our engagement with customers and other stakeholders as we strive to meet the challenges ahead.

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



Harry Peeters  
Chairman  
26 August 2011

Grant Green  
Managing Director  
26 August 2011

# OVERVIEW AT A GLANCE

## Wannon Water Performance – 2010/11

	Governance		Economic Sustainability		Social Sustainability	
<b>Objective</b>	Wannon Water will maintain good corporate governance with structures and processes		Wannon Water will ensure its business performance is sustainable		Wannon Water will improve its service delivery	
<b>Highlights</b>	<p>The corporate risk management framework was upgraded to comply with ISO AS/NZ 31000</p> <p>The Occupational Health and Safety System was certified compliant to AS/NZS 4801</p>		<p>Wannon Water delivered a modest profit of \$1.42m for the reporting period</p> <p>Official opening of the 52km Hamilton-Grampians Pipeline, delivered on time and within budget</p>		<p>Wannon Water maintained a high level of customer satisfaction, with 95% of business customers and 93% of domestic customers surveyed reporting they were satisfied or extremely satisfied with the quality of services provided by Wannon Water</p>	
	Actions	Results	Actions	Results	Actions	Results
<b>Results</b>	Undertake a review of the corporate risk management framework and corporate risk	Achieved	Deliver the capital works program on time and within budget	Partially achieved, as construction was affected by extended wet weather	Complete construction of an energy and water-efficient, sustainable office in Warrnambool	Achieved
	Certification to AS/NZS 4801 of the OH&S Management System	Achieved	Secure funding to establish a permanent facility to treat salty trade waste	Achieved	Complete an upgrade of Macarthur water treatment plant to reinstate drinking water supply	Achieved
	Undertake a review of SCADA security	Achieved	Upgrade the Konongwootong Reservoir embankment	Design underway; works to begin 2011/12	Implement a Mobile Information Management System, providing field employees with online works dispatch and remote access to database information	Underway
	Review compliance with the Victorian Government's Financial Management Compliance Framework	Achieved	Construct a brine receival facility in Warrnambool to support regional growth	Underway	Deliver water compliant with Safe Drinking Water Regulations	Achieved
	Undertake a review of the Board Governance Framework	Achieved	Operate within budget	Achieved	Upgrade the Hamilton water treatment plant to accommodate future growth in demand and water quality compliance	Achieved
	Undertake a Board effectiveness review	Achieved	Undertake a re-valuation of land, building and infrastructure assets	Achieved	Construct inlet pipe at Hartwicks Reservoir to improve water security for Hamilton	Achieved
					Meet Customer Charter levels of service	Achieved except unaccounted-for water and complaints to EWOV
					Undertake works to improve water quality in Cavendish	Underway; due for completion in October 2011
<b>Future challenges</b>	<p>Induction program for new Directors to the Board from 1 October 2011</p> <p>Review Wannon Water's mission, vision and strategic objectives in preparation of the 2013-18 Water Plan</p>		<p>Upgrade the Portland water reclamation plant</p> <p>Prepare and submit a draft 2013-18 Water Plan submission to the Essential Services Commission</p>		<p>Review all levels of service standards in preparation for the 2013-18 Water Plan</p> <p>Review of Wannon Water's Water Supply Demand Strategy and Drought Response Plan</p>	
	<b>More on page 8</b>		<b>More on page 12</b>		<b>More on page 16</b>	

	Social Sustainability				Environmental Sustainability	
Objective	Wannon Water will engage with its community		Wannon Water will build its organisational culture		Wannon Water will enhance its environmental performance	
	<p>The stakeholder engagement policy and Konongwootong Reservoir Master Plan consultation strategy were prepared with input from the Customer Engagement Committee</p> <p>Warrnambool College received the Victorian Science and Mathematics Education Excellence Award for its Industry Partnership with Wannon Water and other local businesses</p>		<p>Occupation of the five-star energy and water efficient corporate office building in Warrnambool</p> <p>WorkSafe HomeSafe rolled out to employees</p>		<p>Commissioning of the Warrnambool Roof Water Harvesting Project</p> <p>Office water use in Warrnambool declined from 3,759 litres per day to 478 litres per day following relocation to the water-efficient corporate office</p>	
Highlights	Actions	Results	Actions	Results	Actions	Results
	Engage with communities regarding the design of the West Portland and Dutton Way sewerage schemes	Achieved	Develop Health & Wellbeing Program for employees	Achieved	Progress toward achievement of a 30% reduction in per capita water use by 2015	Achieved target 5 years early
	Resolve landowner objections about the allocation of costs of the West Portland sewerage scheme	Achieved	Undertake asset management training program for relevant employees	Achieved	Complete construction of the Warrnambool Roof Water Harvesting Project	Achieved
	Engage with stakeholders in relation to key infrastructure projects	Achieved	Engineering Scholarship Program, promoting the water industry to local tertiary level students	Achieved	Implement programs to achieve 35% water recycling by 2015	Ongoing
	Continue comprehensive education program throughout south-west Victoria	Achieved	Negotiate a new Enterprise Bargaining Agreement for implementation by 1 Oct 2010	Achieved	Design upgrade of the Portland water reclamation plant	Achieved
	Actively support Committee for Portland, Horizon 21, Sustainable Emerging Technologies Industry Partnership, Future Leaders of Industry Program and Warrnambool College Industry partnership	Achieved			Upgrade the Camperdown industrial water reclamation plant to cater for growth	Delayed due to wet weather
					Implement project to protect and improve ecology of rare and threatened species on Wannon Water land	Underway
				Reduce greenhouse gas emissions by 6% on base year of 2006/07	Achieved	
Results						
Future challenges	Consult with stakeholders in regard to the review of water pricing options for the 2013-18 Water Plan		Implement the Leadership Development Program		Develop options to recycle water from the Warrnambool water reclamation plant	
	Provide customers with an on-line billing option		Continue to implement the employee Health and Wellbeing Program		Continue research with Deakin University into the feasibility of aquaculture as a tool in treating sewage to improve recycled water and reduce energy use	
	<b>More on page 21</b>		<b>More on page 22</b>		<b>More on page 24</b>	

## 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 Tim Holding MP, Minister for Water, from 1 July 2010 to 2 December 2010 and Peter Walsh MP, Minister for Water, from 2 December 2010 to 30 June 2011.

## Our assets

Our asset base of \$575 million of assets includes:

- 2,711 kilometres of pipes;
- 11 reservoirs;
- 29 water treatment plants; and
- 18 water reclamation plants.

## Our region

Our region extends over 24,500 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.

## 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	34,331	84%	4,611	45%	5,376	134
Business	4,616	11%	3,373	33%	3,948	731
Rural	1,724	4%	2,367	23%	2,572	1,373
<b>Total</b>	<b>40,671</b>	<b>100%</b>	<b>10,351</b>	<b>100%</b>	<b>11,896</b>	-

## 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.

# INNOVATION AT WANNON WATER

## WANNON WATER LEADS THE WAY WITH ROOF WATER HARVESTING

June 2011 saw the opening of a visionary project to augment Warrnambool's water supply with rainfall harvested from household roofs in a new urban growth corridor.

Believed to be the first of its kind in Australia, Wannon Water's Roof Water Harvesting Project demonstrates that harvesting water from roofs is a viable means of meeting urban growth demand without the impost on existing resources.

The first stage of the \$3.8 million demonstration project will save 37 million litres of water that would otherwise be lost to storm water. Rainwater will be collected from 254 new homes and transferred to the existing Brierly Basin water storage where it will be treated before becoming part of the drinking water supply.

Ultimately, the project will be extended to another 3,000 new homes, harvesting an estimated 450 million litres of water and expected to meet 100 per cent of the annual demand of these properties in an average rainfall year. The project will also reduce operating costs and cut carbon emissions associated with the water treatment process.



*Operators Peter Noonan and Paul English open the inlet valve at Brierly Basin to harvest water collected from nearby roof tops*

On 8 June the Minister for Water, Peter Walsh, visited Warrnambool to celebrate the milestone, commending Wannon Water for "leading the way" with this innovative water saving project.

Funding for the project was provided by the Victorian and Federal Governments and Wannon Water and supported by Warrnambool City Council, Cove Land Developments Pty Ltd, Kriway Investments Pty Ltd and Mugavin Homes.

Wannon Water has also developed a toolkit to assist other growth regions identify how they can adopt the same approach.

## RESEARCH: IMPROVING SEWAGE TREATMENT WITH AQUACULTURE

An innovative research program initiated at Wannon Water in 2010/11 could lead to significant cost savings and improvements in treating sewage.

In August 2010 Wannon Water released 15,000 goldfish into experimental tanks at the Hamilton Water Reclamation Plant to investigate the potential for aquaculture to improve the treatment of sewage.

It is known that some fish species consume organisms that grow in nutrient-rich organic material, and these experiments, undertaken in conjunction with Deakin University, sought to determine whether the fish will consume and remove nutrients and sludge from sewage.

The initial trials were highly successful. The goldfish thrived in the sewage tanks, substantially reducing the amount of sludge accumulated in the sewage treatment process, improving recycled water quality and reducing the amount of energy needed to treat sewage.

The aquaculture findings may lead to a more cost-efficient sewage treatment option for south-west Victoria. The findings have also encouraged Wannon Water to consider the potential for an aquaculture industry for south-west Victoria.

The program has been expanded to focus on refining aquaculture's potential for the region. The new trials are due for completion in February 2012.

*Researcher Django van Tholen releases 8,500 goldfish into tanks as part of the expanded research program.*



# CORPORATE GOVERNANCE

## GOVERNANCE HIGHLIGHTS 2010/11:

- Risk management framework upgraded to ISO AS/NZ 31000 standard
- OH&S system certified to AS/NZS 4801 standard
- Water Plan Committee established

### Corporate Governance

The Board of Directors of Wannon Water 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 Tim Holding MP, Minister for Water, from 1 July 2010 to 2 December 2010 and Peter Walsh MP, Minister for Water, from 2 December 2010 to 30 June 2011.

### Board of Directors

The Board of Directors 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.

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



#### Board of Directors:

Top Row: Rod Coutts, Paul Battista, Grant Green, Harry Peeters  
Bottom Row: Kate Fraser, Di Clanchy, Jacinta Ermacora, Rob Wallis

### Harry Peeters – Chairman

APM, FAICD  
Appointed 1 July 2005.

Harry is a Fellow of the Australian Institute of Company Directors. His qualifications include a Company Directors Diploma, Further Certificate of Management and numerous Victoria Police management and leadership qualifications. He retired from the Victorian Police Force in 1997 as Commander of the Corio police station. Harry was a Corio Shire Councillor between 1986 and 1992, a former Board Member of Corangamite Catchment Management Authority, a Director of Barwon Water from 1991 to 2004 and Deputy Chairman of Portland Coast Water from 2004 to 2005.

Harry is the current Chairman of the Victorian Water Industry Association and is the Executive Officer of the Western Abalone Divers Association, representing members based from Warrnambool to the South Australian border.

Harry is Chairman of the Strategic Issues Committee and is an ex-officio member of all other Board Committees.

### Rob Wallis – Deputy Chairman

BSc (Hons), MSc, PhD, Dip. Ed., Grad. Dip. Ed. Studs, Grad. Cert. Management, GAICD  
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 had 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 Graduate of the Australian Institute of Company Directors.

Rob is Chairman of the Audit and Risk Management Committee and is a member of 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 the Deputy Chairman of the South West Sustainability Partnership Incorporated, Deputy Chairman of savewater! Alliance Incorporated and a Director of Horizon 21 Incorporated.

He is a Fellow of the Institute of Water Administration and a member of the executive committee of the Institute.

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

### **Paul Battista**

MAICD  
Appointed 1 July 2005.

Paul Battista was Deputy Chairman of Glenelg Water from 2001 to 2005 and is a Member of the Australian Institute of Company Directors. He was a hydrographer with the former Rural Water Corporation and was a member of the Waterways Implementation Committee for the Glenelg Hopkins Catchment Management Authority from 2000 to 2005.

Paul is a Councillor of the Southern Grampians Shire Council and has experience in local governance and community consultation. He is the Council's representative on the Emergency Management Planning Committee and Iluka Mineral Sands Community Forum. Paul is a parent member of the North Hamilton School Council, a volunteer member of the North Hamilton CFA and is employed in manufacturing with Sutton Tools and has Certificate II in Engineering.

Paul is Chairman of the Health and Safety Committee and is a member of the Executive Remuneration Committee, the Strategic Issues Committee, the Water Plan Committee and the Customer Engagement Committee.

### **Di Clanchy**

BA, ALAA, MAICD  
Appointed 1 July 2005.

Di Clanchy was a Board Member of Portland Coast Water from 2004 to 2005.

Di is a qualified librarian and had a long career in public, secondary and tertiary education librarianship. She has a business organising tours to China and Vietnam and was a Moyne Shire Councillor from 1999 to 2008, representing the Port Fairy Riding. She chaired the Shire's Conservation and Environment, Heritage, and Arts and Culture Committees and was a member of several other Moyne Shire committees. Di is a committee member of Business and Professional Women South West and a past member of South West Healthcare, Moyne Health Services and South West TAFE Boards.

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

### **Rod Coutts**

BCom, MBA, FCPA, CA, AFAIM, MAICD  
Appointed 1 July 2010.

Rod began his working life 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 has lived and worked as a business academic or consultant in a number of countries, including Canada, Kenya, Malaysia and the Fiji Islands. He continues to teach degree level auditing on a sessional basis.

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

### **Jacinta Ermacora**

BSocWk, MSocSc RMIT, FAICD  
Appointed 1 July 2005.

Jacinta was Deputy Chair of the Board from 2005 to February 2011 and was a Board member of South West Water from 2004 to 2005. She holds a Bachelor of Social Work, a Masters of Social Science (Policy and Management) and is a Graduate and Fellow of the Australian Institute of Company Directors.

Jacinta brings to Wannon Water more than 20 years of social work, policy and governance experience. She is the Mayor of the City of Warrnambool and a former Director of the Glenelg Hopkins Catchment Management Authority. Her professional expertise includes community engagement, policy development, primary health care and governance.

Jacinta is Chair of the Executive Remuneration Committee and is a member of 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 Penshurst. Kate is a Graduate of the Australian Institute of Company Directors.

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

## Board and committee meetings attendance

	Board meetings	Audit & Risk Management Committee meetings	Executive Remuneration Committee meetings	Health & Safety Committee meetings	Strategic Issues Committee meetings	Water Plan Committee meetings
Harry Peeters	11 of 11	6 of 6	3 of 3	4 of 4	6 of 6	1 of 1
Paul Battista	9 of 11	-	2 of 3	3 of 4	6 of 6	1 of 1
Di Clanchy	11 of 11	6 of 6	-	4 of 4	6 of 6	1 of 1
Rod Coutts	11 of 11	6 of 6	0 of 0*	4 of 4	6 of 6	1 of 1
Jacinta Ermacora	10 of 11	-	3 of 3	3 of 4	5 of 6	1 of 1
Kate Fraser	10 of 11	5 of 6	-	4 of 4	5 of 6	1 of 1
Grant Green	11 of 11	-	-	4 of 4	6 of 6	1 of 1
Rob Wallis	11 of 11	6 of 6	-	4 of 4	6 of 6	1 of 1

\*Appointed to committee in May 2011

### Board committees

The following committees of the Board 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), Di Clanchy, Kate Fraser, Rod Coutts and Harry Peeters (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 four independent non-executive Directors: Jacinta Ermacora (Chair), Paul Battista, Rod Coutts (appointed May 2011) and Harry Peeters (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 – Paul Battista (Chairman), Di Clanchy, Rod Coutts, Jacinta Ermacora, Kate Fraser, Harry Peeters (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 – Harry Peeters (Chairman), Paul Battista, Di Clanchy, Rod Coutts, Jacinta Ermacora, 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), Paul Battista, Di Clanchy, Rod Coutts, Jacinta Ermacora, Harry Peeters (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 web site, [www.wannonwater.com.au](http://www.wannonwater.com.au).

Directors received stakeholder feedback and communication through a range of mechanisms, including the Customer Engagement Committee, the Strategic Issues Committee, customer focus groups, customer surveys 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 adoption of 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 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.

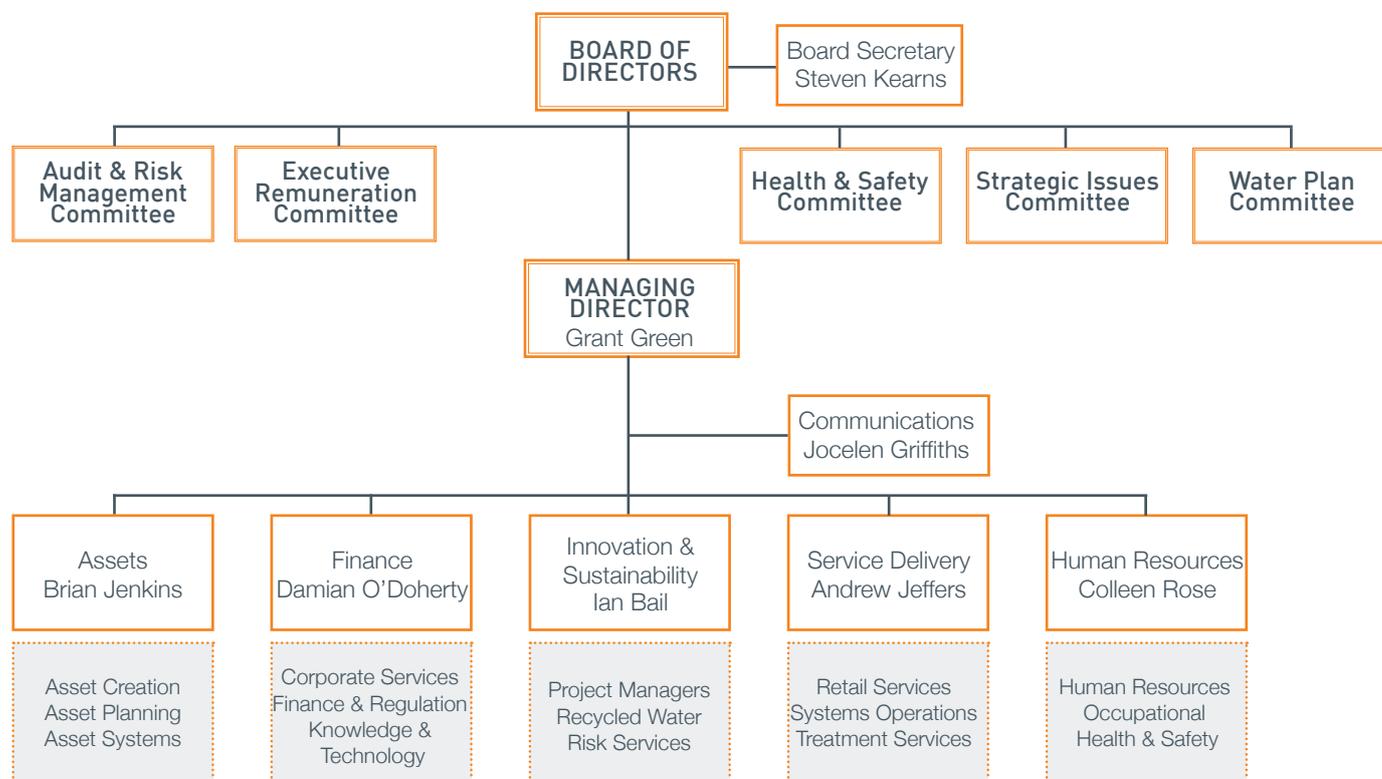
## Performance assessment

An externally facilitated performance review of the Board and individual Directors was conducted during the reporting period in accordance with Board policy. Following the review, actions were taken to further improve the overall performance of 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: ENSURE OUR BUSINESS  
PERFORMANCE IS SUSTAINABLE

## ECONOMIC HIGHLIGHTS 2010/11:

- Profit before tax of \$1.42m
- \$19.4m in capital works completed
- Revaluation of assets to fair value

### Financial result

Wannon Water achieved a net profit before tax of \$1.42 million for the reporting period and total comprehensive income for the period of \$3.67 million. The comprehensive income result is due to a revaluation of land, building and infrastructure asset classes amounting to \$2.06 million.

The operating revenue of \$58.5 million was less than budget expectations by \$8.1 million. This was primarily due to an anticipated gift of assets of \$10.8 million not occurring in 2010/11 and now likely to occur in 2011/12. Other significant changes were a decrease in volumetric revenue of \$2.2 million due to reduced water sales. However, this was offset by an increase in trade waste sales and other one-off income contributions.

Operating expenditure of \$57.1 million was \$1.7 million more than the budgeted expenditure. While considerable savings were achieved during the reporting period in the areas of supplies and services and finance costs, employee costs, depreciation expense and the write down of land assets were higher than expected.

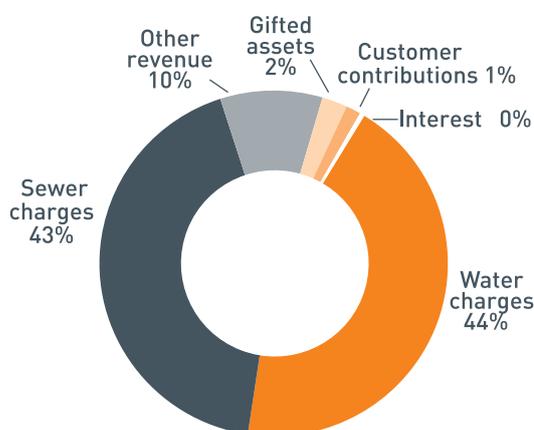
## Summary of financial results

	2010/11 (\$'000s)	2009/10 (\$'000s)	2008/09 (\$'000s)	2007/08 (\$'000s)	2006/07 (\$'000s)
Core business revenue	52,960	46,599	42,685	38,497	37,703
Government contributions	674	500	625	1,050	470
Other revenue	4,876	3,674	2,759	2,087	1,859
<b>Total revenue</b>	<b>58,510</b>	<b>50,773</b>	<b>46,069</b>	<b>41,634</b>	<b>40,032</b>
Operating expenditure	35,415	32,796	33,104	29,560	28,359
Depreciation expenditure	13,217	11,707	10,698	9,726	9,030
Finance costs	5,854	4,881	3,344	1,775	1,102
Other expenditure	2,602	890	509	470	383
<b>Total expenditure</b>	<b>57,088</b>	<b>50,274</b>	<b>47,655</b>	<b>41,531</b>	<b>38,874</b>
<b>Net result before tax</b>	<b>1,422</b>	<b>499</b>	<b>(1,586)</b>	<b>103</b>	<b>1,158</b>
Current assets	14,435	13,991	17,836	10,801	10,148
Non-current assets	560,728	555,174	512,660	484,992	467,067
<b>Total assets</b>	<b>575,163</b>	<b>569,165</b>	<b>530,496</b>	<b>495,793</b>	<b>477,215</b>
Current liabilities	15,619	18,805	11,823	13,810	9,260
Non-current liabilities	106,798	102,051	88,545	63,512	16,740
<b>Total liabilities</b>	<b>122,417</b>	<b>120,856</b>	<b>100,368</b>	<b>77,322</b>	<b>26,000</b>
Net cash flows from operations	12,545	13,855	7,333	5,317	6,755
Payments for property, plant and equipment (including infrastructure)	17,070	46,450	30,124	25,537	14,735

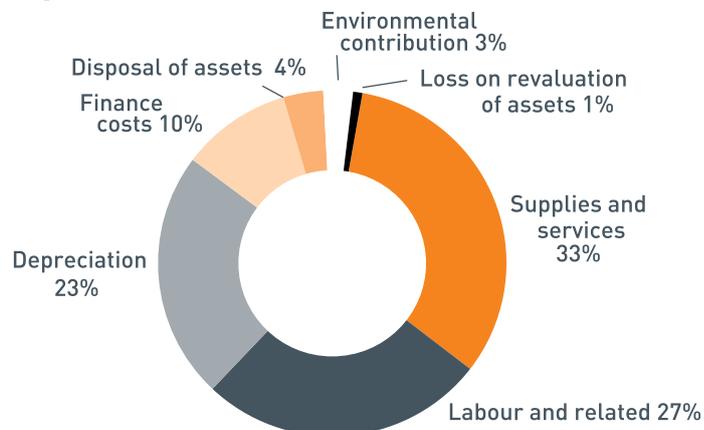
## Summary of financial performance

	2010/11	2009/10	2008/09	2007/08	2006/07
Internal Financing Ratio	73.50%	29.83%	23.56%	20.82%	46.09%
Gearing Ratio	13.98%	13.95%	11.27%	7.41%	3.82%
Interest Cover (EBIT)	1.3 times	1.1 times	0.5 times	1.0 times	1.4 times
Interest Cover (Cash)	3.5 times	4.3 times	3.5 times	4.4 times	10.0 times
Return on Assets	1.12%	0.86%	0.26%	0.33%	0.21%
Return on Equity	0.36%	0.26%	-0.14%	0.02%	0.16%

## Revenue



## Expenditure



## 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.

## Significant changes in financial position during the year

Property, plant and equipment increased in value by a net \$1.8 million dollars during the financial year. This included a \$2.5 million revaluation increment for land, buildings and infrastructure and depreciation of \$13.2 million. The \$19.4 million invested in capital works during the year were funded through both cash generated by the business and new borrowings.

Interest-bearing liabilities have increased by \$62.2 million in the past four years due to the \$120.9 million invested in capital works over the same period. During 2010/11 interest-bearing liabilities increased by \$1 million to \$80.4 million. The gearing ratio has increased from 13.95 per cent in 2009/10 to 13.98 per cent in 2010/11. The steady increase in the ratio over time reflects Wannon Water's focus on providing additional infrastructure to cater for growth, meet regulatory standards, and maintain service standards. However, Wannon Water's gearing ratio remains low.

## Major changes or factors affecting performance

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

- the anticipated gifting of assets of \$10.8 million from a major energy company did not occur due to a delay in the completion of works;
- volumetric revenue was \$2.2 million below budget, which reflects a reduction in water sales of some 1,100 megalitres compared to the prior year;
- increased revenue from trade waste charges of \$1.1 million on expected revenues partly offset the water sales revenue shortfall;
- a \$1.2 million contribution by a major energy company towards capital works completed to date was received. However, this was matched with a similar expense item;
- operational expenditure savings of \$2.0 million were achieved in supplies and services, and \$0.9 million in finance costs; and
- a loss of \$0.5 million on the revaluation of land and building assets was recognised in the statement of comprehensive income.

## Future challenges

Wannon Water plans to complete \$40.2 million of capital works in 2011/12. This expenditure will be funded through a mixture of new borrowings and cash flows from operating activities. Borrowings are forecast to increase over the next year and peak at \$110 million. Wannon Water will manage these borrowings and commence reducing the level of borrowings from the 2012/13 financial year onwards, provided there are no extraneous demands on cash.

The 2011/12 financial year will see the completion of several major projects, including the Mobile Information Management System. Capital works to be undertaken in 2011/12 will include the West Portland sewerage scheme, the Camperdown industrial water reclamation plant upgrade, construction of an inlet/outlet main at Hartwicks Reservoir, improvement works at the Hamilton water treatment plant, sewer rehabilitation works at Port Fairy, numerous water main replacements and projects to reduce water losses in the Otways.

A major upgrade of the Portland water reclamation plant commenced in 2010/11 and is expected to be completed in 2012/13.

## Disclosure of major contracts

Wannon Water did not enter any new contracts with a value greater than \$10 million in the reporting period.

## Consultancies costing less than \$100,000 in 2010/11

Number of consultants	Total cost of engagements
54	\$816,810.02

## Consultants costing more than \$100,000 in 2010/11

Name of consultant	Security Infrastructure Solutions
Project	SCADA Security Vulnerability Assessment
Total expenditure	\$117,120.00
2010/11 expenditure	\$117,120.00
Future commitment	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 2010/11

Wannon Water commenced one contract during 2010/11, totaling \$1.12 million, to which the VIPP applied. The contract was in regional Victoria.

The commitments by the contractor under VIPP included:

- local content contributed 94 per cent of the total value of the contract; and
- ten full-time equivalent jobs.

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

- construction and commissioning a treatment plant; and
- skills in earthworks, electrical, structural steel, civil and pipe work.

### **Contracts completed during 2010/11**

During 2010/11 Wannon Water completed one contract, valued at \$8.29 million, to which the VIPP applied. The contract was in regional Victoria.

The outcomes reported by contractors under VIPP included:

- local content contributed 95 per cent of the total value of the contract; and
- three full-time equivalent jobs.

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

- pipe manufacture and transportation; and
- ongoing employee development.

### **Capital works program**

Wannon Water completed \$19.4 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	2010/11 Expenditure (\$ million)
Warrnambool office project	\$3.30
Hamilton-Grampians pipeline project	\$1.20
Warrnambool roof water harvesting project	\$0.96
Portland water reclamation plant upgrade	\$0.82
Camperdown industrial water reclamation plant upgrade	\$0.56
Percy St, Portland, sewer pump station switchboard replacement	\$0.51
Mobile information management system	\$0.46
Warrnambool brine management project	\$0.42
Finance system works and assets module	\$0.38
Dutton Way sewerage scheme	\$0.32
Port Fairy sewer pump station upgrades	\$0.26

# SOCIAL REPORT

## STRATEGIC OBJECTIVE: IMPROVE OUR SERVICE DELIVERY

## SOCIAL HIGHLIGHTS 2010/11:

- Service level targets achieved except complaints to EWOV
- High customer satisfaction levels maintained
- Dutton Way sewerage scheme to proceed following landowner consultation

### Customer service performance indicators

All of the targets set out in the following table were achieved for the reporting period, except for complaints to the Energy and Water Ombudsman (Victoria).

Key Performance Indicator	Target	2010/11 Actual	Target Achieved	2009/10 Actual
<b>Reliability of water supply system</b>				
Unplanned water supply interruptions (per 100km of water main)	10	7.03	✓	7.1
<b>Water response indicators</b>				
Average time to attend Priority 1 bursts and leaks (minutes)	35	16.7	✓	11.9
Average time to attend Priority 2 bursts and leaks (minutes)	60	22.3	✓	26.4
Average time to attend Priority 3 bursts and leaks (minutes)	240	90.66	✓	94
Unplanned water supply interruptions restored within 5 hours	97%	98.4%	✓	99.2%
Planned water supply interruptions restored within 5 hours	90%	100%	✓	100%
<b>Water interruption time indicators</b>				
Average duration of unplanned water supply interruptions (minutes)	108	72.8	✓	49
Average duration of planned water supply interruptions (minutes)	180	112.8	✓	114.5
Average unplanned customer minutes off water supply (minutes)	9.9	3.21	✓	2.53
Average planned customer minutes off water supply (minutes)	9	0.24	✓	1.39
<b>Water interruption frequency indicators</b>				
Average frequency of unplanned water supply interruptions	0.09	0.044	✓	0.051
Average frequency of planned water supply interruptions	0.05	0.002	✓	0.011
<b>Reliability of sewerage collection system</b>				
Sewer blockages per 100km of main	38.3	10.35	✓	10.39
<b>Sewer response indicators</b>				
Average time to attend sewer spills and blockages (minutes)	30	20.50	✓	20.5
Average time to rectify a sewer blockage (minutes)	90	80.07	✓	73.17
Sewerage spills contained within 5 hours	98%	100%	✓	100%
<b>Customer service indicators</b>				
Complaints to EWOV (complaints per 1,000 customers)	0.6	1.13	✗	1.05
Telephone calls answered within 30 seconds	98.9%	99.6%	✓	99.7%

Note: Complaints to the Energy and Water Ombudsman Victoria (EWOV) exceeded the target due to Wannon Water's proactive 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.

## 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

	2010/11	2009/10	2008/09	2007/08	2006/07
Concession card grants	\$2,345,036	\$2,258,560	\$1,906,875	\$1,608,610	\$1,574,134
Water and sewer rebates for not-for-profit organisations	\$246,233	\$244,139	\$242,156	\$250,186	\$233,250
Utility relief grant schemes	\$48,618	\$68,072	\$22,090	\$16,289	\$11,108
Water usage life machine rebates	\$1,396	\$1,699	\$993	\$732	\$767
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	\$0	\$0	\$0	\$10,200	\$45,784
<b>Total</b>	<b>\$2,641,283</b>	<b>\$2,572,470</b>	<b>\$2,172,114</b>	<b>\$1,886,017</b>	<b>\$1,865,043</b>

### Assisting customers experiencing financial hardship

Wannon Water provided assistance to customers in financial hardship. We tailor assistance to meet the individual needs of customers, including:

- encouraging customers who receive Centrelink payments to use the fortnightly Centrepay facility;
- assisting customers to complete the applications for government assistance programs;
- providing customers with information on how to reduce household water consumption;
- referring customers to a free independent financial counseling service;
- providing water audits and retrofitting efficient water fittings under the Department of Health Water Wise program and the Southwest Primary Care Partnership Retrofit Program; and
- assisting customers by 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 Hardship Assistance

	Number of customers 2010/11	Number of customers 2009/10	Number of customers 2008/09	Total value 2010/11	Total value 2009/10	Total value 2008/09
Interest waived	544	623	249	\$17,337	\$6,977	\$10,900
High water usage allowances	167	114	71	\$82,086	\$73,203	\$36,294
Bonus credit system	74	294	37	\$2,560	\$11,245	\$1,475
Debt write-off	5	17	18	\$5,025	\$3,974	\$10,210
Fire service not-for-profit hardship rebate	7	3	74	\$8,579	\$1,560	\$78,262
<b>Total</b>	<b>798</b>	<b>1,052</b>	<b>449</b>	<b>\$115,735</b>	<b>\$97,130</b>	<b>\$137,303</b>

For other residential customers we tailored payments by request, including offering installment payment plans to assist customers who prefer regular payment installments.

Flexible payment arrangements	2010/11	2009/10	2008/09	2007/08	2006/07
Number of customers under flexible payment arrangements	1,574	1,608	1,516	1,428	1,370
Amount involved under flexible payment arrangements	\$562,801	\$590,977	\$418,239	\$292,696	\$327,181

## Providing high quality water

Wannon Water is committed to supplying high quality drinking water. Our water quality management system was independently certified through Hazard, Analysis and Critical Control Point (HACCP) and the Department of Health water quality risk management plan processes. The HACCP system applies from “catchment to tap”. A total of 1,982 water samples were analysed by an independent laboratory certified by the National Association of Testing Authorities.

Water quality data is assessed for compliance with the *Australian Drinking Water Guidelines 2004* and the *Safe Drinking Water Regulations 2005*.

## Drinking Water Quality

	Actual	Target	Number of samples
<i>E. coli</i>	100.0%	98% <sup>1</sup>	1,982
Acid Soluble Aluminium	92.6% <sup>3</sup>	100%	216
Treatment products	99.6% <sup>4</sup>	100%	1,586
Turbidity (5 NTU, 95% UCL)	100.0%	95% <sup>2</sup>	1,982

### Notes:

1. 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.
2. For turbidity compliance the 95<sup>th</sup> 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.
3. For acid soluble aluminium only four samples from the Hamilton system exceeded the regulatory limit of 0.2 mg/L. An upgrade of the Hamilton Water Treatment Plant undertaken during the reporting period resolved this non-compliance. The Cavendish water supply contains natural levels of aluminium.
4. For treatment by-products the exceedance related to a temporary change in the treatment process following de-stratification of the Glenthompson system reservoir.

## 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.

## Number of water customers

City/Town	Residential		Non-residential		Rural	2010/11 Total Water Customers	2009/10 Total Water Customers	% Change
	Connected	Unconnected	Connected	Unconnected				
Allansford	297	14	39	2	7	359	354	1%
Balmoral	104	3	31	1	19	158	156	1%
Camperdown	1,567	64	211	7	-	1,849	1,832	1%
Camperdown Rural	-	-	-	-	381	381	381	0%
Caramut	53	4	16	-	7	80	81	-1%
Caramut Pipeline	-	-	-	-	12	12	12	0%
Casterton	816	24	154	4	23	1,021	1,015	1%
Cavendish	65	10	24	1	11	111	110	1%
Cobden Rural	-	-	-	-	18	18	17	6%
Cobden Urban	692	29	104	7	85	917	918	0%
Coleraine	513	45	94	3	15	670	671	0%
Darlington	19	-	3	-	-	22	22	0%
Dartmoor	119	32	17	1	-	169	153	10%
Dunkeld	301	33	51	1	28	414	412	0%
Glenthompson	95	5	27	2	38	167	165	1%
Hamilton	4,645	135	637	20	50	5,487	5,445	1%
Hamilton Pipeline	-	-	-	-	35	35	35	0%
Heywood	641	25	102	4	7	779	776	0%
Konongwootong Pipelines	-	-	-	-	52	52	52	0%
Koroit	635	34	56	-	2	727	715	2%
Lismore & Derrinalum	337	54	71	1	75	538	534	1%
Macarthur	136	1	39	1	2	179	179	0%
Merino	125	11	18	2	37	193	193	0%
Mortlake	563	43	115	3	4	728	716	2%
Noorat & Glenormiston	143	2	17	-	75	237	237	0%
North Otway Pipeline	-	-	1	-	447	448	450	0%
Penshurst	255	11	55	2	3	326	327	0%
Peterborough	287	90	15	-	6	398	378	5%
Port Campbell	246	16	43	-	-	305	306	0%
Port Fairy	1,948	157	222	6	2	2,335	2,323	1%
Portland	4,915	384	690	72	6	6,067	5,994	1%
Purnim	-	-	-	-	84	84	81	4%
Sandford	56	3	6	-	27	92	93	-1%
Simpson	78	3	19	1	10	111	111	0%
Tarrington	119	6	5	-	17	147	146	1%
Terang	942	13	146	1	1	1,103	1,090	1%
Timboon	407	18	78	-	102	605	598	1%
Tullich Pipeline	-	-	-	-	7	7	7	0%
Warrnambool	13,212	361	1,510	45	29	15,157	14,918	2%
<b>Totals</b>	<b>34,331</b>	<b>1,630</b>	<b>4,616</b>	<b>187</b>	<b>1,724</b>	<b>42,488</b>	<b>42,003</b>	<b>1%</b>

## 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.

There was a five per cent increase in sewerage connections in Peterborough for the reporting period.

## Number of customers receiving sewerage services

City/Town	Residential		Non-residential		Trade Waste	2010/11 Total Sewerage Customers	2009/10 Total Sewerage Customers	% Change
	Connected	Unconnected	Connected	Unconnected				
Allansford	245	30	12	3	5	295	288	2%
Camperdown	1,433	111	130	12	55	1,741	1,724	1%
Casterton	694	36	97	8	28	863	860	0%
Cobden Urban	645	32	58	9	26	770	771	0%
Coleraine	488	52	63	6	19	628	626	0%
Dunkeld	232	41	26	7	7	313	311	1%
Hamilton	4,197	204	418	39	112	4,970	4,943	1%
Heywood	609	44	52	11	29	745	742	0%
Koroit	607	50	30	3	19	709	696	2%
Mortlake	498	53	52	11	22	636	628	1%
Noorat & Glenormiston	2	-	-	-	-	2	2	0%
Peterborough	238	135	7	4	-	384	364	5%
Port Campbell	222	22	16	4	20	284	283	0%
Port Fairy	1,803	209	95	8	66	2,181	2,165	1%
Portland	4,576	429	382	79	223	5,689	5,628	1%
Simpson	66	3	9	-	3	81	81	0%
Terang	853	31	97	1	29	1,011	999	1%
Timboon	343	49	50	5	18	465	463	0%
Warrnambool	12,850	578	1,046	62	329	14,865	14,631	2%
<b>Total</b>	<b>30,601</b>	<b>2,109</b>	<b>2,640</b>	<b>272</b>	<b>1,010</b>	<b>36,632</b>	<b>36,205</b>	<b>1%</b>

Wannon Water resolved to proceed with the Dutton Way sewerage scheme following consultation with landowners. This project will move forward in 2011/12 to connect customers in this area of Portland. For more on the consultation process for this project, see page 21.

In the reporting period, landowner objections about the allocation of costs for the West Portland sewerage scheme were resolved, enabling this project to commence construction in 2011/12. A Victorian Government grant of \$767,443 will be applied to the scheme.

# ENGAGE WITH OUR COMMUNITY

Wannon Water is committed to engaging with its customers, the community and stakeholders to develop effective long-term relationships throughout south-west Victoria. Our Stakeholder Engagement Policy details the corporation's approach and commitment to community consultation and engagement.

## Customer Engagement Committee

Wannon Water's Customer Engagement Committee provided valuable input on matters relevant to Wannon Water customers and the wider community. The committee members represent a variety of customer groups, including residential, non-residential and rural customers and assist Wannon Water in better understanding the service needs of its customers.

During the reporting period the committee met quarterly to review Wannon Water's Stakeholder Engagement Policy, customer procedures, future water pricing options and the Konongwootong Reservoir Master Plan consultation strategy. Members of the committee also participated in a stakeholder reference group that reviewed the options for upgrading the Portland water reclamation plant.

## Other customer engagement

Customer consultation is pivotal 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 that customer and stakeholder views and expectations were considered.

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

- **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. Detailed design of the scheme is nearing completion.

A Project Monitoring Committee, composed of landowners and a Glenelg Shire Council representative, was established to facilitate community consultation throughout the development of the scheme. The committee met on two occasions in the reporting period.

## Protecting cultural heritage

Wannon Water completed cultural heritage and archaeological surveys 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; and
- Camperdown rural water main.

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 the cultural heritage surveys to ensure that sites of cultural importance were identified and plans developed to ensure their preservation. Wannon Water liaised closely with the consultant and Registered Aboriginal Party applicants Gunditj Mirring Traditional Owners Aboriginal Corporation, Kuuyang Maar Aboriginal Corporation and Ella Maar Aboriginal Corporation.

Wannon Water commenced consultation with Gunditj Mirring Traditional Owners Aboriginal Corporation and other stakeholders in relation to the preparation of a long-term master plan for the Konongwootong Reservoir site and recognition of the Gunditmara people's association with the site.

# BUILD OUR ORGANISATIONAL CULTURE

## Our workforce

Wannon Water recognises that it's our people who enable the corporation to deliver effective and reliable services to the wider community.

The corporation is committed to investing in its workforce and continues to provide employees with the opportunity and support to develop their skills and knowledge. Wannon Water fosters a culture where employees can excel and know their contribution is valued. In maintaining a 'workplace of choice', Wannon Water improves its ability to attract and retain a talented and skilled workforce.

## Recruitment and retention

At 30 June 2011 Wannon Water employed 206 people (197 full time equivalent) in a variety of roles across various professions, including:

- accountants;
- engineers;
- technical officers;
- corporate communications advisors;
- customer relations officers;
- water and sewerage treatment and systems officers;
- scientists;
- electricians; and
- fitters.

The employee turnover was 8.7 per cent for the reporting period.

## Wannon Water workforce

	Total Employees	No. Full Time	No. Part Time	No. Casuals	No. Males	% Males	No. Females	% Females
2010/11	206	187	16	3	150	73%	56	27%
2009/10	198	178	17	3	141	71%	57	29%
2008/09	194	174	18	2	137	71%	57	29%
2007/08	182	161	18	3	133	73%	49	27%
2006/07	169	146	15	8	124	73%	45	27%

## Scholarships and traineeships

Wannon Water's Civil Engineering Scholarship Program continues to facilitate the employment of graduate engineers. Two graduate civil engineers commenced with Wannon Water in 2010/11, with another three currently undertaking the program. The scholarship is awarded to a student residing in Wannon Water's service delivery area and provides \$5,000 per year towards the cost of study expenses. Our current scholarship holders are undertaking studies at Monash, Deakin and Melbourne Universities and will enter our graduate engineering program each year from 2012 to 2015.

During the reporting period Wannon Water hosted three trainees who all successfully completed their Certificate III in Business Studies.

## Merit and equity

Wannon Water's values and employment principles are critical to maintaining and improving performance of the workforce. The corporation remains committed to the employment and conduct principles outlined by the State Services Authority in accordance with the *Public Administration Act 2004*. Policies and procedures are in place so that the corporation continually strives to uphold the principles of equal opportunity, employee diversity and work/life balance.

## Principles and conduct

Wannon Water ensures:	Our employees must:
• Decisions are based on merit	• Act with impartiality
• Employees are treated fairly and reasonably	• Display integrity, including avoiding real or apparent conflicts of interest
• Equal employment opportunity is provided	• Be accountable for actions
• Reasonable avenues of redress against unfair or unreasonable treatment	• Provide responsive service

In 2010/11 there were no incidents or actions reported relating to discrimination at Wannon Water.

## Learning and development

Wannon Water is strongly committed to enhancing opportunities for its employees to develop skills, knowledge and capabilities. A total of 16,200 hours of formal learning and development occurred in the reporting year.

Wannon Water continues to identify individual employee development needs in consultation with managers. Development opportunities in 2010/11 saw Wannon Water employees supported to participate in tertiary studies, including:

- masters and post graduate courses;
- certificate courses from the National Training Framework;
- occupational health and safety compliance training; and
- other skills development training.

Wannon Water continues to participate in community career development programs, 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.

## Leadership

Wannon Water aims to foster a culture of leadership that aligns with the corporation's mission and values. In the reporting period an organisational assessment of individual and group leadership styles provided the foundation for a targeted and effective Leadership Development Program. The program is specifically aimed at providing the leadership group with the skills necessary to successfully, and constructively, lead a team toward business objectives and meaningful goals.

A series of targeted workshops commenced to help the leadership group further develop a leadership framework that can be imparted on employees across Wannon Water, with the aim of strengthening organisational culture, improving performance and business outcomes.

## Certification of OH&S system

During the reporting period Wannon Water achieved AS/NZS 4801 certification of its OH&S system.

## OH&S culture

Wannon Water's OH&S culture demonstrates the high regard for the health and safety of all those employees and contractors involved with its business operations.

In 2010/11 Wannon Water introduced its Health and Wellbeing and WorkSafe HomeSafe programs. Both initiatives support our corporate objective of "Growing our safety culture".

Wannon Water ran bi-monthly sessions on cancer awareness, diet and nutrition.

The WorkSafe HomeSafe campaign was designed to personalise the OH&S message to resonate with all employees. A logo and themed photographs were developed 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.

## Improve the capacity of managers, supervisors and front line employees to manage OH&S effectively

Wannon Water continues to invest in OH&S training beyond the legislative requirements. Training delivered in 2010/11 included:

- confined space entry;
- OH&S incident investigation;
- First Aid level 2;
- height safety;
- traffic management;
- safe trenching;
- manual handling;
- train track safety awareness; and
- dam safety.

## 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 achieved a reduction in Lost Time Injuries (LTIs), Lost Time Injury Frequency Rate (LTIFR) and Lost Time Severity Rates.

Occupational Health and Safety Indicators	2010/11	2009/10	2008/09	2007/08	2006/07
Number of Lost Time Injuries (LTI)	3	5	6	8	3
Lost Time Injury Frequency Rate (LTIFR - LTI occurrences per one million hours worked)	9	16	20	23	9
Lost time Injury Severity Rate	7	48	46	9	14

# ENVIRONMENTAL REPORT

## STRATEGIC OBJECTIVE: ENHANCE OUR ENVIRONMENTAL PERFORMANCE

### ENVIRONMENTAL HIGHLIGHTS 2010/11:

- Target of 30% reduction in per capita water use met five years early
- Warrnambool office water use reduced from 3,759 litres per day to 478 litres per day following move to new corporate office
- Greenhouse gas emissions reduced by 7%

#### Environmental sustainability

Significant milestones were achieved during the reporting period on environmental sustainability targets set in the corporation's Sustainability Policy and Sustainability Strategy. In 2010/11 residential water consumption was down 11.3 per cent and greenhouse gas emissions reduced by 7 per cent. Recognising the importance of biodiversity, and showing leadership in land management, Wannon Water has restored and revegetated heathland at Portland's Bald Hill which has seen endangered flora and fauna return to the site.

#### Bulk entitlements

Wannon water complied with its passing flow obligations in accordance with its bulk entitlements.

A bulk entitlement is a legal right to water granted by the Minister for Water under the *Water Act 1989*. Bulk entitlements are commonly held by water corporations with objectives 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 six surface water bulk entitlements. The bulk entitlements contain provisions on minimum passing flows and maximum daily extractions from waterways and Wannon Water achieved 100 per cent compliance with these requirements in 2010/11.

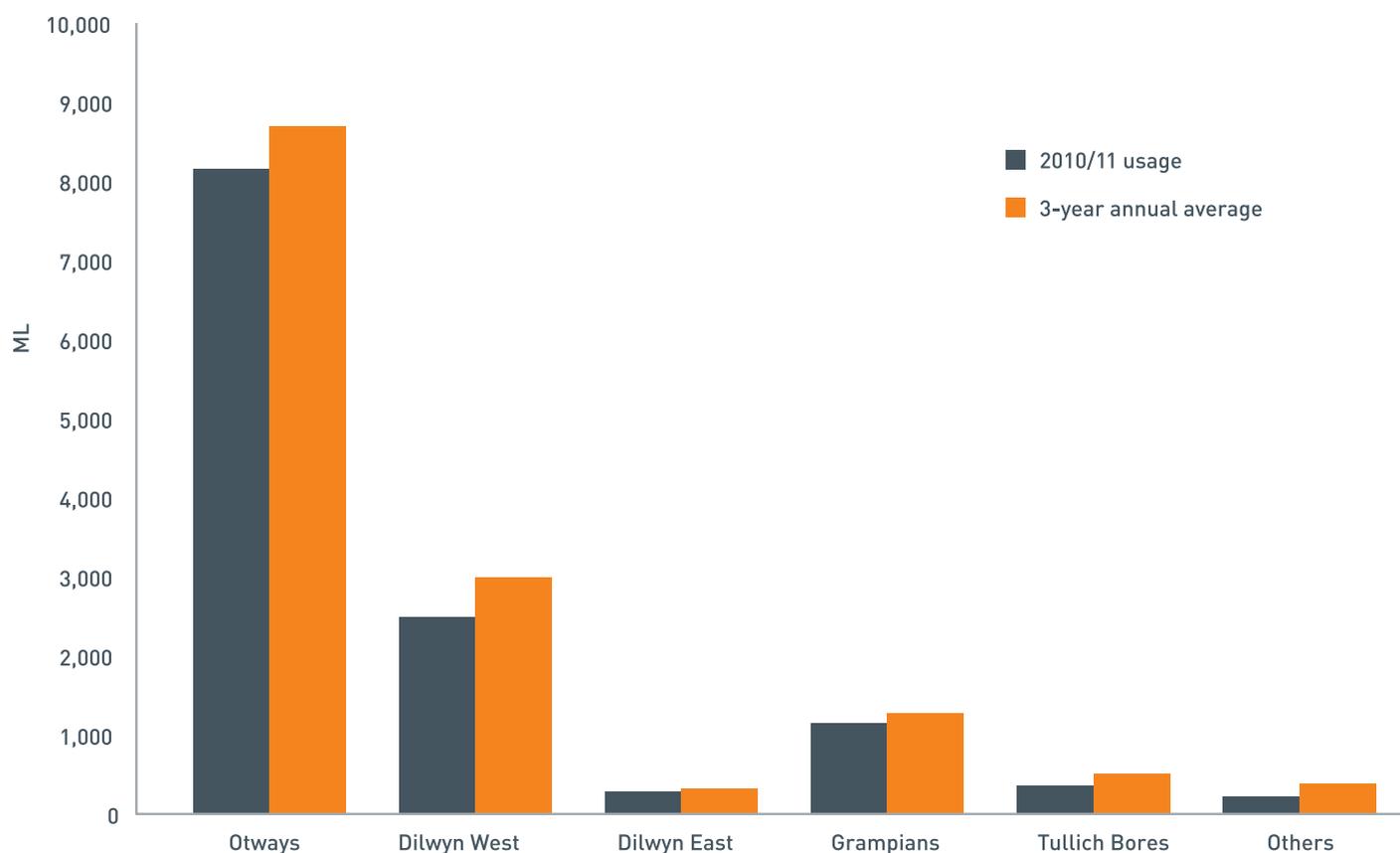
The bulk entitlements require annual reporting of water taken from waterways and this information is provided in the table below.

The total volume of water harvested by Wannon Water increased primarily due to Wannon Water capitalising on the high summer rainfall and increased stream flows experienced in 2010/11. This replenished water storages, particularly in Hamilton.

## Summary of bulk entitlements

Bulk entitlement	Volume of entitlement (ML)	Volume extracted 2010/11 (ML)	Percentage of bulk entitlement used in 2010/11	Water in storage on 30 June 2011 (ML)
Otway System Conversion Order	12,580	8,523.7	67.8%	1,853.3
Hamilton Conversion Order	3,435	2,630.7	76.6%	2,397.8
Coleraine, Casterton & Sandford Conversion Order	855	45.2	5.3%	1,061
Dunkeld Conversion Order	170	89.7	52.8%	89
Glenthompson Conversion Order	94	23.5 (a further 41.32 was sourced from the Willaura system operated by GWMWater)	25.0%	81
Wimmera and Glenelg Rivers Conversion Amendment Order 2004 (bulk entitlement revoked effective from 29 October 2010)	120	28.1	23.3%	Not applicable
Wimmera and Glenelg Rivers - Wannon Water Order 2010 (new bulk entitlement effective from 26 October 2010)	2,120	26.5	1.25%	1,194

## Bulk water usage



Total usage across all water systems was less than the three-year average.

The volume of non-revenue water for 2010/11 was 2,148 megalitres, which represents 17 per cent of total bulk water harvested. The increased percentage of non-revenue water in 2010/11 was primarily due to the significant reduction in total customer water consumption during the reporting period.

### ***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 2010/11	8,524 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 2010/11	2,631 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	The Bulk Entitlement (Wimmera and Glenelg Rivers – Wannon Water) Order 2010 provided a new allocation to this system from Rocklands Reservoir
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 2011	216.70m AHD - 89.1 ML
13.1(c) - volume taken 2010/11	89.7 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 2011 Glenthompson Reservoir	308.61m AHD - 80.7 ML
Railway Reservoir	294.8m AHD - 28.8 ML
13.1(c) - volume taken 2010/11	23.5 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 2011	273.8m AHD – 1,030.7 ML
13.1(c) - volume taken 2010/11	45.2 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 – Glenelg Water) Conversion Order 2004 and Bulk Entitlement (Wimmera and Glenelg Rivers – Glenelg Water) Conversion Amendment Order 2005**

17.1(b) – volume taken 2010/11 (1 July 2010 to 29 October 2010)	28 ML
17.1(c) – volume and location of any water taken under this bulk entitlement at any other works of Wannon Water	Nil
17.1(d) - seasonal allocation to Wannon Water under this Order	2,110 ML (1 July 2011), revised to 2,120 ML (6 Oct. 2010)
17.1(e) - approval, amendment and implementation of the metering program under sub clause 16.3	No current metering plan approved
17.1(f) - any change to the reliability and annual entitlement under Schedule 2	Nil
17.1(g) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
17.1(h) - any bulk entitlement, licence or water right temporarily or permanently transferred to Wannon Water under this Order	Nil
17.1(i) - any amendment to this bulk entitlement	Order revoked 29 Oct. 2010
17.1(j) - any new bulk entitlement granted to the corporation with respect to the system	Nil
17.1(k) - any failure by the corporation to comply with any provision of this bulk entitlement	Nil
17.1(l) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

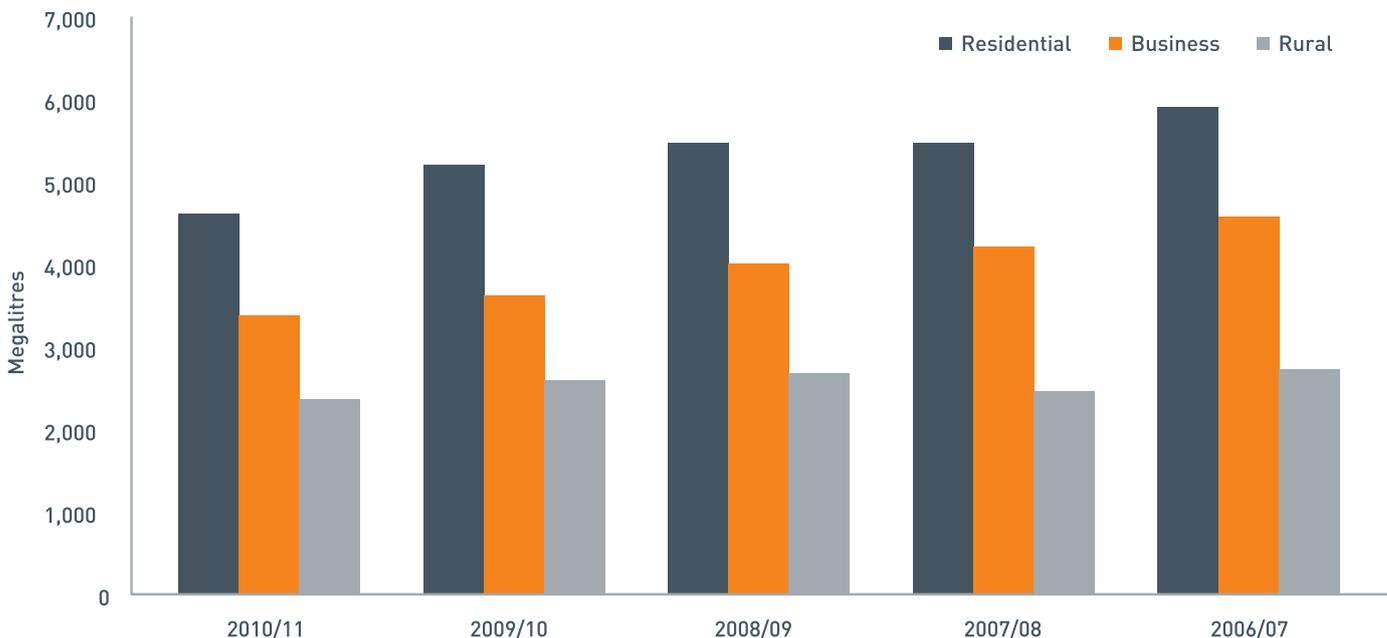
**Bulk Entitlement (Wimmera and Glenelg Rivers – Wannon Water) Order 2010**

13.1(b) – volume taken at each of the off-take points	26 ML (29 Oct. 2010 – 30 June 2011); 55 ML (annual amount)
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	Metering program provided to Minister for approval
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	Order effective 29 October 2010 grants entitlement to Wimmera-Mallee system
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

## Water consumption

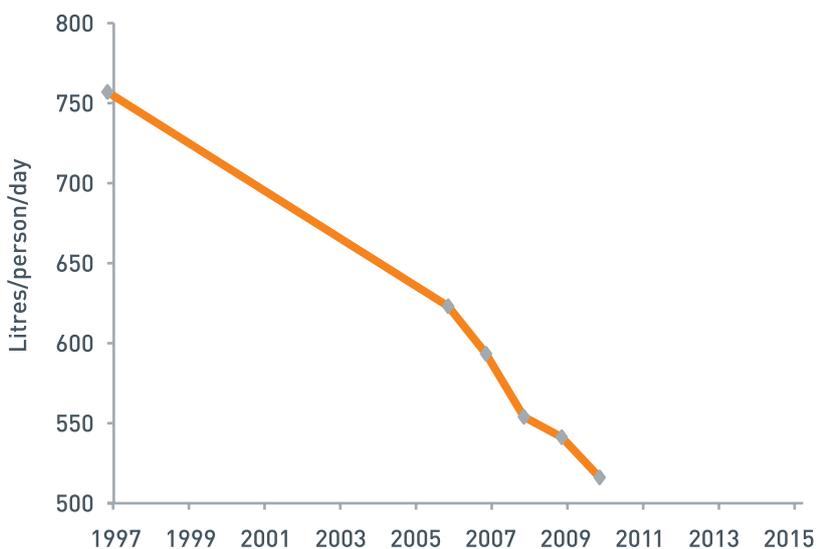
Total water consumption reduced by 9.2 per cent in the reporting period, down from 11,402 megalitres in 2009/10 to 10,351 megalitres in 2010/11. Water consumption reduced by 11.3 per cent for residential customers, 6.8 per cent for business customers and 8.5 per cent for rural customers.

### Residential, business and rural customer water consumption



Wannon Water's Water Supply Demand Strategy includes a comprehensive demand management program that has now been in place for four years. The strategy aimed to reduce per person water consumption by 30 per cent by 2015 (base line 1996/97). This target was achieved in the reporting period, some five years ahead of schedule.

### Average consumption per person



The demand management program implemented by Wannon Water has been very effective in encouraging consumers to use less water. The program included initiatives such as the Permanent Water Saving Measures and water education initiatives.

The Water Supply Demand Strategy will be reviewed in 2011/12 and the revised plan will be made available to the community for comment.

## Water consumption by town/city

City/Town	Residential Customers		Non-Residential Customers		Rural Customers		Total Consumption		3-Year Average Annual Consumption
	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	
Allansford	297	46.2	39	39.5	7	14.7	343	100.4	100.0
Balmoral	104	11.6	31	4.6	19	9.4	154	25.6	39.5
Camperdown	1,567	204.9	211	81.2	-	-	1,778	286.1	325.4
Camperdown Rural	-	-	-	-	381	523.1	381	523.1	610.0
Caramut	53	5.9	16	3.0	7	1.9	76	10.8	19.6
Caramut Pipeline	-	-	-	-	12	2.1	12	2.1	3.5
Casterton	816	89.1	154	36.5	23	7.2	993	132.8	221.6
Cavendish	65	6.7	24	1.4	11	2.5	100	10.6	12.9
Cobden Rural	-	-	-	-	18	18.5	18	18.5	27.2
Cobden Urban	692	99.7	104	320.0	85	108.7	881	528.4	633.0
Coleraine	513	51.4	94	14.4	15	7.1	622	72.9	98.3
Coleraine Pipeline	-	-	-	-	-	-	-	-	-
Darlington	19	1.2	3	0.3	-	-	22	1.5	1.8
Dartmoor	119	11.3	17	1.5	-	-	136	12.8	16.9
Dunkeld	301	28.4	51	12.0	28	7.3	380	47.7	55.1
Glenthompson	95	5.9	27	5.5	38	14.1	160	25.5	31.8
Hamilton	4,645	599.8	637	197.4	50	31.8	5,332	829.0	978.4
Hamilton Pipeline	-	-	-	-	35	12.6	35	12.6	19.0
Heywood	641	87.7	102	28.1	7	2.3	750	118.1	149.2
Konongwootong Pipelines	-	-	-	-	52	32.4	52	32.4	50.4
Koroit	635	80.0	56	62.5	2	1.4	693	143.9	193.3
Lismore & Derrinallum	337	32.1	71	11.4	75	38.3	483	81.8	118.5
Macarthur	136	9.4	39	2.7	2	0.5	177	12.6	22.4
Merino	125	13.2	18	4.0	37	10.5	180	27.7	40.2
Mortlake	563	61.9	115	25.6	4	4.4	682	91.9	112.8
Noorat & Glenormiston	143	21.9	17	35.0	75	54.9	235	111.8	133.6
North Otway Pipeline	-	-	1	12.5	447	1,315.0	448	1,327.5	1,318.3
Penshurst	255	34.9	55	10.2	3	1.2	313	46.3	66.9
Peterborough	287	17.8	15	14.9	6	4.0	308	36.7	43.8
Port Campbell	246	23.5	43	33.6	-	-	289	57.0	60.5
Port Fairy	1,948	232.6	222	338.1	2	0.2	2,172	570.8	613.1
Portland	4,915	677.5	690	697.4	6	0.9	5,611	1,375.8	1,647.9
Purnim	-	-	-	-	84	11.3	84	11.3	15.1
Rocklands Pipeline	-	-	-	-	-	-	-	-	-
Sandford	56	6.3	6	2.1	27	6.4	89	14.8	25.0
Simpson	78	9.5	19	55.3	10	16.5	107	81.3	105.4
Tarrington	119	16.8	5	1.9	17	6.0	141	24.6	27.9
Terang	942	128.4	146	40.7	1	6.6	1,089	175.8	215.3
Timboon	407	48.8	78	29.6	102	74.8	587	153.2	175.3
Tullich Pipeline	-	-	-	-	7	0.8	7	0.8	1.6
Warrnambool	13,212	1,946.6	1,510	1,250.3	29	17.8	14,751	3,214.6	3,565.4
Willaura Pipeline	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>34,331</b>	<b>4,611</b>	<b>4,616</b>	<b>3,373</b>	<b>1,724</b>	<b>2,367</b>	<b>40,671</b>	<b>10,351</b>	<b>11,896</b>

## Water consumption by system

District/ System	2010/11 Volume (ML)	Change (%)	2009/10 Volume (ML)	Change (%)	2008/09 Volume (ML)	Change (%)	2007/08 Volume (ML)	Change (%)	2006/07 Volume (ML)	Change (%)
East Dilwyn	246.8	-16%	293.1	7%	272.8	0%	273.1	-15%	319.8	-5%
Grampians	975.7	-11%	1,090.4	-6%	1,161.1	-7%	1,242.3	-8%	1,346.5	-33%
Other	105.8	-32%	154.7	-6%	165.3	-5%	173.7	22%	142.0	8%
Otway	6,696.5	-7%	7,220.7	-6%	7,647.4	1%	7,552.2	-8%	8,252.1	-3%
Tullich	249.0	-30%	356.8	-8%	388.3	-6%	415.0	-17%	500.8	6%
West Dilwyn	2,077.4	-9%	2,286.1	-9%	2,507.2	1%	2,487.7	-6%	2,636.6	-13%
<b>Totals</b>	<b>10,351</b>	<b>-9%</b>	<b>11,402</b>	<b>-6%</b>	<b>12,142</b>	<b>0%</b>	<b>12,144</b>	<b>-8%</b>	<b>13,198</b>	<b>-9%</b>

## Water treatment plant volumes

Plant	2010/11 Volume (ML)	Change (%)	2009/10 Volume (ML)	Change (%)	2008/09 Volume (ML)	Change (%)	2007/08 Volume (ML)	Change (%)	2006/07 Volume (ML)	Change (%)
Balmoral	30	-30%	43	-15%	51	15%	44	6%	42	-34%
Casterton	368	-28%	514	31%	393	-2%	402	-9%	442	19%
Cobden	633	-9%	697	-4%	722	-2%	736	-16%	871	10%
Donalds Hill (Camperdown)	1,199	3%	1,162	-6%	1,242	-1%	1,258	-10%	1,398	1%
Glenthompson	21	2%	21	42%	15	4%	14	18%	12	-38%
Hamilton	1,184	1%	1,170	-5%	1,232	-5%	1,299	4%	1,255	-37%
Port Campbell	305	-14%	355	27%	280	-2%	284	-13%	326	-6%
Simpson	97	0%	97	-15%	114	-11%	128	-18%	156	2%
Terang	437	-18%	536	-5%	567	12%	504	-10%	562	-8%
Warrnambool	4,172	-12%	4,715	-3%	4,839	0%	4,852	-7%	5,241	-3%
Port Fairy	665	-12%	757	-5%	794	-4%	826	-2%	847	16%
Portland	1,678	-7%	1,797	-15%	2,121	-3%	2,175	-3%	2,233	21%
Heywood	150	-12%	171	-1%	173	-8%	189	-15%	223	13%
<b>Totals</b>	<b>10,939</b>	<b>-9%</b>	<b>12,035</b>	<b>-4%</b>	<b>12,543</b>	<b>-1%</b>	<b>12,713</b>	<b>-7%</b>	<b>13,607</b>	<b>-2%</b>

# SUSTAINABLE WATER USE

## Wannon Water office water consumption

Water consumption at Wannon Water offices across the region decreased by 569 kilolitres (42 per cent) from the prior year. This was primarily due to the relocation of Warrnambool employees to the new Gateway Road office in November 2010. Water use across the various Warrnambool offices occupied prior to this relocation was 3,759 litres per day, which reduced to 478 litres per day following occupation of the Gateway Road office:

Town	Address	Metered water use (kilolitres)					No. staff	Kilolitres per full time equivalent staff member	Litres per square metre of office space
		2010/11	2009/10	2008/09	2007/08	2006/07			
Warrnambool	Gateway Road	547	1,114	1,144	904	856	109	5	155
Portland	15 Millbank Street	25	28	26	26	23	5	5	147
Portland	15 Townsend Street	133	129	128	65	46	7	19	433
Hamilton	66 Gray Street	90	93	52	39	53	15	6	146
	<b>Totals</b>	<b>795</b>	<b>1,364</b>	<b>1,350</b>	<b>1,034</b>	<b>978</b>	<b>136</b>	<b>5.8</b>	<b>172</b>

## 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 2010/11	No. customers 2009/10	No. customers 2008/09	No. customers 2007/08	No. customers 2006/07
200ML to 300ML	2	1	0	0	0
300ML to 400ML	1	2	3	2	1
400ML to 500ML	1	1	0	2	3
500ML to 750 ML	1	1	2	1	1
750ML to 1,000ML	0	0	0	0	0
Greater than 1,000ML	0	0	0	0	0
<b>Total no. of customers</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>

## Major customers' participation in water conservation programs

All major customers of Wannon Water have either voluntarily developed water conservation programs for implementation or have implemented conservation programs.

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
GlaxoSmithKline Australia Pty Ltd	Port Fairy	Yes

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

## Regional Catchment Management Strategy

Through the Natural Assets Alliance, Wannon Water contributed to the development of a Regional Sustainability Indicators Framework for south-west Victoria. Funded by the Victorian Government's Victorian Local Sustainability Accord and the South West Sustainability Partnership, the *Regional Sustainability Indicators Framework for South West Victoria* study will develop an agreed set of indicators and a framework for reporting and delivering on the sustainability of the south-west community.

A draft set of indicators has been developed, ranging from health of waterways to community wellbeing index.

## Victorian Biodiversity Strategy

In the reporting period, Wannon Water delivered a key project: Bio-Gaps. This project aimed to fill biodiversity and natural asset gaps, update Wannon Water's biodiversity register and establish a foundation for managing information and data for the betterment of the biodiversity assets on Wannon Water land. Many of the 29 sites are known biodiversity 'hot spots'.

The project provides Wannon Water with a greater understanding of the ecology of these sites and how best to manage them. It also revealed a number of unexpected findings. These included the Growling Grass Frog (*Litoria raniformis*) – one of Victoria's most endangered frog species – found in a reclaimed water lagoon and wetland.

## Victorian River Health Strategy

In partnership with the Corangamite Catchment Management Authority, Wannon Water funded 12 kilometres of weed control and fencing of waterways in the Otway water supply catchment. This work provides additional water quality protection and enhances river water quality.

## Western Region Sustainable Water Strategy

The Western Region Sustainable Water Strategy is one of four regional strategies being developed by the Victorian Government to secure Victoria's water resources for the next 50 years. The strategy will address pressures on water resources, including climate change, drought and land use change. It aims to provide security for urban and rural water users, rivers and aquifers. Wannon Water's service area falls within the study area, which extends to the Wimmera and southern Mallee regions as well as south-west Victoria.

Wannon Water was a member of the working and consultation groups that provided input on the draft strategy released in March 2010 for community feedback.

One key action is to improve the understanding of the deep regional aquifer that provides water for Portland and several other towns. To this end, Southern Rural Water, the Department of Sustainability and Environment and Wannon Water have partnered to produce the "Lower Tertiary Aquifer Groundwater Resource Assessment".

## Water Restrictions and Permanent Water Savings Measures

Water restrictions applied for only one month of the reporting period and were limited to Hamilton system customers.

### 2010/11 Uniform Water Restrictions timeline

Towns	Stage 1 Restrictions	Stage 2 Restrictions	Stage 3 Restrictions	Stage 4 Restrictions
Hamilton, Cavendish, Dunkeld and Tarrington	-	Commenced 1 November 2009 and removed 1 August 2010	-	-

Permanent Water Saving Measures applied for all other customers in Wannon Water's service area.

## Recycling water

Wannon Water has implemented recycled water projects throughout the region, transforming a previous low-value product into a beneficial resource. Recycled water is routinely used by local industries, agriculture and for recreational facilities.

Wannon Water continued exploring water recycling options, including investigating recycling options from Warrnambool water reclamation plant.

The total volume of water reuse for non-potable purposes during the reporting period was 772 megalitres. Minimal recycled water was used for agriculture over the past year, primarily due to high summer rainfall.

The volume of recycled water supplied for industrial use increased by 15.6 per cent in the reporting period due to the increased supply of recycled water to the Iluka Mineral Sands Processing Plant at Hamilton. Industrial use of recycled water is expected to increase further in 2011/12 following the commissioning of the Mortlake Power Plant.

## Treating sewage and trade waste

Wannon Water commenced a proactive program in 2010/11 to sign approximately 1,000 minor trade waste customers to new trade waste 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. Implementation of the program will continue in 2011/12.

The operation of Wannon Water's water reclamation plants is governed by a corporate licence issued by the Environment Protection Authority (EPA).

Wannon Water's compliance with the EPA corporate licence in 2010/11 was 89 per cent. Factors leading to this result included:

- treated effluent discharged/reused from 11 plants fully complied with EPA corporate licence requirements;
- four plants did not achieve 100 per cent compliance with corporate licence requirements; and
- four plants did not reuse any reclaimed water due to wet ground conditions not being conducive for pasture irrigation.

## Water reclamation plant - treated effluent volumes

Plant	2010/11 Volume (ML)	Change (%)	2009/10 Volume (ML)	Change (%)	2008/09 Volume (ML)	Change (%)	2007/08 Volume (ML)	Change (%)	2006/07 Volume (ML)	Change (%)
Camperdown Domestic	693	65%	420	8%	388	-2%	396	37%	289	-23%
Camperdown Industrial	30	17%	26	-28%	36	13%	32	-18%	39	0%
Casterton	247	6%	233	0%	234	-3%	242	13%	215	11%
Cobden	256	20%	214	13%	189	6%	178	10%	162	-14%
Coleraine	87	41%	61	-1%	62	-7%	67	3%	65	-10%
Dunkeld	41	18%	35	4%	34	-13%	39	22%	32	-26%
Hamilton	1,251	14%	1,094	11%	987	31%	756	-6%	806	-17%
Heywood	387	12%	346	13%	305	-13%	350	54%	227	-5%
Mortlake	159	22%	130	9%	120	8%	111	16%	96	-8%
Peterborough	33	-30%	48	241%	14	0%	-	0%	-	0%
Port Campbell	54	-8%	59	13%	52	-5%	55	-2%	56	-14%
Portland	1,403	14%	1,235	7%	1,155	-30%	1,645	46%	1,125	15%
Port Fairy Domestic	805	4%	777	4%	747	1%	742	19%	626	-5%
Port Fairy Industrial	201	1%	200	31%	153	-5%	161	-2%	164	2%
Simpson	40	57%	25	20%	21	-13%	24	71%	14	-39%
Terang	351	47%	239	6%	226	2%	222	21%	184	-27%
Timboon	69	17%	59	6%	56	0%	56	0%	56	-5%
Warrnambool	5,277	13%	4,676	10%	4,251	-1%	4,287	2%	4,215	-7%
<b>Totals</b>	<b>11,385</b>	<b>15%</b>	<b>9,878</b>	<b>9%</b>	<b>9,030</b>	<b>-4%</b>	<b>9,363</b>	<b>12%</b>	<b>8,371</b>	<b>-6%</b>

For a further breakdown of sewage treatment and compliance with the corporate licence at each water reclamation plant, see page 76.

## 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 Warrnambool 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 2010/11:

- Wannon Water reused 100 per cent of biosolids available by applying 1,583 dry tonnes to land as a soil conditioner;
- all of the sludge generated at the Port Fairy industrial plant (426 dry tonnes) was transported for reuse in Mount Gambier; and
- sludge generated at the other water reclamation plants was stockpiled on site for future processing into biosolids.

Wannon Water has a Treatment Solids Management Strategy which outlines how the corporation will effectively manage solids from water and sewage treatment processes into the future.

For a breakdown of biosolids reuse and production at each water reclamation plant, see pages 78-79.

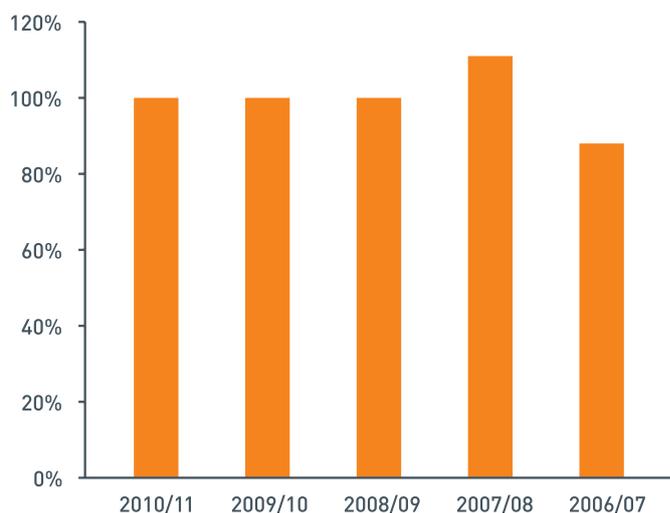
## Greenhouse gas emissions

Wannon Water reduced its greenhouse gas emissions by 2,156 tonnes in the reporting period through its Energy and Carbon Management Strategy.

As a rule, Wannon Water considers energy and carbon factors in its asset planning and creation process. Projects that derive a water benefit can typically be shown to deliver energy savings, and vice versa. A good example is Wannon Water's Roof Water Harvesting Project which provides for decentralised water at a greatly reduced energy cost.

Emission by activity	t CO <sub>2</sub> -e 2010/11	t CO <sub>2</sub> -e 2009/10	t CO <sub>2</sub> -e 2008/09	t CO <sub>2</sub> -e 2007/08	t CO <sub>2</sub> -e 2006/07
Water Treatment	9,923	12,946	15,247	13,526	19,008
Sewage Treatment	17,178	18,053	24,280	22,851	18,593
Transport	801	864	849	987	1,147
Other (inc. office energy use)	676	459	520	484	513
Reductions/Offsets	0	-1,588	-1,844	-	-
<b>Total</b>	<b>28,578</b>	<b>30,734</b>	<b>39,052</b>	<b>37,848</b>	<b>39,261</b>

## Percentage of biosolids reuse



Note: In 2007/08 111% of biosolids reuse was reported due to under-use of the previous year's production.

# 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 2010/11.

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 did not receive any applications under the Act in 2010/11.

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 \$24.44 (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 agency;
- details of any major external reviews carried out on the agency;
- details of major research and development activities undertaken by the agency;
- 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 agency to develop community awareness of the agency 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 agency, and details of time lost through industrial accidents and disputes; and
- a list of the agency's major committees, the purposes of each committee and the extent to which the purposes have been achieved.

Wannon Water provides free access to a comprehensive range of information on its web site, [www.wannonwater.com.au](http://www.wannonwater.com.au).

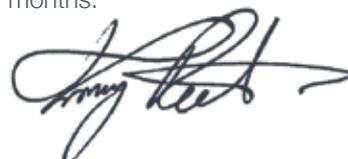
## Building Act 1993

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, Harry Peeters, 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.



Harry Peeters  
Chairman  
Wannon Water  
26 August 2011

# FINANCIAL STATEMENTS

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# Statement of Comprehensive Income

For the reporting period ended 30 June 2011

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

	Notes	2011 \$'000	2010 \$'000
<b>Revenue from operating activities</b>	1(d)		
Service charges	4(a)	27,508	24,115
Usage charges	4(a)	23,007	20,431
Interest	4(a)	262	182
Developer and customer contributions	4(a)	802	1,060
<b>Revenue from non-operating activities</b>			
Assets received free of charge or for nominal consideration	4(a)	1,381	811
Government grants and contributions	4(a)	674	500
Other income	4(a)	4,876	3,674
<b>Total Revenue</b>		<b>58,510</b>	<b>50,773</b>
<b>Expenses from operating activities</b>			
Employee benefits	4(c)	(15,188)	(13,813)
Depreciation	1(g), 4(c)	(12,866)	(11,474)
Amortisation	1(g), 4(c)	(351)	(233)
Supplies and services	4(c)	(18,658)	(17,414)
Borrowing costs	1(e), 4(c)	(5,854)	(4,881)
Net loss on disposal of non financial assets	4(b)	(2,112)	(890)
Net loss on revaluation of land & buildings	4(c)	(490)	-
Environmental contribution	1(r)	(1,569)	(1,569)
<b>Total expenses</b>		<b>(57,088)</b>	<b>(50,274)</b>
<b>Net result before tax</b>		<b>1,422</b>	<b>499</b>
<b>Income tax (expense) / revenue</b>	5(a)	<b>183</b>	<b>634</b>
<b>Net result for the period</b>		<b>1,605</b>	<b>1,133</b>
<b>Other comprehensive income</b>			
Net gain on revaluation of property, plant & equipment	17	2,064	9,793
<b>Total comprehensive income for the period</b>		<b>3,669</b>	<b>10,926</b>

# Balance Sheet

As at 30 June 2011

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

	Notes	2011 \$'000	2010 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1(h), 6	1,064	795
Receivables	1(i), 7	12,005	10,420
Inventories	1(j), 8	612	560
Other	9	754	642
Assets classified as held for sale	10	-	1,574
<b>Total current assets</b>		<b>14,435</b>	<b>13,991</b>
<b>Non-current assets</b>			
Receivables	1(i), 7	5,048	5,532
Property, plant and equipment	1(f), 11	550,575	548,811
Intangibles	1(k), 12	5,105	831
<b>Total non-current assets</b>		<b>560,728</b>	<b>555,174</b>
<b>TOTAL ASSETS</b>		<b>575,163</b>	<b>569,165</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	1(l), 13	4,969	5,338
Interest bearing liabilities	1(m), 14	8,113	11,040
Employee benefits	1(o), 15	2,537	2,427
<b>Total current liabilities</b>		<b>15,619</b>	<b>18,805</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	1(m), 14	72,280	68,356
Employee benefits	1(o), 15	613	490
Deferred tax liabilities	5(d)	33,905	33,205
<b>Total non-current liabilities</b>		<b>106,798</b>	<b>102,051</b>
<b>TOTAL LIABILITIES</b>		<b>122,417</b>	<b>120,856</b>
<b>NET ASSETS</b>		<b>452,746</b>	<b>448,309</b>
<b>Equity</b>			
Contributions by owners	16	440,347	439,579
Reserves	17	11,857	9,793
Accumulated funds	18	542	(1,063)
<b>EQUITY</b>		<b>452,746</b>	<b>448,309</b>

# Statement of Changes in Equity

For the reporting period ended 30 June 2011

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

	Notes	Contributions by owners \$'000	Reserves \$'000	Accumulated Funds \$'000	<b>Total \$'000</b>
<b>Balance at 1 July 2009</b>		432,324	-	(2,196)	430,128
<b>Total comprehensive income for the year as reported in the 2010 financial report</b>		-	9,793	1,133	10,926
<b>Transactions with the State in its capacity as owner:</b>					
Contributions by owners	16	7,255	-	-	7,255
<b>Balance at 30 June 2010</b>		<b>439,579</b>	<b>9,793</b>	<b>(1,063)</b>	<b>448,309</b>
<b>Total comprehensive income for the period</b>		-	<b>2,064</b>	<b>1,605</b>	<b>3,669</b>
<b>Transactions with the State in its capacity as owner:</b>					
Contributions by owners					
Grant - West Portland Sewerage Scheme	16	<b>768</b>	-	-	<b>768</b>
<b>Balance at 30 June 2011</b>		<b>440,347</b>	<b>11,857</b>	<b>542</b>	<b>452,746</b>

# Cash Flow Statement

For the reporting period ended 30 June 2011

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

	Notes	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from other entities		53,479	48,836
GST recovered from the ATO		3,482	5,924
Capital grants received		421	500
Capital charges received		1,901	1,039
		<b>59,283</b>	<b>56,299</b>
<b>Payments</b>			
Payments to suppliers and employees		(35,674)	(30,110)
GST paid to the ATO		(3,715)	(5,940)
Interest and other costs of finance paid		(5,780)	(4,825)
Environmental contribution		(1,569)	(1,569)
		<b>(46,738)</b>	<b>(42,444)</b>
<b>Net cash inflow from operating activities</b>	25	<b>12,545</b>	<b>13,855</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(17,070)	(46,450)
Proceeds from sale of property, plant and equipment		3,029	258
<b>Net cash (outflow) from investing activities</b>		<b>(14,041)</b>	<b>(46,192)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		11,700	20,811
Repayment of borrowings		(10,702)	(1,189)
Proceeds from contributions by owners		767	7,254
<b>Net cash inflow from financing activities</b>		<b>1,765</b>	<b>26,876</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>269</b>	<b>(5,461)</b>
Cash and cash equivalents at start of the financial year		795	6,256
<b>Cash and cash equivalents at the end of the financial year</b>	6(a)	<b>1,064</b>	<b>795</b>
Financing arrangements	14		

## Note 1. Significant accounting policies

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### (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 Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS'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. Where applicable, those paragraphs of the AAS's applicable to not-for-profit entities have been applied. This financial report has been prepared on an accrual and going concern basis. The annual financial statements were authorised for issue by the Chief Finance & Accounting Officer on 26 August 2011.

#### **Accounting policies**

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

#### **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 1(o) 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.

#### **Critical accounting estimates**

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

#### **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 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income.

### (b) Changes in accounting policy

The accounting policies are consistent with those of the previous year, unless otherwise stated.

### (c) Comparative amounts

No reclassification was made to comparative amounts.

### (d) Revenue recognition

#### **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.

## Note 1. Significant accounting policies

### (d) Revenue recognition (continued)

#### *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 assets are controlled or contributions are received by the Corporation.

#### *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 statement of comprehensive income 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.

#### *Interest*

Interest income is recognised as revenue when earned.

### (e) 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.

### (f) 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, are initially recognised at their fair value at the date of acquisition.

#### *Repairs and maintenance*

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

#### *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.

In the prior period, FRD 121 *Infrastructure Assets (Water / Rail)* provided a temporary exemption for the fair value measurement of water infrastructure assets controlled by water entities, at the entity reporting level. This exemption does not apply for the current period. Water infrastructure assets, at both the entity reporting level and whole government reporting level, are therefore 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 current 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.

## Note 1. Significant accounting policies

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### (f) Recognition and measurement of assets (continued)

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

Revaluation increments are credited directly to equity in the revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in determining 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.

Revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset.

#### *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 statement of comprehensive income 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 profit or loss, a reversal of that impairment loss is also recognised in the statement of comprehensive income.

#### *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.

### (g) 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 1(k).

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

# Notes to the Financial Statements

30 June 2011

## Note 1. Significant accounting policies

### g) Depreciation and amortisation of non-current assets (continued)

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 and equipment	8 - 20 years
Pumps	15 - 40 years	Reservoirs	100 years
Service basins	100 years	Tanks	40 - 80 years
Towers	50 - 80 years		

### (h) 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.

### (i) 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 statement of comprehensive income.

### (j) 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.

### (k) 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

### (l) 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.

## Note 1. Significant accounting policies

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### (m) Interest bearing liabilities

Borrowings are initially recognised at fair value, net of transactions 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 statement of comprehensive income over the period of the borrowings, using the effective interest method.

### (n) 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 the statement of comprehensive income, 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.

#### *Impairment*

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

### (o) 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.

#### *Superannuation*

The amount charged to the statement of comprehensive income 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.

### (p) Provisions

Provisions are recognised when the corporation, as a result of a past event, has a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

## Note 1. Significant accounting policies

### (q) Contributions by owners

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.

### (r) 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 2008 until 30 June 2012.

The purpose for 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 statement of comprehensive income.

### (s) 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.

### (t) 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.

### (u) 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.

## Note 1. Significant accounting policies

### (v) 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 2011 reporting period. As at 30 June 2011, the following standards and interpretations had been issued but were not mandatory for the financial year ending 30 June 2011. 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 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 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.
Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards	In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party.	1 January 2011	The entity will apply the amended standard from 1 July 2011. When the amendments are applied, the entity will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.
AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement	In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.	1 January 2011	The entity does not make any such prepayments. The amendment is therefore not expected to have any impact on the entity's financial statements.

# Notes to the Financial Statements

30 June 2011

## Note 1. Significant accounting policies

### (v) 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 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.	1 July 2013	The impact of this standard will depend on instructions provided by DTF on its applicability to the entity. The entity will assess its impact once DTF has provided guidance on this standard.
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project.	1 January 2011	These amendments are not expected to have any significant impact on the entity's disclosures.
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	In November 2010, the AASB made amendments to AASB 7 Financial Instruments: Disclosures which introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securities, lend or otherwise transfer financial assets to other parties.	1 July 2011	These amendments are not expected to have any significant impact on the entity's disclosures.
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 2010-9 Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] and 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. The AASB also introduced a new exemption for entities that resume presenting their financial statements in accordance with Australian Accounting Standards after having been subject to severe hyperinflation.	1 January 2011/ 1 January 2013	Neither of these amendments will affect the financial statements of the entity.

## Note 2. Financial risk management objectives and policies

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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 on the following page. 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 2011

## Note 2. Financial risk management (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 2011	Carrying amount \$'000	Interest Rate Risk			
		-1%		+1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents	<b>1,064</b>	<b>(15)</b>	<b>(15)</b>	<b>15</b>	<b>15</b>
Receivables	<b>9,689</b>	-	-	-	-
<b>Financial liabilities</b>					
Payables	<b>5,272</b>	-	-	-	-
Interest bearing liabilities	<b>80,393</b>	<b>16</b>	<b>16</b>	<b>(16)</b>	<b>(16)</b>
<b>Total increase / (decrease)</b>		<b>1</b>	<b>1</b>	<b>(1)</b>	<b>(1)</b>

30 June 2010	Carrying amount \$'000	Interest Rate Risk			
		-1%		+1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Financial assets					
Cash and cash equivalents	795	(2)	(2)	2	2
Receivables	9,588	-	-	-	-
Financial liabilities					
Payables	5,302	-	-	-	-
Interest bearing liabilities	79,396	22	22	(22)	(22)
<b>Total increase / (decrease)</b>		<b>20</b>	<b>20</b>	<b>(20)</b>	<b>(20)</b>

### (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.

## 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. Comprehensive Income Statement - Disclosures

	2011 \$'000	2010 \$'000
<b>(a) Significant Revenues</b>		
<b>Service charges</b>		
Water	8,328	7,628
Sewer	19,180	16,487
<b>Total service charges</b>	<b>27,508</b>	<b>24,115</b>
<b>Usage charges</b>		
Water	17,222	16,750
Trade Waste	5,785	3,681
<b>Total usage charges</b>	<b>23,007</b>	<b>20,431</b>
<b>Interest</b>		
Interest on bank deposits	34	28
Income from investments	82	3
Other	146	151
<b>Total interest</b>	<b>262</b>	<b>182</b>
<b>Developer and customer contributions</b>		
Fees paid by developers and customers	802	1,060
<b>Total developer and customer contributions</b>	<b>802</b>	<b>1,060</b>
<b>Assets received free of charge or for nominal consideration</b>		
Assets received free of charge from developers	1,381	811
<b>Total assets received free of charge or for nominal consideration</b>	<b>1,381</b>	<b>811</b>
<b>Government grants and contributions</b>		
Government contributions	674	500
<b>Total government grants and contributions</b>	<b>674</b>	<b>500</b>
<b>Other income</b>		
Rental	279	253
Cost recoveries	1,916	959
Information statements	298	270
Connection and inspection fees	464	911
Miscellaneous	1,919	1,281
<b>Total other revenue</b>	<b>4,876</b>	<b>3,674</b>

# Notes to the Financial Statements

30 June 2011

## Note 4. Comprehensive Income Statement - Disclosures (continued)

	2011 \$'000	2010 \$'000
<b>(b) Net gain / (loss) on disposal of non-financial assets</b>		
<b>Cost of assets disposed</b>		
Infrastructure	(3,095)	(821)
Land	(775)	-
Buildings	(828)	(14)
Office equipment	(74)	(24)
Motor vehicles	(372)	(289)
<b>Total written down value of assets disposed</b>	<b>(5,144)</b>	<b>(1,148)</b>
<b>Proceeds of assets disposed</b>		
Motor vehicle trade ins	374	258
Other asset sales	2,658	-
<b>Total proceeds of asset disposed</b>	<b>3,032</b>	<b>258</b>
<b>Net gain/ (loss) on disposal of non current assets</b>	<b>(2,112)</b>	<b>(890)</b>
<b>(c) Expenses</b>		
<b>Employee benefits expense</b>		
Salaries and wages	(12,457)	(11,491)
Annual leave	(945)	(917)
Long service leave	(406)	(325)
Employer superannuation contributions	(998)	(947)
Defined benefit superannuation	(382)	(133)
<b>Total employee benefits expense</b>	<b>(15,188)</b>	<b>(13,813)</b>
<b>Depreciation</b>		
Land improvements	(8)	-
Buildings	(261)	(161)
Infrastructure	(10,917)	(10,028)
Other equipment	(1,680)	(1,285)
<b>Total depreciation</b>	<b>(12,866)</b>	<b>(11,474)</b>
<b>Amortisation</b>		
Intangible assets - computer software	(351)	(233)
<b>Total amortisation</b>	<b>(351)</b>	<b>(233)</b>
<b>Supplies and services</b>		
Chemicals	(841)	(952)
Consultancies and contractors	(8,505)	(7,737)
Electricity	(2,505)	(2,478)
Other goods and services	(6,807)	(6,247)
<b>Total supplies and services</b>	<b>(18,658)</b>	<b>(17,414)</b>

## Note 4. Comprehensive Income Statement - Disclosures (continued)

	2011 \$'000	2010 \$'000
<b>(c) Expenses (continued)</b>		
<b>Borrowing costs</b>		
Interest on loans - other institutions	(4)	(9)
Interest on loans - TCV	(5,094)	(4,253)
Financial Accommodation Levy	(756)	(619)
<b>Total borrowing costs</b>	<b>(5,854)</b>	<b>(4,881)</b>
<b>Net loss on revaluation of land &amp; buildings</b>		
Net loss on revaluation of land	(487)	-
Net loss on revaluation of buildings	(3)	-
<b>Total net loss on revaluation of land &amp; buildings</b>	<b>(490)</b>	<b>-</b>
<b>Auditors' remuneration</b>		
Auditor-General for audit of financial statements	(50)	(53)
Internal audit	(46)	(117)
<b>Total auditors' remuneration</b>	<b>(96)</b>	<b>(170)</b>

## 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:

Net result before income tax expense	1,422	499
Income tax calculated @ 30% (2010: 30%)	427	150
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Balancing deduction on disposal of fixed assets - tax	(143)	(59)
Non-deductible expenses	3	5
Capital investment allowance one-off deduction	(470)	(730)
<b>Income tax as reported in the statement of comprehensive income</b>	<b>(183)</b>	<b>(634)</b>

### (b) Deferred tax assets

The balance comprises temporary differences attributable to:

Amounts recognised in the statement of comprehensive income		
Prior and current tax losses	40,410	36,798
Provisions and accrued expenditure not deductible	1,104	1,020
	<b>41,514</b>	<b>37,818</b>

# Notes to the Financial Statements

30 June 2011

## Note 5. Income tax (continued)

	2011 \$'000	2010 \$'000
<b>(b) Deferred tax assets (continued)</b>		
Movement		
Opening balance 1 July	37,818	33,924
Annual movement	3,696	3,894
<b>Closing balance 30 June</b>	<b>41,514</b>	<b>37,818</b>
<b>(c) Deferred tax liabilities</b>		
The balance comprises temporary differences attributable to: Amounts recognised in the statement of comprehensive income		
Depreciation and revaluation	(73,208)	(69,114)
Other	(2,211)	(1,909)
	<b>(75,419)</b>	<b>(71,023)</b>
Movement		
Opening balance 1 July	(71,023)	(63,565)
Annual movement	(4,396)	(7,458)
<b>Closing balance 30 June</b>	<b>(75,419)</b>	<b>(71,023)</b>
<b>(d) Net deferred tax liabilities</b>		
Deferred tax assets	41,514	37,818
Deferred tax liabilities	(75,419)	(71,023)
<b>Net deferred tax liabilities</b>	<b>(33,905)</b>	<b>(33,205)</b>

## Note 6. Cash and cash equivalents

Cash on hand	2	3
Cash at bank	1,062	792
	<b>1,064</b>	<b>795</b>
<b>(a) Reconciliation to cash as at the end of year</b>		
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	1,064	795
<b>Balances as per cash flow statement</b>	<b>1,064</b>	<b>795</b>

## Note 7. Receivables

	2011 \$'000	2010 \$'000
<b>Current</b>		
Tariffs and charges	2,653	1,541
Accrued tariffs and charges	7,370	6,364
Less: Provision for impaired receivables	(55)	(52)
	<b>9,968</b>	7,853
Amounts owing from the Victorian Government Schemes/ Receivables	148 68	157 23
	<b>216</b>	180
Other receivables	1,413	1,734
GST receivable	408	653
	<b>1,821</b>	2,387
<b>Total current receivables</b>	<b>12,005</b>	10,420
<b>Non-current</b>		
Schemes / Receivables	275	392
Other receivables	4,773	5,140
<b>Total non-current receivables</b>	<b>5,048</b>	5,532
<b>Total receivables</b>	<b>17,053</b>	15,952
<b>(a) Provision for impaired receivables</b>		
As at 30 June 2011, current receivables of the Corporation with a nominal value of \$54,895 (2010: \$56,673) were impaired. The amount of the provision is \$54,895 (2010: \$51,821). 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	4	3
3 to 6 months	12	2
Over 6 months	39	52
	<b>55</b>	57

# Notes to the Financial Statements

30 June 2011

## Note 7. Receivables (continued)

	2011 \$'000	2010 \$'000
Movements in the provision for impaired receivables are as follows:		
As at 1 July	52	42
Provision for impairment recognised during the year	55	42
Receivables written off during the year as uncollectible	(52)	(32)
	55	52

The creation and release of the provision for impaired receivables has been included as an expense in the comprehensive income 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 2011, trade receivables of \$1,494,995 (2010: \$816,113) 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	655	613
3 to 6 months	339	24
Over 6 months	501	179
	1,495	816

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	612	560
<b>Total inventories</b>	<b>612</b>	<b>560</b>

## Note 9. Other assets

### Current

Prepaid expenses	754	642
<b>Total other assets</b>	<b>754</b>	<b>642</b>

## Note 10. Assets classified as held for sale

Freehold land held for sale	-	775
Other assets held for sale	-	799
<b>Total other assets</b>	<b>-</b>	<b>1,574</b>

## Note 11. Property, plant and equipment

	2011 \$'000	2010 \$'000
<b>(a) Classes of property, plant and equipment</b>		
<b>Land</b>		
Freehold - at managerial valuation	-	39,206
Freehold - at fair value	27,018	-
Crown - at managerial valuation	-	227
Crown - at fair value	146	-
Land improvements - at fair value	530	-
Less accumulated depreciation	(8)	-
	<b>27,686</b>	<b>39,433</b>
<b>Buildings</b>		
At managerial valuation	-	14,806
At fair value	31,090	-
Less accumulated depreciation	(7,974)	(1,478)
	<b>23,116</b>	<b>13,328</b>
<b>Water Infrastructure</b>		
At cost	-	287,299
At fair value	591,892	-
Less accumulated depreciation	(280,702)	(36,183)
	<b>311,190</b>	<b>251,116</b>
<b>Sewer Infrastructure</b>		
At cost	-	214,936
At fair value	319,225	-
Less accumulated depreciation	(152,097)	(21,509)
	<b>167,128</b>	<b>193,427</b>
<b>Plant &amp; equipment (including motor vehicles)</b>		
At cost	15,339	12,107
Less accumulated depreciation	(5,957)	(4,874)
	<b>9,382</b>	<b>7,233</b>
Under construction - at cost	<b>12,073</b>	<b>44,274</b>
<b>Total property plant and equipment</b>	<b>550,575</b>	<b>548,811</b>

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 complemented 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 2011

## Note 11. Property, plant and equipment (continued)

### (b) Movements during the reporting period

2010-11	Land \$'000	Buildings \$'000	Infrastructure \$'000	Plant & Equipment \$'000	In the course of construction \$'000	Total \$'000
Balance at 1 July 2010	39,433	13,328	444,543	7,233	44,274	548,811
Additions	613	12,206	29,887	4,275	18,389	65,370
Revaluations	(12,352)	(2,128)	16,938	-	-	2,458
Disposals	-	(29)	(2,130)	(446)	-	(2,605)
Transfers between categories	-	-	-	-	(50,590)	(50,590)
Depreciation expense	(8)	(261)	(10,920)	(1,680)	-	(12,869)
Balance at 30 June 2011	27,686	23,116	478,318	9,382	12,073	550,575

2009-10	Land \$'000	Buildings \$'000	Infrastructure \$'000	Plant & Equipment \$'000	In the course of construction \$'000	Total \$'000
Balance at 1 July 2009	28,342	12,032	439,655	6,354	19,992	506,375
Additions	-	145	15,676	2,557	24,282	42,660
Revaluations	11,866	2,125	-	-	-	13,991
Disposals	-	(14)	(742)	(384)	-	(1,140)
Transferred to assets classified as held for sale	(775)	(799)	-	-	-	(1,574)
Depreciation expense	-	(161)	(10,046)	(1,294)	-	(11,501)
Balance at 30 June 2010	39,433	13,328	444,543	7,233	44,274	548,811

## Note 12. Intangibles

### (a) Classes of intangibles

	2011 \$'000	2010 \$'000
Computer software at cost	2,340	1,715
Less: Accumulated amortisation	(1,235)	(884)
	1,105	831
Bulk water entitlement	4,000	-
<b>Total intangibles</b>	<b>5,105</b>	<b>831</b>

## Note 12. Intangibles (continued)

## (b) Movements during the reporting period

## 2010-11

	Software \$'000	Bulk Water Entitlement \$'000	Total \$'000
Balance at 1 July 2010, net of accumulated amortisation	831	-	831
Additions	625	4,000	4,625
Amortisation expense	(351)	-	(351)
Balance at 30 June 2011, net of accumulated amortisation	1,105	4,000	5,105

## 2009-10

	Software \$'000	Bulk Water Entitlement \$'000	Total \$'000
Balance at 1 July 2009, net of accumulated amortisation	794	-	794
Additions	270	-	270
Amortisation expense	(233)	-	(233)
Balance at 30 June 2010, net of accumulated amortisation	831	-	831

## Note 13. Payables

## Current

	2011 \$'000	2010 \$'000
Trade creditors	4,268	5,099
Accrued loan interest	41	36
Contract deposits	118	74
Income received in advance	542	129
<b>Total current payables</b>	<b>4,969</b>	<b>5,338</b>

## Sensitivity analysis

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

## Note 14. Interest bearing liabilities

## Current

## Secured

Private loans	17	23
TCV loans	8,096	11,017
<b>Total current interest bearing liabilities</b>	<b>8,113</b>	<b>11,040</b>

# Notes to the Financial Statements

30 June 2011

## Note 14. Interest bearing liabilities (continued)

	2011 \$'000	2010 \$'000
<b>Non-current Secured</b>		
Private loans	20	38
TCV loans	72,260	68,318
<b>Total non-current interest bearing liabilities</b>	<b>72,280</b>	<b>68,356</b>

### Security over borrowings

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

### 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
<b>Total facilities</b>	<b>250</b>	<b>250</b>
Unused at balance date		
Bank overdraft	250	250
<b>Total unused at balance date</b>	<b>250</b>	<b>250</b>

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 2011 was 9.30% (2010: 7.26%) 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	2,321	941
6 - 12 months	5,792	10,100
1 - 5 years	53,071	43,625
Over 5 years	19,209	24,730
	<b>80,393</b>	<b>79,396</b>
Current borrowings	8,113	11,040
Non-current borrowings	72,280	68,356
	<b>80,393</b>	<b>79,396</b>

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

## Note 15. Employee benefits

	<b>2011</b> <b>\$'000</b>	2010 \$'000
<b>Current</b>		
Annual leave	<b>826</b>	790
Long service leave - unconditional short term - measured at nominal value	<b>155</b>	158
Long service leave - unconditional long term - measured at present value	<b>1,506</b>	1,433
Other leave	<b>50</b>	46
<b>Total current</b>	<b>2,537</b>	2,427
<b>Non-current</b>		
Long service leave - conditional	<b>613</b>	490
<b>Total non-current</b>	<b>613</b>	490
<b>Aggregate carrying amount of provisions</b>		
Current	<b>2,537</b>	2,427
Non-current	<b>613</b>	490
<b>Total provisions</b>	<b>3,150</b>	2,917
<b>Employee numbers</b>	<b>2011</b> <b>No.</b>	2010 No.
Employee numbers at end of financial year	<b>206</b>	198
As explained in note 1(o), 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	<b>4.60%</b>	4.48%
Weighted average discount rates	<b>5.28%</b>	5.16%
Weighted average settlement period (years from 30 June)	<b>6.27</b>	6.59

## Note 16. Contributions by owners

	<b>2011</b> <b>\$'000</b>	2010 \$'000
Opening balance at 1 July	<b>439,579</b>	432,324
Capital transactions with the State in its capacity as owner arising from:		
Grant - Hamilton Grampians Pipeline	-	5,500
Grant - Warrnambool Roofwater Harvesting Project	-	960
Grant - Dutton Way sewerage scheme	-	705
Grant - Water quality improvement project - Cavendish	-	90
Grant - West Portland sewerage scheme	<b>768</b>	-
Closing balance at 30 June	<b>440,347</b>	439,579

# Notes to the Financial Statements

30 June 2011

## Note 17. Reserves

	2011 \$'000	2010 \$'000
Asset revaluation reserve	<b>11,857</b>	9,793
Movements in reserves		
Land revaluation reserve		
Balance 1 July	<b>8,305</b>	-
Revaluation decrement on non-current assets, net of tax effect	<b>(8,305)</b>	8,305
Balance 30 June	-	8,305
Building revaluation reserve		
Balance 1 July	<b>1,488</b>	-
Revaluation decrement on non-current assets, net of tax effect	<b>(1,488)</b>	1,488
Balance 30 June	-	1,488
Infrastructure revaluation reserve		
Balance 1 July	<b>9,793</b>	-
Revaluation increment on non-current assets, net of tax effect	<b>2,064</b>	9,793
Balance 30 June	<b>11,857</b>	9,793

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	<b>(1,063)</b>	(2,196)
Net result for the period	<b>1,605</b>	1,133
Closing balance at 30 June	<b>542</b>	(1,063)

## 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	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 + years	Non interest bearing	Total
2011	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:									
- Cash	4.65%	1,062	-	-	-	-	-	2	1,064
- Receivables <sup>1</sup>	8.98%	-	3,699	417	429	464	3,459	1,216	9,684
<b>Total</b>		<b>1,062</b>	<b>3,699</b>	<b>417</b>	<b>429</b>	<b>464</b>	<b>3,459</b>	<b>1,218</b>	<b>10,748</b>
Financial liabilities:									
- Payables <sup>1</sup>	-	-	-	-	-	-	-	5,272	5,272
- Interest bearing liabilities	6.12%	2,038	6,075	10,511	11,043	10,511	40,215	-	80,393
<b>Total</b>		<b>2,038</b>	<b>6,075</b>	<b>10,511</b>	<b>11,043</b>	<b>10,511</b>	<b>40,215</b>	<b>5,272</b>	<b>85,665</b>

2010

Financial assets:									
- Cash	4.51%	792	-	-	-	-	-	3	795
- Receivables <sup>1</sup>	9.13%	-	2,910	410	434	444	3,965	1,425	9,588
<b>Total</b>		<b>792</b>	<b>2,910</b>	<b>410</b>	<b>434</b>	<b>444</b>	<b>3,965</b>	<b>1,428</b>	<b>10,383</b>
Financial liabilities:									
- Payables <sup>1</sup>	-	-	-	-	-	-	-	5,302	5,302
- Interest bearing liabilities	6.26%	338	10,702	6,075	5,511	11,043	45,727	-	79,396
<b>Total</b>		<b>338</b>	<b>10,702</b>	<b>6,075</b>	<b>5,511</b>	<b>11,043</b>	<b>45,727</b>	<b>5,302</b>	<b>84,698</b>

<sup>1</sup> 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	2011		2010	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>				
- Cash and cash equivalents	1,064	1,064	795	795
- Trade and other receivables	9,684	8,723	9,588	8,497
<b>Total</b>	<b>10,748</b>	<b>9,787</b>	<b>10,383</b>	<b>9,292</b>
<b>Financial liabilities</b>				
- Payables	5,272	5,272	5,302	5,302
- Interest bearing liabilities	80,393	69,042	79,396	67,687
<b>Total</b>	<b>85,665</b>	<b>74,314</b>	<b>84,698</b>	<b>72,989</b>

# Notes to the Financial Statements

30 June 2011

## Note 20. Responsible persons and executive officer disclosures

### (a) Responsible persons

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

The Hon. Tim Holding MP, Minister for Water (1 July 2010 to 2 December 2010)

The Hon. Peter Walsh MP, Minister for Water (2 December 2010 to 30 June 2011)

#### Board

Chairperson	Mr Harry Peeters
Deputy Chairperson (18 February 2011 to 30 June 2011) / Director	Mr Rob Wallis
Director / Deputy Chairperson (1 July 2010 to 17 February 2011)	Ms Jacinta Ermacora
Director	Mr Paul Battista
Director	Ms Di Clanchy
Director	Ms Kate Fraser
Director	Mr Rod Coutts
Managing Director / Accountable Officer	Mr Grant Green

#### 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	2011 No.	2010 No.
\$20,000 - \$29,999	6	6
\$50,000 - \$59,999	1	1
\$280,000 - \$289,999	-	1
\$300,000 - \$309,999	1	-
<b>Total numbers</b>	<b>8</b>	<b>8</b>

	2011 \$'000	2010 \$'000
Remuneration received or due and receivable from the Corporation in connection with the management of the Corporation (includes termination payments and bonuses paid)	<b>489</b>	<b>475</b>

#### Other 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.

## Note 20. Responsible persons and executive officer disclosures (continued)

### (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	
	2011 No.	2010 No.	2011 No.	2010 No.
\$110,000 - \$119,999	1	-	-	-
\$120,000 - \$129,999	-	1	-	1
\$130,000 - \$139,999	1	-	1	-
\$140,000 - \$149,999	-	1	-	1
\$150,000 - \$159,999	2	2	2	2
\$180,000 - \$189,999	-	1	-	1
\$190,000 - \$199,999	1	-	1	-
<b>Total numbers</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>5</b>

Remuneration received or receivable by executives in respect of the management of the Corporation during the reporting period was:	Total Remuneration		Base Remuneration	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
	752	764	705	764

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.

## 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.

# Notes to the Financial Statements

30 June 2011

## Note 22. Commitments

The following commitments are exclusive of GST.

	<b>2011 \$'000</b>	2010 \$'000
<b>Capital commitments</b>		
At 30 June 2011, 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	4,680	6,221
One to five years	5	15
<b>Total capital commitments</b>	<b>4,685</b>	<b>6,236</b>
<b>Operating commitments</b>		
At 30 June 2011, 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	2,681	2,717
One to five years	989	2,594
<b>Total operating commitments</b>	<b>3,670</b>	<b>5,311</b>
<b>Environmental Contribution commitments</b>		
At 30 June 2011, the Corporation had environmental contribution commitments not recognised as liabilities payable, to be paid as follows:		
Within one year	1,569	1,569
One to five years	-	1,569
<b>Total environmental contribution commitments</b>	<b>1,569</b>	<b>3,138</b>
<b>Total commitments for expenditure</b>	<b>9,924</b>	<b>14,685</b>

## Note 23. Superannuation

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### 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 2008,

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 conducted by the Trustee in late 2010, as at 31 December 2008, a funding shortfall of \$71 million for the Fund was determined. A call to Employers for additional contributions was made for the financial year 30 June 2011 with commitment from Employers from 1 July 2011. A further actuarial review will be undertaken as at 31 December 2011 by mid 2012. Based on the result of this review, a detailed funding plan will be developed and implemented to achieve the target of full funding by 31 December 2013. Wannon Water will be notified of any additional required contributions by late 2012.

# Notes to the Financial Statements

30 June 2011

## Note 23. Superannuation (continued)

### Accounting Standard Disclosure

The Fund's liability for accrued benefits was determined by the Actuary at 31 December 2008 pursuant to the then requirements of Australian Accounting Standard Board AAS 25 as follows:

	<b>31 December 2008 \$'000</b>
Net Market Value of Assets	3,630,432
Accrued Benefits	<u>3,616,422</u>
Difference between Assets and Accrued Benefits	<u>14,010</u>
Vested Benefits (Minimum sum which must be paid to members when they leave the Fund)	<u>3,561,588</u>

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

- Net Investment Return	8.50% 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:

<b>Fund</b>	<b>2011 \$'000</b>	2010 \$'000
State Superannuation Fund	55	50
Vision Super	929	872
Other	135	129
<b>Total contributions</b>	<u><u>1,119</u></u>	<u><u>1,051</u></u>

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

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

## Note 24. 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.

## Note 25. Reconciliation of profit / (loss) for the period after related income tax to net cash flows from operating activities

	2011 \$'000	2010 \$'000
Net result for the period after income tax	1,605	1,133
<b>Add / (less) non-cash flows in net result</b>		
Depreciation and amortisation	13,217	11,707
Net loss on disposal of non-current assets	2,112	890
Net loss on revaluation of non-current assets	490	-
Infrastructure assets contributed at no cost	(1,381)	(811)
<b>Changes in Assets and Liabilities</b>		
Decrease (increase) in receivables	(1,102)	228
Decrease (increase) in inventories	(52)	(22)
Decrease (increase) in other operating assets	(112)	(289)
Increase (decrease) in payables	(2,207)	1,462
Increase (decrease) in employee benefits	160	190
Increase (decrease) in deferred tax liabilities	(185)	(633)
<b>Net cash (outflow)/ Inflow from operating activities</b>	<b>12,545</b>	<b>13,855</b>

## Note 26. Ex Gratia Payments

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

	2011 \$'000	2010 \$'000
Ex gratia payments	7	13

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

# CERTIFICATION

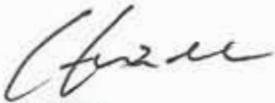
The attached financial statements for Wannon Region Water Corporation have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Australian Accounting Standards, Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2011 and the financial position of the Corporation at 30 June 2011.

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



H.F. Peeters  
Chairman  
Wannon Region Water Corporation



G.V. Green  
Managing Director  
Wannon Region Water Corporation



D.R. O'Doherty  
Chief Finance & Accounting Officer  
Wannon Region Water Corporation

DATE: 26<sup>th</sup> August 2011

## VAGO

Victorian Auditor-General's Office

### 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 2011 of Wannon Region Water Corporation which comprises the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the certification has been audited.

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

The Board Members of Wannon Region Water Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*, 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, as well as evaluating the overall presentation of the financial report.

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

##### *Independence*

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

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au) Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

*Auditing in the Public Interest*

## VAGO

Victorian Auditor-General's Office

### Independent Auditor's Report (continued)

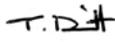
#### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of Wannon Region Water Corporation as at 30 June 2011 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*.

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

This auditor's report relates to the financial report of Wannon Region Water Corporation for the year ended 30 June 2011 included both in Wannon Region Water Corporation's annual report and on the website. The Board Members of Wannon Region Water Corporation are responsible for the integrity of Wannon Region Water Corporation's website. I have not been engaged to report on the integrity of 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  
29 August 2011

For   
D D R Pearson  
Auditor-General

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Level 24, 35 Collins Street, Melbourne Vic. 3000  
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*Auditing in the Public Interest*

# PERFORMANCE REPORT

## FINANCIAL PERFORMANCE INDICATORS

Performance Indicator		Notes	2009/10 Result	2010/11 Result	2010/11 Target	Variance %
<b>F1</b>	<b>Internal Financing Ratio</b> (Net operating cash flow – dividends) / capital expenditure	1, 2	29.83%	73.50%	27.52%	167.08%
<b>F2</b>	<b>Gearing Ratio</b> Total debt (including finance leases) / total assets	1	13.95%	13.98%	16.83%	16.93%
<b>F3</b>	<b>Interest Cover (EBIT)</b> Earnings before net interest and tax expense / net interest expense	1, 2	1.1 times	1.3 times	2.9 times	-55.17%
<b>F4</b>	<b>Interest Cover (Cash)</b> Cash flow from operations before net interest and tax payments / net interest payments	3, 4	4.3 times	3.5 times	3.1 times	12.90%

### Notes:

- A planned significant one-off capital transaction to acquire assets from a third party did not occur in the reporting period, as the assets were constructed but not yet commissioned. The transaction is expected to occur during 2011/12. The delayed transaction resulted in lower than targeted:
  - Total debt, and, therefore, lower than target net interest expense and payments;
  - Capital expenditure;
  - Earnings before net interest and tax expense (EBIT); and
  - Net profit after tax.

The Internal Financing ratio variance was favourable, as less cash from operating activities was required to finance capital payments.

The Gearing ratio variance was favourable, as total debt was less than target due to less than planned borrowings required to fund capital expenditure.

The Interest Cover (EBIT) ratio variance was unfavourable. Although net interest expense was lower than target due to the lower than planned borrowings to fund capital expenditure, EBIT was significantly lower.

The Return on Assets and Return on Equity ratios variances were unfavourable, as the significantly lower EBIT and net profit after tax had a negative effect on the ratio outcomes.
- The increase on the prior year result is due to the slightly higher profit, both before and after tax, and significantly lower capital expenditure reported in 2010/11.
- A combination of minor increases in net interest expense and a minor decrease in cash flow from operations before net interest and tax payments compared to the prior year was the reason for the reduction in the 2010/11 ratio.
- 2009/10 result has been amended for comparative purposes, as the Financial Accommodation Levy is no longer included as a component of net interest.

## SERVICE PERFORMANCE INDICATORS

Performance Indicator		Notes	2009/10 Result	2010/11 Result	2010/11 Target	Variance %
<b>S1</b>	<b>Water supply interruptions</b>					
S1.1	Number of customers receiving 5 unplanned interruptions in the year		0	0	0	0%
<b>S2</b>	<b>Interruption time indicators</b>					
S2.1	Average duration of unplanned water supply interruptions	1	49 minutes	73 minutes	108 minutes	32.4%
<b>S3</b>	<b>Restoration of water supply</b>					
S3.1	Unplanned water supply interruptions restored within 5 hours		99.2%	98.4%	97%	1.4%
<b>S4</b>	<b>Reliability of sewerage collection services</b>					
S4.1	Sewer spills from reticulation and branch sewers (priority 1 and 2)	2	80	81	N/A	
<b>S5</b>	<b>Containment of sewer spillages</b>					
S5.1	Sewerage spills contained within 5 hours		100%	100%	98%	2.0%
<b>S6</b>	<b>Customer complaints indicators</b>					
S6.1	Water quality complaints per 1,000 customers	2	4.94	2.66	N/A	
S6.2	Sewerage service quality and reliability complaints per 1,000 customers	2	0.50	0.50	N/A	
S6.3	Billing complaints per 1,000 customers	2, 3	2.92	4.08	N/A	
S6.4	Sewage odours complaints per 1,000 customers	2	0.42	0.17	N/A	

### Notes:

1. Despite an increase on the 2009/10 result, the ratio remains significantly less than target due to a focus on attending and repairing service interruptions to maintain customer satisfaction levels.

2. Not applicable – targets were not required for 2010/11.

3. The increase in billing complaints compared to 2009/10 was largely the result of a change made to cash payment options and complaints relating to debt collection.

# SEWAGE TREATMENT

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

### 1. Collective annual performance of the water reclamation plants

	2009/10 Result	2010/11 Result	2010/11 Target	Variance %
Number of analyses complying with EPA corporate licence as % of samples	92.7%	88.5%	98%	-9.5%

Water Reclamation Plant Compliance with EPA Corporate Licence	Notes	2009/10 Result	2010/11 Result	2010/11 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		100%	100%	100%	0
Heywood		100%	100%	100%	0
Mortlake		100%	100%	100%	0
Peterborough		100%	100%	100%	0
Port Campbell		100%	100%	100%	0
Port Fairy Domestic		100%	99.0%	100%	-1.0
Port Fairy Industrial	1	68.9%	58.7%	57.0%	+1.7
Portland	2	89.9%	76.3%	70.0%	+6.3
Simpson		98.4%	100%	100%	0
Terang		100%	100%	100%	0
Timboon		100%	100%	100%	0
Warrnambool	3	85.6%	91.0%	100%	-9.0

1. An upgrade to the Port Fairy industrial water reclamation plant in January 2010 substantially increased aeration, resulting in improved BOD and suspended solids levels. However, the increase in aeration has also reduced the periods of anoxic conditions, which has decreased the capacity of the plant to oxidise nutrients.

2. The current Portland water reclamation plant is under capacity and an upgrade of the plant will commence in 2011/12 and be completed in 2012/13.

3. Increases in nitrogen concentrations from a major trade waste customer resulted in the treated effluent discharged to ocean exceeding the median licence limit of 10mg/L for total nitrogen. This licence limit was amended in December 2010 and compliance improved.

# ENVIRONMENTAL PERFORMANCE INDICATORS

## 1. Recycled water reuse

	2010/11 Target	2010/11 Result	Variance from Target	2009/10 Result	2008/09 Result	2007/08 Result	2006/07 Result
Percentage Reuse	25%	6.9%	72.9%	15.1%	21%	19%	14%

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

The reduction in percentage reuse of recycled water in the reporting period was primarily due to increased rainfall in the region, which increased inflows. The very wet summer experienced in south-west Victoria this year dramatically reduced the ability of agricultural users to utilise recycled water.

Wannon Water gained approval from the Environmental Protection Authority to discharge treated effluent to streams at all inland sites (except Simpson) due to insufficient capacity to store increased flows.

Water Reclamation Plant	Percentage Recycled 2010/11	Percentage Recycled 2009/10	Percentage Recycled 2008/09	Percentage Recycled 2007/08	Percentage Recycled 2006/07
Camperdown Industrial	0%	100%	100%	100%	100%
Camperdown	23%	78%	100%	80%	100%
Casterton	0%	33%	21%	46%	78%
Cobden	14%	10%	32%	85%	92%
Coleraine	0%	100%	100%	100%	100%
Dunkeld	37%	100%	100%	41%	100%
Hamilton	28%	50%	87%	100%	52%
Heywood	14%	44%	52%	43%	100%
Mortlake	23%	76%	1%	27%	100%
Port Campbell	30%	45%	78%	50%	93%
Port Fairy Domestic*	0%	0%	0%	0%	0%
Port Fairy Industrial*	0%	0%	0%	0%	0%
Portland*	0%	0%	0%	0%	0%
Simpson	0%	5%	9%	32%	79%
Terang	27%	100%	100%	100%	100%
Timboon	59%	100%	100%	100%	83%
Warrnambool*	0%	0%	0%	0%	0%

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

## 2. Biosolids reused/recycled

### Biosolids reuse

	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)	2006/07 Biosolids Reused (dry tonnes per annum)
Hamilton	0	0	0	0	0
Port Fairy Industrial	426	411	404	339	380
Portland	0	488 <sup>1</sup>	0	0	0
Warrnambool	1,583	2,223	1,523	1,797	4,106
Port Fairy Domestic	Blended with Warrnambool	Blended with Warrnambool	Blended with Warrnambool	Blended with Warrnambool	0
<b>Total</b>	<b>2,009</b>	<b>3,122</b>	<b>1,927</b>	<b>2,136</b>	<b>4,486</b>

1. Revised to actual figure. Estimate of 500 was reported last year.

Biosolids Reused	2009/10 Result	2010/11 Result	2010/11 Target	Variance %
As % of annual production	100%	100%	100%	0%

## Sludge production and storage

Water Reclamation Plant	Estimate of Sludge Production 2010/11 (dry tonnes)	Sludge Stored 2010/11 (dry tonnes)	Biosolids Produced 2010/11 (dry tonnes)	Biosolids Reused 2010/11 (dry tonnes)	Biosolids Reused 2009/10 (dry tonnes)
Camperdown Industrial	32	293	1,583**	1,583**	2,223**
Camperdown Domestic	25	-	-	-	-
Casterton	22	125	-	-	-
Cobden	8	1,492	-	-	-
Coleraine	13	57	-	-	-
Dunkeld	2	-	-	-	-
Hamilton	325	4,242	-	-	-
Heywood	6	-	-	-	-
Mortlake	5	-	-	-	-
Peterborough	1	-	-	-	-
Port Campbell	3	226 <sup>#</sup>	-	-	-
Port Fairy Domestic*	252	-	**	**	**
Port Fairy Industrial	426	-	426	426	411
Portland	300	-	-	-	488 <sup>##</sup>
Simpson	1	377	-	-	-
Terang	12	-	-	-	-
Timboon	5	-	-	-	-
Warrnambool*	10,552	-	**	**	**
<b>TOTAL</b>	<b>11,990</b>	<b>6,812</b>	<b>2,009</b>	<b>2,009</b>	<b>3,122</b>

\* 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 sludge is stored at Camperdown industrial

## Revised to actual figure. Estimate of 500 was reported last year.

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, not just in a lagoon. Biosolids/sludge not in the inventory is material under three years of age 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 6,812 dry tonnes of sludge currently under treatment, much of which will be applied to land in 2011/12. Port Fairy industrial water reclamation plant is included in this list for completeness; however, the sludge is derived from industrial waste treatment processes, not sewage treatment processes.

# CERTIFICATION

## Certification of Performance Report for 2010/11

We certify that the accompanying Performance Report of Wannon Region Water Corporation in respect of the 2010/11 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.



H.F. Peeters  
Chairman  
Wannon Region Water Corporation



G.V. Green  
Managing Director  
Wannon Region Water Corporation

DATE: 26<sup>th</sup> August 2011

# AUDITOR-GENERAL'S REPORT

## VAGO

Victorian Auditor-General's Office

### 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 2011 of Wannon Region Water Corporation comprises the performance indicators, the related notes and the certification.

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

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

##### *Auditor's Responsibility*

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

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

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

##### *Independence*

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

1

Level 24, 35 Collins Street, Melbourne Vic. 3000  
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*Auditing in the Public Interest*

# AUDITOR-GENERAL'S REPORT

## VAGO

Victorian Auditor-General's Office

### Independent Auditor's Report (continued)

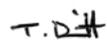
#### *Opinion*

In my opinion, the performance report of Wannon Region Water Corporation in respect of the 30 June 2011 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 Wannon Region Water Corporation for the year ended 30 June 2011 included both in Wannon Region Water Corporation's annual report and on the website. The Board Members of Wannon Region Water Corporation are responsible for the integrity of Wannon Region Water Corporation's website. I have not been engaged to report on the integrity of 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  
29 August 2011

For   
D D R Pearson  
Auditor-General

2

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*Auditing in the Public Interest*



# APPENDICES

## APPENDIX 1

### 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:

Warwick Spargo  
Level 8, Rialto South Tower 525 Collins Street Melbourne VIC 3000  
T (03) 9286 1824 M 0438 385 132  
warwick.spargo@rsmi.com.au

OR

Scott Campbell  
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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 2

## DISCLOSURE INDEX

The 2010/11 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.

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# 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
Disinfection	A water treatment process (e.g. adding chemicals, ultra violet light) to control micro-organisms
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 water, 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 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)

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# REGIONAL MAP





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