



# 2014 **ANNUAL** **15** **REPORT**



# REGIONAL MAP



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## Our vision

To be recognised for excellence in integrated water services.

## Our mission

To provide secure, safe, reliable and innovative integrated water services to communities in south-west Victoria.

## Our strategic objectives

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

## Our values

### *Think It!*

- Be creative & innovative
- Embrace change & new ideas
- Show initiative
- Rise to the challenge

### *Work It!*

- Act today for tomorrow
- Deliver & add value
- Get on board & have fun
- Listen, learn, share & grow

### *Own It!*

- Follow through
- Take responsibility
- Walk the talk
- Celebrate our successes

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# CHAIRMAN AND MANAGING DIRECTOR'S REPORT

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Wannon Water delivered another strong financial result, with a profit before tax of \$4.96 million.

With an ongoing focus on delivering services that reflect customers' expectations for quality, reliability and price, water and sewerage prices were further reduced in real terms without compromising service standards. In addition, business efficiency savings were also passed on to residential water customers via a \$70 Government Water Rebate. This was the first of four such rebates to be delivered through to 2017/18 – a total saving of \$280.

Wannon Water self-funded the \$15.42 million of capital works completed in the reporting period to support regional growth and asset renewal. These works included the completion of the West Portland sewerage scheme and a new groundwater bore at Curdievale to boost the security of water supply for Warrnambool and towns supplied by the Otway System.

We also built on our recent success in identifying and reducing water losses, and for the reporting period reduced non-revenue water losses by a further 9.6 per cent.

Wannon Water continued to develop innovative and sustainable water and sewerage solutions. The supply of fish for our aquaculture project, which uses goldfish to aid sewage treatment at the Hamilton water reclamation plant, was secured by the acquisition of the fish hatchery site at Warrnambool.

Our award-winning Warrnambool Roof Water Harvesting Project was expanded, with the number of houses connected to the scheme increasing by 39 per cent in the reporting period. Wannon Water also resolved to extend this urban water catchment project to include the new industrial subdivision being constructed in Horne Road, Warrnambool.

Wannon Water delivered on its commitments set out in the 2014/15 Corporate Plan through the combined efforts of our Board, leadership team and employees and their excellent contribution is acknowledged.

On behalf of the Board, as Chairman I would also like to thank outgoing Managing Director Grant Green, who is leaving Wannon Water after 10 years of leadership. Grant has made an outstanding contribution to Wannon Water and to the wider Victorian water industry for more than 40 years, and the Board wishes him and his family the very best in the years to come.



**John Vogels**  
Chairman



**Grant Green**  
Managing Director

In accordance with the *Financial Management Act 1994*, I am pleased to present Wannon Water's annual report for the year ending 30 June 2015.



**John Vogels**  
Chairman  
17 July 2015

# 2014/15

## YEAR IN REVIEW

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### GOVERNANCE HIGHLIGHTS

- ✓ OH&S system certification maintained
- ✓ Environmental Management System ISO certification maintained
- ✓ HACCP water quality management system certification maintained
- ✓ A suite of corporate strategies were implemented
- ✓ Completed construction of a groundwater bore at Curdievale to mitigate risk to Otway system security of supply
- ✓ Risk management framework reviewed

### SOCIAL HIGHLIGHTS

- ✓ Reduced water and sewerage prices in real terms
- ✓ Recorded a 94 per cent customer satisfaction rating
- ✓ Delivered the first of four annual \$70 bill reductions for residential water customers
- ✓ Expanded payment options for customers using the 'MyPost Digital Mailbox' service made available to customers, enhancing this convenient method of bill delivery
- ✓ Implemented improved smart forms to make it easier for customers to submit information to Wannon Water
- ✓ Commenced a three-stage project to enhance Konongwootong Reservoir's recreational fishing facilities
- ✓ Water It, Grow It, Cook It kitchen garden competition re-launched for local schools
- ✓ 4,100 refillable water drink bottles distributed to community groups and schools
- ✓ Continued promotion of the 'Choose Tap' campaign to promote the benefits of drinking tap water compared to bottled water and other beverages
- ✓ Conducted an employee Leading Safety – Ongoing Development Program to enhance safety culture
- ✓ Supported the Future Leaders of Industry program in Portland

### ECONOMIC HIGHLIGHTS

- ✓ Profit before tax of \$4.96 million
- ✓ Favourable gearing ratio of 11.45 per cent
- ✓ Self-funded \$15.42 million annual capital works program
- ✓ Refurbished Port Fairy's water tower to secure water services for the future
- ✓ Commenced construction of a new groundwater production bore to improve the reliability of water supplies in Heywood
- ✓ Commenced construction of a replacement groundwater bore to boost the security of drinking water supplies for Portland
- ✓ Completed construction of the West Portland sewerage scheme

### ENVIRONMENTAL HIGHLIGHTS

- ✓ Innovative aquaculture project expanded with hatchery purchased and nine water reclamation plants licensed for stocking fish
- ✓ Warrnambool Roof Water Harvesting Project expanded to capture water from the Horne Road Industrial Estate
- ✓ Non-revenue water reduced by 9.6 per cent
- ✓ Achieved 100% compliance for water quality at all water reclamation plants
- ✓ Amendment to Amalgamated Licence granted, providing a permanent solution for treated effluent at Heywood water reclamation plant
- ✓ Furthered the ecological burn and weed control program at Dunkeld water reclamation plant and initiated grassland research with La Trobe University
- ✓ Initial trial of introducing indigenous plants at operational sites to reduce grass-cutting costs proved successful and the program expanded to four new sites
- ✓ 100 per cent of biosolids beneficially reused
- ✓ Research with Deakin University to identify aquatic biodiversity in water storages accepted for publication internationally
- ✓ Resolved to proceed with a renewable energy project in Portland to lower operating costs and reduce greenhouse gas emissions by eight per cent
- ✓ Continued monitoring of carbon sequestration project design to offset 10 per cent of carbon emissions.
- ✓ Replaced a section of sewer main in Hickford Parade, Warrnambool, while protecting and enhancing a sensitive environmental area
- ✓ Proceeding with a suite of energy efficiency projects to reduce our environment footprint

# 2014/15 YEAR IN REVIEW

## About us

Wannon Water (Wannon Region Water Corporation) is a regional urban water corporation wholly owned by the Victorian State Government.

Wannon Water was constituted under the *Water Act 1989* as a statutory corporation in July 2005. The responsible Ministers during the reporting period were:

- The Hon. Peter Walsh MLA, Minister for Water, from 1 July 2014 to 3 December 2014; and
- The Hon. Lisa Neville MP, Minister for Environment, Climate Change and Water, from 4 December 2014 to 30 June 2015.

Our service area extends over 23,500 square kilometres in South West Victoria. The Warrnambool City, Corangamite Shire, Glenelg Shire, Moyne Shire and Southern Grampians Shire Councils are all within our service area.

Wannon Water provides reticulated water and sewerage services to more than 83,000 residents. Our functions include the collection, storage, treatment and delivery of water; the collection and treatment of sewage and trade waste; and water recycling.

Our \$587 million assets include pipelines, reservoirs, water treatment plants, water reclamation plants and recycled water plants.

## Customers

Our customer base is composed of 85 per cent residential customers, 11 per cent business customers and 4 per cent rural customers.

## Water systems

Wannon Water supplies water from a diverse range of water sources, including surface water catchments, deep geothermal and shallow groundwater aquifers.

Our water systems include the:

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

Customer segment	Number of customers	Total water consumption (megalitres)	Percentage of total consumption	5-year average consumption (megalitres)	Average consumption per customer 2014/15 (kilolitres)
Residential	35,852	5,170	45%	5,067	144
Business	4,653	3,762	33%	3,692	809
Rural	1,756	2,465	22%	2,479	1,404
<b>Total</b>	<b>42,261</b>	<b>11,397</b>	<b>100%</b>	<b>11,238</b>	<b>270</b>

## Corporate intent

Wannon Water's statement of corporate intent incorporates our strategic directions and objectives for the future.

In the reporting period the six key objectives were:

### *Integrated Water Management*

- To supply fit-for-purpose water products now and for the future by developing and implementing integrated solutions utilising the range of water resources within our region.

### *Deliver Customer Value*

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

### *Maximise Business Efficiency*

- To maximise the efficiency of our business by using our initiative, embracing innovation and investing in assets and technology that minimise whole-of-life costs.

### *Robust Decision Making*

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

### *Maintain Financial Viability*

- To maintain our financial viability by applying sound business planning, managing financial risks and ensuring sufficient income is generated to meet operating costs and debt commitments.

### *Grow Organisational Capability*

- To grow the capability of our organisation by investing in the skills and wellbeing of our employees.

## Capital expenditure

Wannon Water completed \$15.42 million of capital works in the reporting period to further enhance the delivery of water, sewerage and trade waste services and to service growth in south-west Victoria.

Projects with capital expenditure greater than \$0.25 million in the reporting period include:

Project	Total project cost (\$ million)	2014/15 expenditure (\$ million)	Future commitments (\$ million)
Purchase of the 221 Wollaston Rd, Warrnambool, property	1.30	1.30	0.00
Warrnambool water reclamation plant blower replacement	1.55	1.30	0.00
Curdievale bore construction	2.15	1.11	0.04
Water main replacement program	0.66	0.64	0.08
Petschels Lane, Hamilton, trunk sewer	0.47	0.47	0.00
Port Fairy water tower refurbishment	0.52	0.45	0.08
Wollaston Way, Warrnambool, sewer main contribution	0.36	0.36	0.00
Hickford Parade, Warrnambool, sewer main replacement	0.37	0.36	0.00
Dutton Way sewerage scheme	3.82	0.32	0.02
Heywood bore construction	0.42	0.33	0.61
West Portland sewerage scheme	4.09	0.29	0.02
Camperdown industrial water reclamation plant expansion	0.26	0.26	0.00



# 2014/15 YEAR IN REVIEW

## At a glance

System	2014/15	Change (%)	2013/14	Change (%)	2012/13	Change (%)	2011/12	Change (%)	2010/11	Change (%)
Population served	83,177	0.3	82,941	0.8	82,281	0.4	81,945	1.2	80,937	1.1
Connected properties (water)	42,261	0.6	42,008	1.1	41,550	0.8	41,236	1.4	40,671	1.5
Connected properties (sewerage)	35,839	1.2	35,419	1.2	35,009	0.9	34,690	1.3	34,251	1.5
Water treatment plant volumes (ML)	11,240	-3.1	11,604	-4.7	12,176	1.9	11,946	7.7	11,093	-9.1
Water reclamation plant volumes (ML)	10,347	-4.1	10,786	14.3	9,436	-5.4	9,975	-12.4	11,385	15.3
Employee numbers (FTE)	189	-7.8	203	-0.5	204	-1.9	208	5.6	197	3.7
Number of days lost to injury	41	310	10	-68.8	32	-53.6	69	245.0	20	-91.7
Total revenue (\$'000)	76,786	4.6	73,432	-4.2	76,680	-4.2	80,028	36.8	58,510	15.2
Net operating result before tax (\$'000)	4,959	90.3	2,606	-69.7	8,593	75.0	4,911	245.4	1,422	185.0
Total assets (\$'000)	587,121	-0.8	591,681	-1.4	600,351	1.3	592,431	3.0	575,163	1.1
Capital expenditure (\$'000)	16,573	-18.1	20,237	-16.0	24,106	-21.8	30,820	80.6	17,070	-63.3



# HIGHLIGHTS

## 2014/15

### Roof Water Harvesting Project expanded in Warrnambool

On 1 June 2015 Member for Western Victoria Gayle Tierney announced that Wannon Water's multi-award-winning Roof Water Harvesting Project would be expanded to capture water from the roofs of a new industrial subdivision in Warrnambool's north east, boosting the city's drinking water supplies.

The Warrnambool Roof Water Harvesting Project is an innovative concept demonstrating that the roofs of new urban growth areas can generate enough water to meet the water demand needs in those new areas.

The \$500,000 project expansion will capture rain water from roofs of buildings to be constructed in the new Horne Road industrial estate and transport it through pipes to Wannon Water's Dales Road water storages. From there it will be treated and enter the city's drinking water supply.

In an average rainfall year this will contribute a further 25 million litres of water to boost Warrnambool's drinking water supplies.

The expansion will complement the demonstration site in Warrnambool's north east residential growth corridor, which has been operating successfully since 2011 and will eventually connect an estimated 3,000 homes, contributing 450 million litres of water to the city's supplies and saving 585 tonnes of carbon emissions annually.

Roof Water Harvesting is a sustainable, cost-effective water supply augmentation option consistent with the Victorian Government's approach to identifying the best source of water for its best use to meet the challenges of climate change, changing rainfall patterns and population growth.

The concept uses a source of water that would otherwise be lost in run-off, reduces energy use and carbon emissions, and significantly reduces stormwater runoff, allowing for costly stormwater infrastructure to be scaled down.

The Roof Water Harvesting Project expansion is expected to be constructed over the 2015/16 summer.



Above: Wannon Water General Manager Strategy & Innovation (now Managing Director) Andrew Jeffers, Member for Western Victoria Gayle Tierney and outgoing Wannon Water Managing Director Grant Green announced the project expansion at the Dales Road water storages.

### Master Plan revitalises Reservoir Konongwootong

During the reporting period, Wannon Water undertook significant works at Konongwootong Reservoir, near Coleraine, to bring its long-term vision for the site to life.

The Konongwootong Reservoir Master Plan, released in 2012, identified a raft of upgrades to improve the recreational use of the reservoir while preserving its function as an operational water supply.

Wannon Water also determined it was important to recognise the site's cultural heritage values and the injustice of the "Fighting Waterholes" massacre of Aboriginal people that occurred there in 1840.

In partnership with the Gunditj Mirring Traditional Owners Corporation, Wannon Water developed a landscaped Quiet Place at the reservoir, with three stone benches, a walking path and interpretive signage to acknowledge the site's history. A special ceremony to open the Quiet Place was held in July 2014.

This year Wannon Water also started work on the first two stages of a three-stage project to enhance Konongwootong Reservoir's recreational fishing facilities. The works, funded through the Victorian Government's Recreational Fishing Grants Program, were announced by Minister for Agriculture Jaala Pulford in May 2015.

Konongwootong Reservoir is a popular recreational fishing destination and these works will significantly improve the angler experience by making it safer, reducing environmental damage and providing greater access for all anglers, including those with limited mobility.

The first stage of works includes improved access to the non-powered boat ramp and an upgraded parking area off Reservoir Road. The second stage includes the installation of an all-abilities terraced fishing platform, walking path and picnic shelter. The third and final stage is scheduled for 2016.

The fishing upgrades are consistent with the Victorian Government's Target One Million plan to grow recreational fishing in Victoria by encouraging families to get outdoors and enjoy fishing.



Above: Wannon Water Chairman John Vogels with the Winda Mara Dancers at the opening of the Quiet Place at Konongwootong Reservoir.

# FINANCIAL SUMMARY

*Strategic objective: maintain financial viability*

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

Wannon Water achieved a net profit before tax of \$4.96 million for the reporting period. This was a \$4.92 million improvement on the budget for the year and a \$2.35 million improvement on the previous year. The implementation of efficiency initiatives delivered significant operational expenditure savings compared to budget.

The Corporation generated cash flows of \$29.33 million from operating activities, which enabled investment of \$16.57 million in capital infrastructure and a significant decrease in interest bearing liabilities of \$11.72 million.

The table below provides the financial highlights in 2014/15 compared with the previous four years.

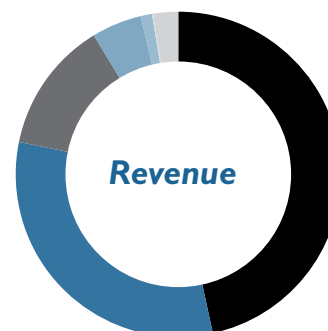
Financial result	2014/15 (\$'000)	2013/14 (\$'000)	2012/13 (\$'000)	2011/12 (\$'000)	2010/11 (\$'000)
Core business revenue	71,127	69,340	68,532	61,628	52,158
Capital Revenue	1,916	613	921	12,730	802
Government contributions	74	107	1,340	621	674
Other revenue	3,669	3,373	5,887	5,049	4,876
<b>Total revenue</b>	<b>76,786</b>	<b>73,432</b>	<b>76,680</b>	<b>80,028</b>	<b>58,510</b>
Operating expenditure	42,607	40,242	37,868	40,687	35,415
Depreciation & amortisation expenditure	22,947	23,873	23,362	25,445	13,217
Finance costs	4,875	5,647	5,979	5,873	5,854
Other expenditure	1,398	1,064	878	3,112	2,602
<b>Total expenditure</b>	<b>71,827</b>	<b>70,826</b>	<b>68,087</b>	<b>75,117</b>	<b>57,088</b>
<b>Net result before tax</b>	<b>4,959</b>	<b>2,606</b>	<b>8,593</b>	<b>4,911</b>	<b>1,422</b>
Current assets	19,046	18,346	21,048	16,249	14,435
Non-current assets	568,075	573,335	579,303	576,182	560,728
<b>Total assets</b>	<b>587,121</b>	<b>591,681</b>	<b>600,351</b>	<b>592,431</b>	<b>575,163</b>
Current liabilities	18,574	20,362	21,177	19,053	15,619
Non-current liabilities	95,893	105,945	115,722	116,073	106,798
<b>Total liabilities</b>	<b>114,467</b>	<b>126,307</b>	<b>136,899</b>	<b>135,126</b>	<b>122,417</b>
Net cash flows from operations	29,333	26,409	27,241	19,446	12,545
Payments for property, plant and equipment (including infrastructure)	16,573	20,237	24,106	30,820	17,070

## Our revenue

Total revenue increased by \$3.35 million in 2014/15 compared to the previous year.

An increase in land development activity within the region compared to the prior year resulted in developer and customer contribution revenue increasing by \$1.30 million.

Increases in trade waste product received and water sales drove usage charges \$1.49 million higher than the prior year. Service charges increased by \$0.98 million compared to the prior year, largely due to growth.



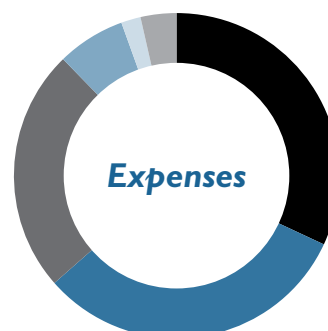
47%	Sewerage charges
32%	Volumetric water usage charges
13%	Fixed water service charges
5%	Other income
2%	New customer / developer contributions
1%	Gifted assets
0%	Government grants

## Our expenses

Total expenses increased by \$1.00 million (1.4%) compared to the previous year.

The increase is driven solely by the Government Water Rebate provided to residential customers. A total of \$2.42 million was provided to residential customers during 2014/15, in effect reducing residential customer bills by \$70.

The implementation of efficiency initiatives during 2014/15 resulted in reductions in employee benefits (\$0.51 million) and borrowing costs (\$0.77 million) compared to the prior year. Depreciation expense reduced by \$0.93 million.

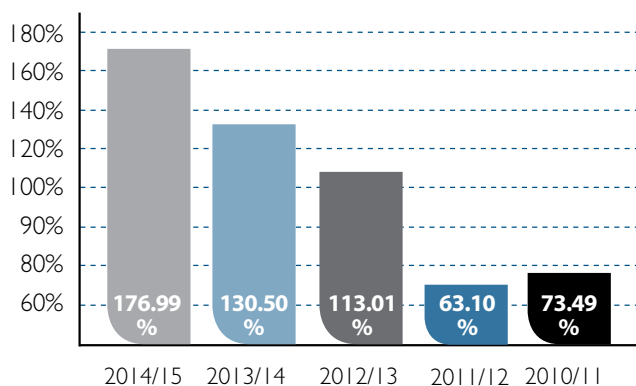


32%	Depreciation and amortisation
31%	Supplies and services
24%	Employee benefits
7%	Borrowing costs
4%	Environmental contribution levy
2%	Net loss on disposal of assets

# FINANCIAL SUMMARY

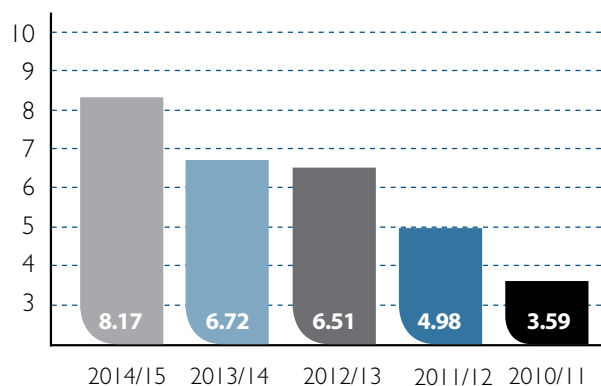
## Summary of financial performance indicators

INTERNAL FINANCING RATIO



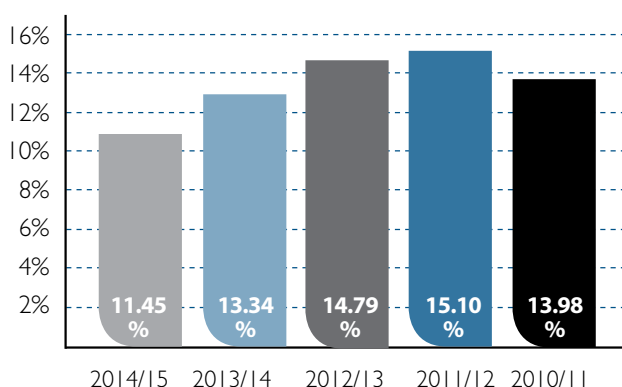
The ratio measures the portion of capital works paid for from operating cash flows. The 2014/15 result indicates that 100 per cent of capital works payments were funded by cash received from operating activities. This is the third straight year that Wannon Water has funded investment in infrastructure from operating activities.

INTEREST COVER - CASH (TIMES)



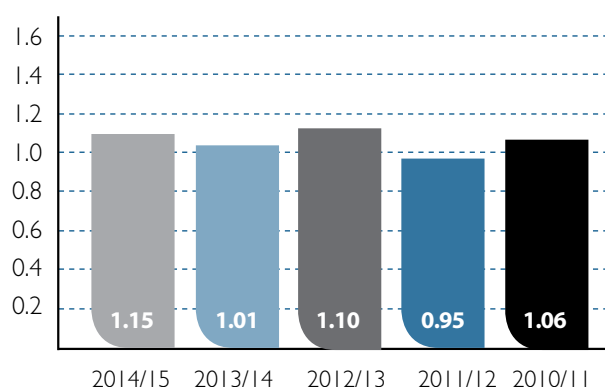
A significant reduction in interest costs during 2014/15 resulted in a 25 per cent increase cash interest cover ratio compared to the previous year. The ratio shows that cash received from operating activities is 8.17 times that of interest costs paid.

GEARING RATIO



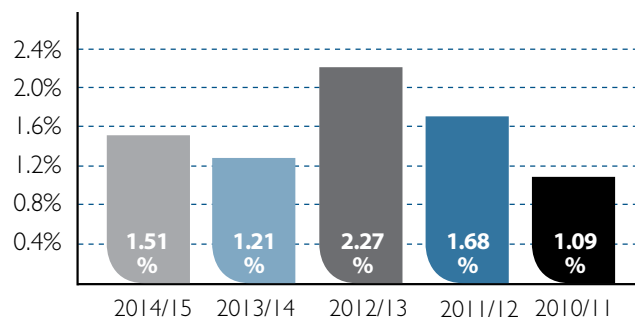
Interest bearing liabilities reduced by \$11.7 million during 2014/15, resulting in an improved gearing ratio. A decline is a favourable result, as a low ratio provides a positive indication of Wannon Water's long-term liquidity.

CURRENT RATIO (TIMES)



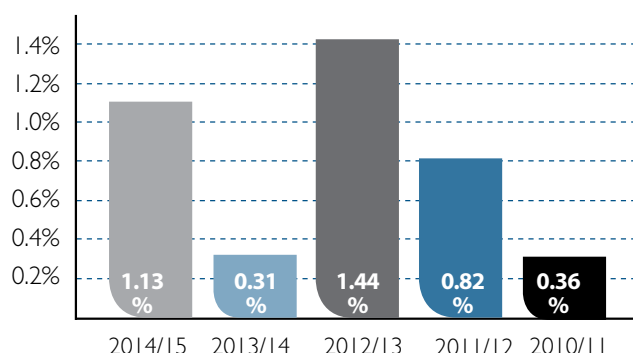
The ratio measures how comfortably payment of short-term liabilities can be covered by Wannon Water's short-term assets. A ratio result greater than 1.00 times indicates that Wannon Water's short-term assets are greater than its short-term liabilities.

### RETURN ON ASSETS



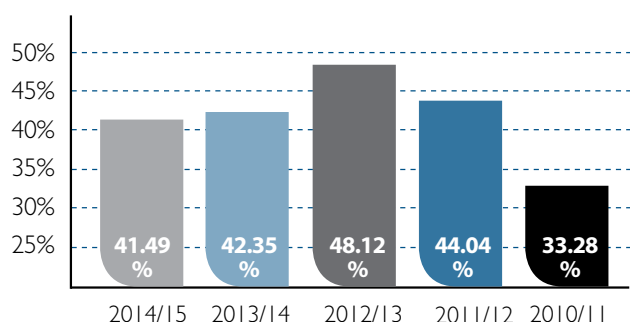
Indicates how much profit Wannon Water generated from every dollar in assets owned. The ratio is low, as assets owned are significant in value and Wannon Water does not aim to generate large profits.

### RETURN ON EQUITY



Indicates how much profit Wannon Water has generated from every dollar in ownership interest (equity). The ratio is low as equity is significant in value and Wannon Water does not aim to generate large profits.

### EBITDA MARGIN



This indicator measures Wannon Water's operating profitability. The result indicates that Wannon Water's earnings (before interest, tax, depreciation and amortisation) are less than half the total revenue generated.

## Significant changes in financial position during the year

There were no significant changes in financial position during the 2014/15 reporting period.

## 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.

## Future challenges

Wannon Water plans to undertake \$25 million of capital works in 2015/16, fully funded through cash flows from operating activities. However, new borrowings (\$8 million) will be required to fund the majority of maturing borrowings during 2015/16.

## Risk Management Attestation

I, John Vogels, certify that the Wannon Region Water Corporation has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. The Audit & Risk Management Committee verifies this.

**John Vogels**  
**Chairman**  
**Wannon Water**  
**28 August 2015**

**Wannon Water strives to deliver long-term value to customers by supplying water-related products and services that reflect customer expectations for quality, reliability and price.**

## Customer value

Wannon Water again enhanced customer value in 2014/15 by reducing water and sewerage prices in real terms while maintaining levels of service. Wannon Water also delivered business efficiencies that were passed on to residential customers via a \$70 Government Water Rebate. This was the first of four annual \$70 bill reductions to be delivered by Wannon Water through to 2017.

Wannon Water improved its customer service smart forms available on its public web site to make it even easier for customers to submit information to Wannon Water. A new customer e-newsletter was developed, providing a faster and more convenient communications tool for customers.

## Community Service Obligations

Wannon Water provided the following community service obligation rebates and grants to eligible customers:

Community Service Obligations	2014/15 (\$)	2013/14 (\$)	2012/13 (\$)	2011/12 (\$)	2010/11 (\$)
Concession card rebates	2,958,770	2,899,696	2,641,712	2,581,979	2,345,036
Not-for-profit organisation rebates	259,898	257,705	260,501	257,211	246,233
Utility relief grant scheme	73,141	98,332	57,663	52,502	48,618
Water usage life machine rebates	1,520	660	298	979	1,396
Hardship relief grant scheme (Sewerage scheme connections)	0	0	0	0	0
<b>Total</b>	<b>3,293,329</b>	<b>3,256,383</b>	<b>2,960,174</b>	<b>2,892,671</b>	<b>2,641,283</b>

## Customers experiencing financial hardship

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

- encouraging customers receiving Centrelink payments to use the Centrepay facility
- assisting customers to complete government-funded rebate and grant scheme applications
- providing information on how to reduce household water consumption
- referring customers to a free independent financial counseling service
- waiving interest on overdue charges, providing relief for unexpected high water use, providing bonus credits and waiving long-term debt for customers in genuine financial hardship.

Customer assistance	No. customers 2014/15	Total value 2014/15 (\$)	No. customers 2013/14	Total value 2013/14 (\$)	No. customers 2012/13	Total value 2012/13 (\$)	No. customers 2011/12	Total value 2011/12 (\$)
High water usage allowances	275	131,202	196	100,747	279	108,888	273	138,619
Hardship rebates	308	70,146	372	113,874	243	88,193	134	76,910
<b>Total</b>	<b>583</b>	<b>201,348</b>	<b>568</b>	<b>214,621</b>	<b>522</b>	<b>197,081</b>	<b>407</b>	<b>215,529</b>

Flexible installment payment plans were offered to customers who preferred to pay by regular installments.

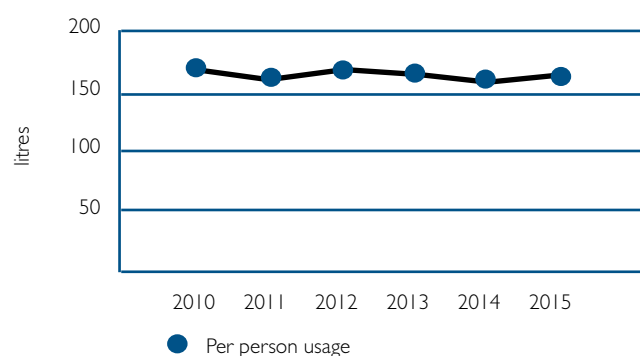
Flexible payment arrangements as at 30 June	2014/15	2013/14	2012/13	2011/12	2010/11
Number of customers on installment payment plans (No.)	2,486	2,648	2,561	2,028	1,574
<b>Total value of installment payment plans</b>	<b>\$660,532</b>	<b>\$967,537</b>	<b>\$1,139,790</b>	<b>\$659,490</b>	<b>\$562,801</b>

## Water consumption

Total water consumption increased by 0.3 per cent to 11,397 megalitres in 2014/15.

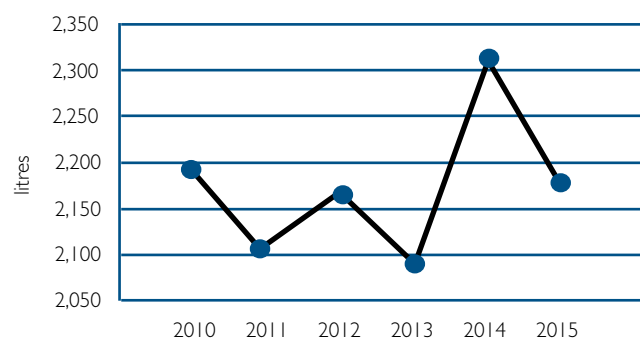
Average residential water use per person per day was 167 litres, up from 165 litres in 2013/14.

### Residential water use (litres per person per day)



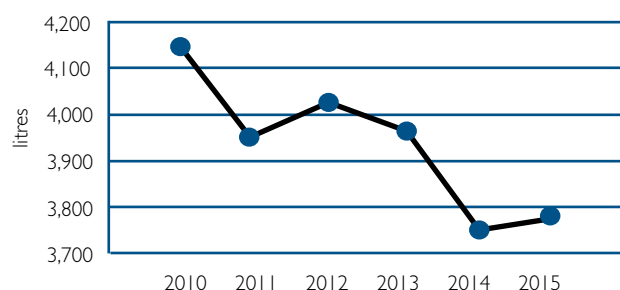
While population has grown about one per cent a year since 2010, residential water use has declined over this period. The reduction in per capita use since 2010 is 6 per cent.

### Non-residential water use (litres/connection/day)



The number of non-residential connections has grown about 0.5 per cent a year since 2010, but usage per connection has been fairly stable.

### Rural (non-potable) water use (litres/connection/day)



The number of rural connections has increased by 2 per cent since 2010. Usage per connection has declined by 10 per cent over this period.



# SOCIAL SUSTAINABILITY

## Water consumption by city/town (megalitres)

System	Residential customers		Non-residential customers		Rural customers		Total consumption		5-year average annual consumption (ML)	Weekly household consumption (kL) #
	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)		
Allansford	309	52.7	39	49.8	8	17.2	356	119.7	111.6	3.3
Balmoral	106	13.9	29	5.6	17	9.0	152	28.5	30.1	2.5
Balmoral Pipeline*	-	-	-	-	3	5.6	3	5.6	4.4	-
Camperdown	1,596	237.9	218	123.0	-	-	1,814	360.9	347.3	2.9
Camperdown Rural	-	-	-	-	388	516.5	388	516.5	531.6	-
Caramut	55	7.8	13	5.4	7	2.6	75	15.8	15.4	2.7
Caramut Pipeline*	-	-	-	0.0	12	3.7	12	3.7	3.4	-
Casterton	818	102.1	148	50.8	23	5.3	989	158.2	158.5	2.4
Cavendish	67	8.5	22	2.7	4	0.9	93	12.1	10.9	2.4
Cobden Rural	-	-	-	-	19	23.9	19	23.9	20.6	-
Cobden Urban	704	108.6	103	341.9	87	82.7	894	533.2	546.2	3.0
Coleraine	516	58.3	83	20.8	14	4.9	613	84.1	83.7	2.2
Coleraine Pipeline*	-	-	-	-	3	0.7	3	0.7	0.3	-
Darlington*	19	2.3	3	1.3	-	-	22	3.7	2.9	2.4
Dartmoor	124	10.3	18	2.8	-	-	142	13.1	13.8	1.6
Dunkeld	307	57.0	50	18.0	28	7.1	385	82.1	71.0	3.6
Glenthompson	99	8.0	25	1.7	8	0.7	132	10.4	11.4	1.5
Hamilton	4,712	686.9	644	211.2	44	63.1	5,400	961.2	959.0	2.8
Hamilton Pipeline*	-	-	-	-	41	12.4	41	12.4	15.6	-
Heywood	645	85.7	103	31.8	9	2.5	757	119.9	124.9	2.5
Konongwootong Pipeline*	-	-	-	-	51	43.3	51	43.3	43.6	-
Koroit	710	100.7	54	112.3	2	2.4	766	215.5	189.0	2.7
Lismore & Derrinallum	345	42.8	72	11.2	75	44.9	492	99.0	104.4	2.4
Macarthur	142	13.3	35	3.3	2	1.0	179	17.6	18.2	1.8
Merino	129	16.0	16	2.9	37	13.4	182	32.3	33.1	2.4
Mortlake	573	80.9	113	48.4	5	2.5	691	131.9	123.2	2.7
Noorat & Glenormiston	159	28.5	17	21.4	77	62.7	253	112.6	125.3	3.4
North Otway Pipeline*	-	-	1	8.0	453	1,348.1	454	1,356.1	1,338.2	-
Penshurst	267	37.5	52	12.6	2	0.3	321	50.4	52.7	2.7
Peterborough	324	20.7	14	14.1	8	5.6	346	40.3	37.9	1.2
Port Campbell	253	28.3	41	43.2	-	-	294	71.5	60.2	2.1
Port Fairy	2,063	265.6	230	316.4	2	0.2	2,295	582.1	591.3	2.5
Portland	5,070	709.5	706	723.2	6	1.4	5,782	1,434.1	1,439.7	2.7
Purnim	-	-	-	-	94	18.2	94	18.2	16.8	-
Sandford	59	11.4	4	0.6	28	9.1	91	21.1	19.4	3.7
Simpson	78	12.5	18	43.0	10	17.4	106	73.0	84.1	3.1
Tarrington	136	20.4	5	2.0	17	6.5	158	29.0	27.6	2.9
Terang	946	137.6	144	51.5	1	7.9	1,091	197.0	198.6	2.8
Timboon	414	59.4	78	41.3	104	70.8	596	171.6	170.6	2.8
Tullich Pipeline*	-	-	-	-	7	1.4	7	1.4	1.3	-
Warrnambool	14,107	2,144.6	1,555	1,439.6	30	27.5	15,692	3,611.7	3,483.1	2.9
Willaura Pipeline*	-	-	-	-	30	21.4	30	21.4	16.7	-
<b>Totals</b>	<b>35,852</b>	<b>5,170</b>	<b>4,653</b>	<b>3,762</b>	<b>1,756</b>	<b>2,465</b>	<b>42,261</b>	<b>11,397</b>	<b>11,238</b>	<b>2.8</b>

\* Non-drinking water districts

# For further details on weekly household consumption, see Appendix Two.

## Total drinking and non-drinking water consumption (megalitres)

City/Town	Residential customers		Non-residential customers		Rural customers		Total consumption		5-year average annual consumption (ML)
	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	
Drinking water	35,833	5,167.3	4,649	3,752.8	1,156	1,028.5	41,638	9,948.6	9,811.2
Non-drinking water	19	2.3	4	9.3	600	1,436.4	623	1,448.1	1,426.6
<b>Totals</b>	<b>35,852</b>	<b>5,170</b>	<b>4,653</b>	<b>3,762</b>	<b>1,756</b>	<b>2,465</b>	<b>42,261</b>	<b>11,397</b>	<b>11,238</b>

## Water consumption by system (megalitres)

System	2014/15 volume (ML)	Change (%)	2013/14 volume (ML)	Change (%)	2012/13 volume (ML)	Change (%)	2011/12 volume (ML)	Change (%)	2010/11 volume (ML)	Change (%)
East Dilwyn	283.4	3%	274.3	0%	274.9	3%	265.9	9%	245.0	-16%
Grampians	1,162.7	2%	1,140.6	-11%	1,284.5	10%	1,163.2	18%	983.0	-10%
Other	134.4	-5%	141.1	-13%	162.0	20%	135.6	26%	107.7	-30%
Otway	7,369.1	1%	7,281.9	-1%	7,370.0	0%	7,348.9	9%	6,730.1	-7%
Tullich	297.7	3%	288.8	-10%	322.0	0%	320.7	27%	252.7	-29%
West Dilwyn	2,149.4	-4%	2,233.4	1%	2,206.4	2%	2,167.7	4%	2,091.9	-8%
<b>Totals</b>	<b>11,397</b>	<b>0%</b>	<b>11,360</b>	<b>-2%</b>	<b>11,620</b>	<b>2%</b>	<b>11,402</b>	<b>10%</b>	<b>10,410</b>	<b>-9%</b>

## Non-revenue water

In 2014/15 the total volume of non-revenue water was 1,381 megalitres, down from 1,528 megalitres in 2013/14.

## Corporate water consumption

Apart from office-based water use, consumption at other Wannon Water sites is difficult to determine and compare, as consumption includes operational usage (at treatment plants, etc.) as well as employee water usage.

Office location	FTE (No.)	Water consumption (kL)	kL/FTE
25 Gateway Rd, Warrnambool*	113	487	4.3
15 Townsend St, Portland	6	69	11.5
66 Gray St, Hamilton	9	100	11.1
<b>Total</b>	<b>128</b>	<b>656</b>	<b>5.1</b>

\* Rain water is used for flushing toilets and watering gardens at the Gateway Road office in Warrnambool.

# SOCIAL SUSTAINABILITY

## Major customer water use

Large non-residential customer water use is reported under section 122ZJ of the *Water Act 1989*.

### Customers by volume range

Volume – ML per year	No. customers 2014/15	No. customers 2013/14	No. customers 2012/13	No. customers 2011/12	No. customers 2010/11
200ML to 300ML	2	2	2	1	2
300ML to 400ML	1	1	1	1	1
400ML to 500ML	1	2	1	1	1
500ML to 750 ML	0	0	0	1	1
750ML to 1,000ML	1	1	1	0	0
Greater than 1,000ML	0	0	0	0	0
<b>Total no. of customers</b>	<b>5</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>5</b>

## Major customers' participation in water conservation programs

All major customers of Wannon Water have water conservation programs.

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

\* Warmnambool Cheese & Butter is supplied with non-drinking water.

## Sustainable water use

Wannon Water's 50-year Water Supply Demand Strategy identifies the best mix of integrated water solutions to balance the long-term demand for water and the available water supplies for our urban supply systems now and into the future. We work closely with stakeholders to promote sustainable water use in our region to help meet the targets of the Strategy and to support the principles of the Victorian Government's approach to identifying the best source of water for its best use to meet the challenges of climate change, changing rainfall patterns and population growth.

### Community education and awareness

Wannon Water actively promoted water efficiency through our schools and community education program, sponsorship of local sustainability events, our web site and by promoting the Government rebates to residential and business customers. We also delivered the Small Business Grants Scheme to help businesses improve their water efficiency or adopt alternative water supplies.

During the reporting period Wannon Water also continued to promote the Choose Tap program to promote the benefits and value of our drinking water supplies.

Understanding the current and future needs of the community is important to setting future directions and input from stakeholders, including customers, communities, local government and Catchment Management Authorities, is used to guide the development of the Water Supply Demand Strategy.

### Industry

Wannon Water works with local industry across south-west Victoria to improve water management outcomes, particularly in providing recycled water for the Mortlake Power Station, Iluka Resources and agriculture. Our brine receival facility in Warmnambool provides a local solution for treating salty trade waste from large industries. We reduce demand on drinking water supplies by using recycled water at the screening plant and belt press at the Warmnambool water reclamation plant.

## Local government

Wannon Water values its close working relationships with local government. We continue to work closely with Warrnambool City Council to expand the Warrnambool Roof Water Harvesting system to collect rain water from roofs in new subdivisions to augment existing drinking water supplies. The system will be expanded to include new buildings in the Horne Road industrial estate.

During the reporting period Wannon Water worked closely with the Moyne Shire Council to coordinate Wannon Water's sewer main renewal on the Princes Highway, Port Fairy, with the Council's stormwater drainage works to deliver

these important water projects efficiently and to minimise the disruption to the local community. Wannon Water also worked with and assisted with funding the Colac Otway Shire Council as they develop their Domestic Wastewater Management Plan for the Shire.

## Drought response

Wannon Water has a Drought Response Plan to protect water resources during severe dry periods. The plan was not invoked during the reporting period. There were no restrictions on recreational playing fields in Wannon Water's service area. Many of these playing fields already use recycled water or other non-drinking water supplies.

## Small Business Grants

During the reporting period Wannon Water provided the following grants under the Victorian Government's Small Business Grants Scheme:

Organisation	Project	Grant provided (\$)
J W Wilken	Water-efficient front-load washing machines for laundromat in Hamilton	\$5,000

## Warrnambool roof water harvesting project

Wannon Water's award-winning Warrnambool Roof Water Harvesting Project continues to demonstrate the benefits of integrated water management and the use of alternative sources of water to help meet the challenges of climate change adaptation.

In the reporting period, this innovative system harvested 11.2 megalitres of roof water from the roofs of 165 connected houses (119 in 2013/14), a reduction on the 16.8 megalitres harvested in 2013/14. The reduced volume is due to substantially lower rainfall in 2014/15 compared to 2013/14.

This system is progressively being expanded as development occurs in Warrnambool's main northern growth corridor over the next 20 years. The roofs of some 3,000 new homes to be constructed will form an urban catchment that is expected to contribute 471 megalitres of water per year into the Brierly Basin and then treated at the Warrnambool water treatment plant for urban drinking water.

During the reporting period, Wannon Water resolved to extend the Roof Water Harvesting Project to include the Horne Road Industrial Estate in East Warrnambool.

## Permanent Water Saving Measures and water restrictions

No water restrictions were required and Permanent Water Saving Measures applied across all of Wannon Water's service area in the reporting period.

## Growth of water services

Wannon Water provides water services to residential, commercial, industrial and rural customers across 34 customer zones. The total growth in the number of water customers was 0.5 per cent in 2014/15 with 198 new customers being provided with a reticulated water service during the reporting period.

## Growth of sewerage services

Wannon Water provides sewerage services to residential, commercial and industrial customers across 16 sewerage systems. The total growth in the number of sewerage customers was 0.8 per cent in 2014/15, with 311 new customers being provided a reticulated sewerage service during the reporting period.

The West Portland sewerage scheme was commissioned in December 2014.

# SOCIAL SUSTAINABILITY

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## Engaging with our community

Wannon Water recognises that engaging, informing, consulting and collaborating with our customers and other stakeholders is essential to understanding their needs and enhancing the value of the services we provide. During the reporting period Wannon Water consulted on several initiatives, including with:

- neighbouring property owners of the proposed project sites for Wannon Water's Portland Renewable Energy Project to gauge support for the project concept and preferred site for the project; and
- the Heywood community regarding Wannon Water's application to the Environment Protection Authority to amend its Amalgamated Licence, allowing Wannon Water to conditionally discharge reclaimed water to the Fitzroy River during periods of wet weather.

## Customer Engagement Committee

Wannon Water's Customer Engagement Committee provides a forum for Wannon Water to better understand the needs of its customers and local communities. During the reporting period the committee provided valuable input to Wannon Water's services and key projects, such as feedback on the proposed Portland Renewable Energy Project and associated community engagement program.

The committee members were: John Wilken (Chair), Nathan Anderson, Tim Clingan, Tom Doherty, Alex Dupleix, Roz Greenwood, Lou Hollis, Joseph Milani, Tom Nieuwveld, and Wannon Water Directors Georgina Gubbins and Russell Worland.

## Cultural heritage

While not required to prepare cultural heritage management plans in accordance with the *Aboriginal Heritage Act 2006* during the reporting period, Wannon Water sought the input from relevant stakeholders at the start of projects to identify cultural heritage needs and expectations.

Wannon Water liaised with Registered Aboriginal Party applicants Gunditj Mirring Traditional Owners Aboriginal Corporation, Kuuyang Maar Aboriginal Corporation and Eastern Maar Aboriginal Corporation. Cultural heritage inductions for contractors and Wannon Water employees were undertaken by these corporations for the Hickford Parade sewer renewal project.

# ENVIRONMENTAL SUSTAINABILITY

*Strategic objective: integrated water management*

***Wannon Water seeks to implement innovative water solutions using a range of water resources within our region to supply fit-for-purpose water products now and into the future.***

During the reporting period Wannon Water continued to reduce water losses and protect water supplies to support our communities. We also continued our involvement in programs to protect and improve the health of catchment waterways and the biodiversity of operational sites.

## Western Region Sustainable Water Strategy

The Victorian Government's Western Region Sustainable Water Strategy (WRSWS), published in November 2011, addresses pressures on water resources, including climate variability and land use change. Its aim is to provide security for urban and rural water users, rivers and aquifers over a 50-year period.

A key task for Wannon Water arising from this strategy is the assessment of options to improve low flows in the Gellibrand River in summer. Working with the Corangamite Catchment Management Authority, the assessment of options, including groundwater substitution, has been completed.

Over the 2014/15 summer, Wannon Water continuously ran the existing Carlisle bores, extracting groundwater rather than Gellibrand River water to meet the supply requirements. The four-month trial did not present any significant operational issues and reduced river water extractions by approximately 700 megalitres.

The remaining action from the WRSWS is for relevant agencies to investigate the resourcing and timing of the preferred option to enhance summer flows in the Gellibrand River.

## Biodiversity and natural asset management

Wannon Water continued its work on projects to help protect and improve Victoria's biodiversity. The Victorian Waterway Management Strategy drives the development of Regional Catchment Management Strategies by the Corangamite and Glenelg Hopkins Catchment Management Authorities. These regional strategies provide the main planning framework for land, water and biodiversity management across Wannon Water's service area. Wannon Water contributed to updates of both strategies and continues to identify opportunities to protect, enhance and restore valuable natural resources to improve the health and sustainable productivity of regional catchments.

During the reporting period, biodiversity and land management work was undertaken at high priority sites, including land around reservoirs, and water and sewerage treatment facilities. The work was done in partnership with local agencies and contractors.

Wannon Water also continued to implement the management plan for the Dunkeld water reclamation plant, one of the most significant sites for biodiversity under our management. This work is supported through the Plains Tender program and continued an ecological burning and strategic pest plant and animal control program.

Wannon Water established a research project at Glenthompson water treatment plant to investigate how to reduce the costs of managing introduced pasture on operational sites. The trial site was converted to native grassland species and early results indicate that no mowing, slashing or weed control has been necessary since establishment. Wannon Water has established four additional trial sites and will continue to monitor these sites to quantify the financial and ecological benefits.

Significant work was also undertaken at Konongwootong Reservoir as part of the Master Plan developed for that site, with stage 1 and stage 2 on-ground works commencing in May 2015 as part of the large fishing grant funding received through the Victorian Government.

Partnership projects with Deakin University to assess aquatic fauna and flora at 13 sites across Wannon Water's service area were completed last year, with the results being used to improve the management of these sites for the beneficial values identified. Research results have been submitted for publication in an international peer-reviewed journal.

Wannon Water also continued ongoing soil and groundwater monitoring programs to ensure the application of recycled water to farms is being managed sustainably.

Wannon Water complied with the relevant Environment Protection Authority licence conditions for discharge of recycled water to stream from the Simpson water reclamation plant. Wannon Water's 100 per cent compliance of its water reclamation plants in 2014/15 strongly supports the objectives of the State Environmental Protection Policy (Waters of Victoria).

# ENVIRONMENTAL SUSTAINABILITY

## Recycling water

Wannon Water continued its focus on shifting recycled water from a low-value product into a beneficial resource. Recycled water was used for agricultural, recreational and industrial purposes, including process water for the Mortlake Power Station and Iluka Resources Mineral Sands Separation Plant at Hamilton. Wannon Water also reused 248 megalitres at the screening plant and belt press at the Warrnambool water reclamation plant and irrigated to the Warrnambool Golf Course.

The volume of recycled water reused during the reporting period was 2,012 megalitres. This represents 20.6 per cent of the overall available supply of treated effluent. Most of the recycled water was used for agriculture over the summer irrigation period.

During the reporting period Wannon Water's submission for an amendment to its Amalgamated Licence was granted by the EPA, providing a permanent solution to retaining treated effluent at the Heywood water reclamation plant during periods of wet weather. This allows Wannon Water to conditionally discharge reclaimed water to the Fitzroy River, which has a negligible impact on the receiving environment during periods of high river flow, rather than continuing to make application for temporary wet weather discharges.

This licence amendment was the most cost effective and environmentally sound solution. Expending \$6 million on a capital upgrade of the winter storage lagoon and land irrigation capacity was demonstrated to be the least cost effective option. Wannon Water will continue to pursue this avenue of licence amendment where appropriate for other locations.

## Aquaculture project

Wannon Water is using aquaculture for sludge mitigation at the Hamilton water reclamation plant. Past trials show goldfish thrive on consuming and removing nutrients and sludge from sewage. This initiative has the potential to aid the treatment of sewage, reduce carbon emissions and reduce operating costs.

Nine water reclamation plants were licensed during the reporting period for the stocking of fish for sludge remediation.

Wannon Water purchased the fish hatchery at Warrnambool to provide fry for the sewage lagoon ponds. The hatchery produced more than a million advanced fry and 150,000 fish were stocked into the Hamilton water reclamation plant primary lagoon. Regular sludge surveys are being undertaken to monitor the impact of these fish on the accumulation of sludge in the lagoon.

Trials also commenced with hybrid fish. Successful spawning of hybrids has already been achieved at the hatchery to develop a superior fish for sewage remediation.

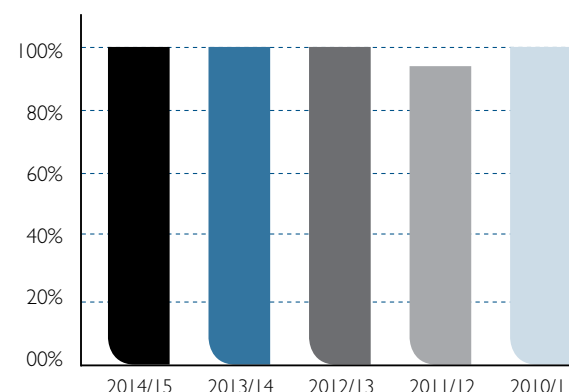
## Biosolids reuse

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

Wannon Water transported biomass produced at Warrnambool and Port Fairy water reclamation plants to its biosolids treatment facility at Camperdown. The biomass is dried and stored for three years to make the end product ready for reuse on farms in the surrounding area.

During the reporting period, Wannon Water reused 100 per cent of available biosolids by applying 3,430 dry tonnes to farm land as a soil conditioner.

### Percentage of Biosolids Used



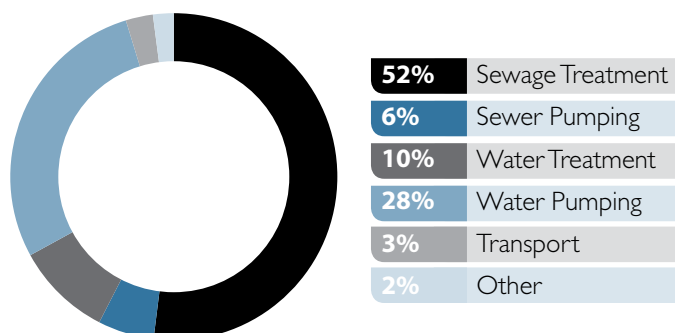


## Greenhouse gas emissions

Wannon Water produced 31,725 tonnes of greenhouse gas emissions during the reporting period, maintaining compliance with our 10 per cent greenhouse reduction target compared to the 2006/07 base year.

Wannon Water reduced emissions from its offices and transport fleet. Emissions from water treatment and water supply systems increased due to a dry spring in late 2014. Sewage treatment emissions increased slightly due to growth in the volume of trade waste treated and growth in customers connected to the sewerage system.

Wannon Water resolved to proceed with a renewable energy project to reduce operating costs, increase efficiency and deliver value for our customers. This project is planned to proceed in 2015/16 and is expected to reduce greenhouse emissions by around eight per cent per year.



Emission by activity	2014/15 (t CO <sub>2</sub> -e)	2013/14 (t CO <sub>2</sub> -e)	2012/13 (t CO <sub>2</sub> -e)	2011/12 (t CO <sub>2</sub> -e)	2010/11 (t CO <sub>2</sub> -e)
Water treatment	12,143	10,628	13,680	16,984	9,923
Sewage treatment	18,147	16,897	15,371	15,271	17,178
Transport	807	850	832	829	801
Other (inc. office energy use)	628	720	703	668	676
Reductions / offsets	0	0	0	0	0
<b>Total</b>	<b>31,725</b>	<b>29,095</b>	<b>30,586</b>	<b>33,753</b>	<b>28,578</b>

Net energy consumption	2014/15 (MJ/ML)	2013/14 (MJ/ML)	2012/13 (MJ/ML)	2011/12 (MJ/ML)	2010/11 (MJ/ML)
Water supply	3,250	2,879	3,802	4,070	2,568
Sewage treatment	3,510	3,499	4,688	5,146	2,931

## Bulk entitlement

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 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
- allow specific entitlements for environmental purposes.

Wannon Water operates under seven surface water bulk entitlements, each containing provisions on minimum passing flows and maximum daily extractions from waterways. Wannon Water achieved 100 per cent compliance with these requirements in 2014/15.

# ENVIRONMENTAL SUSTAINABILITY

## Summary of bulk entitlements 2014/15

Bulk entitlement	Volume of entitlement (ML)	Volume extracted in 2014/15 (ML)	Percentage of bulk entitlement extracted in 2014/15	Water in storage at 30 June 2015 (ML)
Otway System Conversion Order	12,580	8,026.59	63.8	2,036.6
Hamilton Conversion Order	3,435	1,171.30	34.1	1,997.7
Coleraine, Casterton & Sandford Conversion Order	855	99.34	11.6	1,652.1
Dunkeld Conversion Order	170	0.34	0.2	75.5
Glenhompson Conversion Order	94	7.78	8.3	55.5
Wimmera and Glenelg Rivers - Wannon Water Order 2010	2,120	46.92	2.2	4,971
Willaura System Conversion Order 2012	58	25.06	43.2	N/A

## Bulk Entitlement (Otway System) Conversion Order 1998

- 12.1(e) - approval, amendment and implementation of programs and proposals under clauses 8, 9 and 11
- 12.1(f) - volume taken 2014/15
- 12.1(g) - any temporary or permanent transfer of all or part of this bulk entitlement
- 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
- 12.1(i) - any amendment to this bulk entitlement
- 12.1(j) - any new bulk entitlement granted to the corporation with respect to the system
- 12.1(k) - any failure by the corporation to comply with any provision of this bulk entitlement
- 12.1(l) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed

Programs and proposals implemented  
8,026.59 ML  
Nil  
Nil  
Nil  
Nil  
Nil  
Nil

## Bulk Entitlement (Hamilton) Conversion Order 1997

- 12.1(d) - approval, amendment and implementation of programs and proposals under clauses 8, 9 and 11
- 12.1(e) - volume taken 2014/15
- 12.1(f) - the amount in, credited to and taken from the drought reserve
- 12.1(g) - any temporary or permanent transfer of all or part of this bulk entitlement
- 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
- 12.1(i) - any amendment to this bulk entitlement
- 12.1(j) - any new bulk entitlement granted to the corporation with respect to the system
- 12.1(k) - any failure by the corporation to comply with any provision of this bulk entitlement
- 12.1(l) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed

Programs and proposals implemented  
1,171.30 ML  
520 ML in drought reserve; no water credited to or taken  
Nil  
Nil  
Nil  
Nil  
Nil  
Nil

## Bulk Entitlement (Dunkeld System) Conversion Order 1997

13.1(b) – water level and storage volume at 30 June 2015	7.98 m – 75.5 ML
13.1(c) - volume taken 2014/15	0.34 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 2015	2.42m – 55.5 ML
Glenthompson Reservoir	0 m – 0 ML
Railway Reservoir	
13.1(c) - volume taken 2014/15	7.78 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

# ENVIRONMENTAL SUSTAINABILITY

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

13.1(b) – water level and storage volume at 30 June 2015	4.97 m – 1 652.1 ML
13.1(c) – volume taken 2014/15	99.34 ML
13.1(d) – approval, amendment and implementation of programs and proposals under clauses 10, 11 and 12	Programs and proposals implemented
13.1(e) – any temporary or permanent transfer of all or part of this bulk entitlement	Nil
13.1(f) – any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system	Nil
13.1(g) – any amendment to this bulk entitlement	Nil
13.1(h) – any new bulk entitlement granted to the corporation with respect to the system	Nil
13.1(i) – any failure by the corporation to comply with any provision of this bulk entitlement	Nil
13.1(j) – any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

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

13.1(b) – volume taken at each of the off-take points for 2014/15	0.44 ML to Hamilton Pipeline; 46.48 ML to Balmoral
13.1(c) – volume and location of any water taken under this bulk entitlement at any other works of Wannon Water	Nil
13.1(d) – final allocation to Wannon Water for the year under this Order	1,020 ML
13.1(e) – approval, amendment and implementation of the metering program under sub clause 12.4	Programs and proposals implemented
13.1(f) – any temporary or permanent transfer of all or part of this bulk entitlement	Nil
13.1(g) – any bulk entitlement, licence or water right temporarily or permanently transferred to Wannon Water supply systems under this Order	Nil
13.1(h) – any amendment to this bulk entitlement	An amendment application was approved by the Minister in September 2014. It was consistent with the key recommendations from the Bulk Entitlements (Wimmera and Glenelg Rivers) Operations Review (2014)
13.1(i) – any new bulk entitlement granted to Wannon Water with respect to the Wannon Water supply system under this Order	Nil
13.1(j) – any failure by the corporation to comply with any provision of this bulk entitlement	Nil
13.1(k) – any difficulties experienced or anticipated by the corporation in complying with this Order and any remedial action taken or proposed	Nil

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

10.1(b) – annual amount of water taken under this entitlement for 2014/15	25.06 ML
10.1(c) – approval, amendment and implementation of the metering program approved under sub clause 9.4	Programs and proposals implemented
10.1(d) – any temporary or permanent transfer of all or part of this bulk entitlement	Nil
10.1(e) – any bulk entitlement, licence or water right, temporarily or permanently transferred to Wannon Water for the Willaura supply system	Nil
10.1(f) – any amendment to this bulk entitlement	Nil
10.1(g) – any new bulk entitlement granted to Wannon Water with respect to the Willaura System	Nil
10.1(h) – any failure by Wannon Water to comply with any provision of this Order	Nil
10.1(i) – any existing or anticipated difficulties experienced by Wannon Water in complying with this Order and any remedial action taken or proposed by Wannon Water	Nil

## Groundwater licences

No groundwater licences were traded during the reporting period. Wannon Water holds no licences for Managed Aquifer Recharge.

Locality	Licence No.	Entitlement (ML)	Usage 2014/15 (ML)
Albert Park	BEE024155 (1152971)	750	388.29
Bullawin	BEE026192 (911313)	1,102	0
Caramut	BEE021943 (924563)	50	27.01
Carlisle	BEE029488 (9016487)	1,800	712.97
Casterton	BEE022551 (885355)	1,000	416.00
Condah	4001451	N/A	0
Curdie Vale	904309	2,150	56
Darlington	BEE021827 (1082159)	10	3.87
Dartmoor	9016786	150	15.57
Heywood	900184	333	133.0
Koroit	BEE029066 (899038)	524	2.23
Macarthur	BEE021944 (4001451)	130	30.75
Mocamboro	BEE026109 (903701)	100	0
Mortlake	BEE030858 (907049)	335	22.10
Penshurst	BEE036146 (914444)	250	64.41
Port Campbell	BEE026252 (904309)	1,009	342.03
Port Fairy	890472	1,026	637.56
Portland	923621	6,222	1,826.63

# CORPORATE INFORMATION

## Our Board

Wannon Water's Board comprises seven independent non-executive Directors and one executive Director, who is the Managing Director. The non-executive Directors are appointed by the Minister for Water in consultation with the Treasurer for terms up to four years and the Victorian Government sets their remuneration. The Managing Director is appointed by the Board in accordance with the *Water Act 1989*.

The Board is responsible for overall corporate governance of Wannon Water, 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
- monitoring the performance of the corporation.



The Directors bring to the Board an appropriate mix of skills and experience.

### **John Vogels - Chairman**

Appointed 1 October 2011

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

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

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

John is Chairman of the Strategic Issues Committee and the Executive Remuneration Committee and is an ex-officio

member of the Audit and Risk Management Committee and the People, Culture and Safety Committee.

### **Robert Wallis – Deputy Chairman**

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

Appointed 1 October 2007

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

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

Rob is a Director of Parks Victoria and Great South Coast Medicare Local. Rob is a Fellow of the Australian Institute of Company Directors.

Rob is Chairman of the Audit and Risk Management Committee and is a member of the Executive Remuneration Committee and the Strategic Issues 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 senior executive management roles at Barwon Water and Melbourne Water.

Grant is a non-executive Director of the savewater! Alliance Incorporated and Horizon 21 Incorporated. He is a Fellow of the Institute of Water Administration, a Fellow Certified Practising Accountant and a Member of the Australian Institute of Company Directors.

Grant is a member of the People, Culture and Safety Committee and the Strategic Issues Committee.

### **Rodney Coutts**

*BCom, MBA, FCPA, CA, AFAIM, GAICD*

Appointed 1 July 2010

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

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

Rod is a member of the Audit and Risk Management Committee, the People, Culture and Safety Committee and the Strategic Issues Committee.

### **Katharine Fraser**

**B Ec, FAICD**

Appointed 1 October 2008

Kate is a Fellow of the Australian Institute of Company Directors and brings to Wannon Water over 25 years' 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 is a member of the People, Culture and Safety Committee, the Executive Remuneration Committee, and the Strategic Issues Committee.

### **Georgina Gubbins**

**BN, MAB, GAICD**

Appointed 1 October 2011

Georgina brings to the Board over 20 years' experience in commercial business and corporate governance in the agribusiness sector where her skills have been in natural resource management, research and development, strategic planning, production efficiency and financial management. As a specialist red meat producer, Georgina employs sustainable and environmental farming practices, extending to local wetland protection and establishment of wildlife corridors.

With numerous roles in industry advisory committees on a local, state and national level, Georgina has gained experience in community and stakeholder engagement.

Georgina was awarded a Corporate Governance Scholarship from MLA, holds a Masters of Agribusiness and is a Graduate of the Australian Institute of Company Directors.

Georgina is a member of the People, Culture and Safety Committee, the Strategic Issues Committee and the Customer Engagement Committee.

### **Russell Worland**

**Dip Public Admin (Local Government), GAICD, CM**

Appointed 1 October 2011

Russell has had a long and distinguished career in the water industry.

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

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

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

Russell is a Director of South West Healthcare, and a Director Southern Way Direct Care Services (a disability service provider) and runs a small consultancy business that provides strategic planning services.

Russell is a member of the Audit and Risk Management Committee, the Strategic Issues Committee and the Customer Engagement Committee.

### **Frank Zeigler**

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

Appointed 1 October 2011

Frank has extensive business and community service experience.

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

A former policeman with more than 20 years' experience, Frank went on to serve as Mayor of the Glenelg Shire Council and a Member of the Ministerial Crime Prevention Council. He is strongly committed and involved in the Glenelg Shire and Portland being a member of the Glenelg Shire Integrated Fire Management Planning Committee, Historical Diving Committee and other groups.

With a keen interest in marine ecology and bushland protection, Frank volunteers and leads several community based initiatives. He is a lieutenant of the Portland Fire Brigade and a former Country Fire Authority Board Member. He Chairs Portland's Harbour Walk Community Group and formerly the Portland Eco Trust. He is the Chair of the Portland MADE Network and serves on the AICD Great South Coast Committee.

Frank is Chairman of the People, Culture and Safety Committee and is a member of the Audit and Risk Management Committee and the Strategic Issues Committee.



# CORPORATE INFORMATION

## Director attendance at Board and committee meetings

	Board	Audit & Risk Management Committee	Executive Remuneration Committee	Strategic Issues Committee	People, Culture & Safety Committee
	Attended	Attended	Attended	Attended	Attended
John Vogels	13 of 14	4 of 4	3 of 3	8 of 8	0 of 2
Rodney Coutts	13 of 14	3 of 4	-	7 of 8	2 of 2
Katharine Fraser*	10 of 14	-	3 of 3	7 of 8	2 of 2
Grant Green	12 of 14	-	-	7 of 8	2 of 2
Georgina Gubbins	12 of 14	-	-	8 of 8	2 of 2
Robert Wallis	12 of 14	4 of 4	3 of 3	7 of 8	-
Russell Worland	13 of 14	3 of 4	-	7 of 8	-
Frank Zeigler	12 of 14	4 of 4	-	7 of 8	1 of 2

\* Director Fraser was on leave of absence for the June 2015 meeting.

## Board meetings

Board meetings are scheduled monthly except for January. Minutes of meetings record Board decisions.

Directors receive customer and other stakeholder feedback through a range of mechanisms, including the Customer Engagement Committee, direct customer and stakeholder engagement, customer surveys, community consultation and project-based customer committees.

## Ethical standards

The Board acknowledges the need for, and continued maintenance of, the highest standards of corporate governance practice and ethical conduct by Directors, employees and contractors. The Board has a comprehensive governance framework that seeks to ensure high standards of ethical behaviour through policies supported by specific awareness and compliance programs. The governance framework is regularly reviewed with the most recent review occurring in June 2015.

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. The Board reviewed the Instrument of Delegation for financial and non-financial decision making during the reporting period.

## Pecuniary and conflict of interest declarations

Directors and managers completed declarations of pecuniary interest and potential conflicts of interest during the reporting period.

## Independent advice

The Board ensures 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.

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## **Board committees**

The Board has four committees to assist the Board in carrying out its responsibilities:

- Audit and Risk Management Committee
- Executive Remuneration Committee
- People, Culture and Safety Committee
- Strategic Issues Committee

### **Audit and Risk Management Committee**

The Audit and Risk Management Committee provides independent assurance and advice to the Board on Wannon Water's risk, control and compliance framework and its external accountability responsibilities. The committee meets with the internal auditor, Pitcher Partners, and the external auditor.

As at 30 June 2015 the committee comprised four non-executive independent Directors – Robert Wallis (Chairman), Rodney Coutts, Russell Worland, Frank Zeigler – and an independent external member, Stephen Bird.

### **Executive Remuneration Committee**

The Executive Remuneration Committee oversees succession planning and remuneration policies and practices for executive employment in line with Government Sector Executive Remuneration Panel guidelines.

As at 30 June 2015 the committee comprised three non-executive Directors: John Vogels (Chairman), Katharine Fraser and Robert Wallis.

### **People, Culture and Safety Committee**

The People, Culture and Safety Committee strategically reviews processes for identifying, assessing and prioritising public health and occupational health and safety risks and associated risk abatement programs.

As at 30 June 2015 the committee comprised four non-executive Directors – Frank Zeigler (Chairman), Rodney Coutts, Katharine Fraser, Georgina Gubbins – and Managing Director Grant Green.

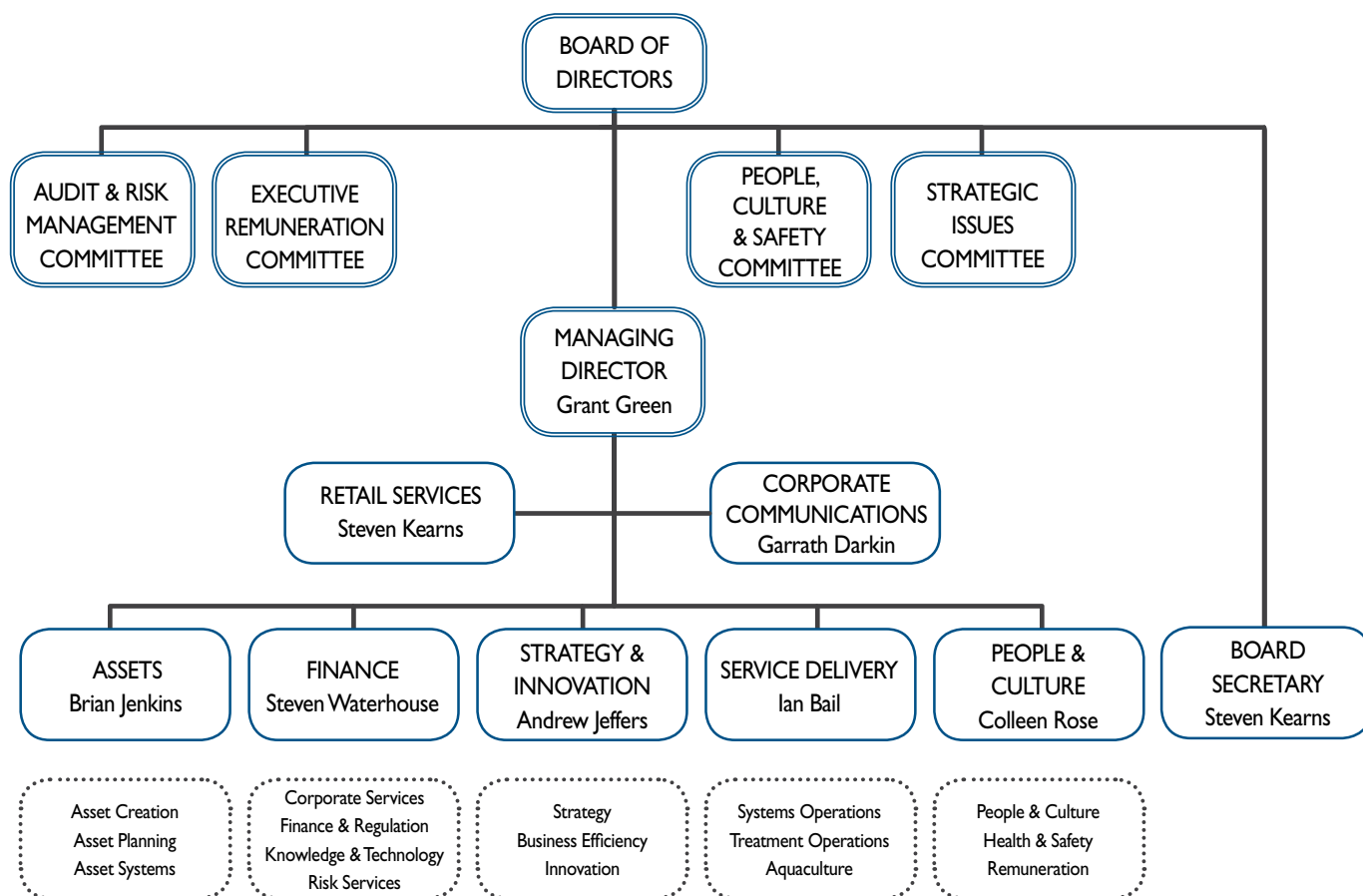
### **Strategic Issues Committee**

The Strategic Issues Committee provides a forum for Directors to explore issues of strategic importance to Wannon Water in depth and build relationships with key stakeholders.

As at 30 June 2015 the committee comprised seven non-executive Directors – John Vogels (Chairman), Rodney Coutts, Katharine Fraser, Georgina Gubbins, Robert Wallis, Russell Worland, Frank Zeigler – and Managing Director Grant Green.

# ORGANISATIONAL STRUCTURE

Strategic objective: grow organisational capability



## Our employees

Wannon Water is committed to growing the organisation's capability by investing in the skills development and wellbeing of our employees.

### Employment and conduct principles

Wannon Water is compliant with the *Public Administration Act* 2004 and is committed to applying merit and equity principles when appointing employees. The selection and promotion processes ensure applicants are assessed and evaluated

fairly and equitably against key selection criteria and other accountabilities without discrimination. Wannon Water's code of conduct reinforces the expectations of employment, including making decisions and providing advice consistent with human rights.

### Workforce statistics

The number of full-time equivalent employees was reduced by 14 in the reporting period, mainly through attrition.

	2014/15	2013/14
Full-time male	137	148
Full-time female	37	37
Part-time male	5	7
Part-time female	16	20
Casual male	2	1
Casual female	1	2
Total employees	198	215
Full-time equivalent	189	203
% Full-time equivalent female	25	25

Notes: Excludes seven non-executive Board Directors appointed by State Government

Employee classification	2014/15 (FTE)	2013/14 (FTE)
Executive	5	5
Manager	22	22
Professional	18	20
Technical	31	30
Production & maintenance	75	85
Administrative	38	41
<b>Total</b>	<b>189</b>	<b>203</b>

Notes: Excludes seven non-executive Board Directors appointed by State Government  
FTE refers to full-time equivalent employees

Wannon Water has three participants in an Engineering Scholarship program.

During the reporting period Wannon Water provided 10,048 hours (51 hours per employee) of employee learning and development.

## Occupational health & safety (OH&S)

Wannon Water has a strong commitment to the health and safety for all employees and contractors involved in its business. This is reflected in a strong safety culture, an integral part of which is the link between personal wellbeing and working life at Wannon Water promoted through our employee health and wellbeing program.

The program proactively promotes diverse health and wellbeing themes coinciding with national and workplace events. Education sessions and activities related to each theme are available to all employees and during the reporting period included exercise and fitness, diet and nutrition, and mental health.

A major component of the health and wellbeing program for the reporting period was the introduction of the 'Take a Stand' program, an initiative aimed at the prevention of domestic violence. The program aims to:

- raise awareness about domestic violence, its causes and myths
- raise awareness about why people stay in unsafe relationships and how to support them
- provide tools on how to challenge violence-supportive attitudes and behaviours
- explore how women experience violence and safety differently to men
- show how women experience different social freedoms to men.

Complementing the health and wellbeing program, Wannon Water also continued its award-winning WorkSafe HomeSafe campaign, which personalises OH&S for employees by:

- aligning OH&S at Wannon Water with a key message
- creating an easily recognisable and understandable safety 'brand'
- continually promoting Wannon Water's safe work message
- linking workplace safety to employees' quality of life.



Wannon Water's OH&S management system certification was maintained to the AS/NZS 4801 standard following auditing by an external accredited auditing body.

## OH&S training

Wannon Water continued to invest in OH&S training in 2014/15, including:

- confined space entry
- First Aid
- asbestos removal
- chainsaw training
- safe work at height training
- back hoe training
- forklift
- dogman
- OH&S leadership development for managers
- spotters
- construction induction.

# CORPORATE INFORMATION

## Performance measures

Wannon Water's key OH&S performance indicators align with the standards set out in the workplace injury and disease recording standard AS 1885.1—1990. For the reporting period, Wannon Water recorded an increase in the Lost Time Injury Frequency Rate.

OH&S Indicators	2014/15	2013/14	2012/13	2011/12	2010/11
Lost Time Injuries (Number)	7	3	2	3	3
Lost Time Injury Frequency Rate (LTIFR - LTI occurrences per one million hours worked)	20.6	8.5	6	9	9
Lost Time Injury Severity Rate (Days)	6.5	3	16	17	7

Incidents	2014/15	2013/14	2012/13
No. of Incidents	39	44	18
Rate per 100 FTE	20.63	21.46	8.82

Claims	2014/15	2013/14	2012/13
Number of Lost Time Standard Claims	1	0	1
Number of Lost Time Standard Claims per 100 FTE	0.53	0	0.49
Average cost per claim	\$7,149	\$0.00	\$12,694

## Legislative compliance

### Protected Disclosures Act

The *Protected Disclosure Act 2012* enables people to make disclosures about improper conduct by public officers and public bodies. The Act aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

#### What is a 'protected disclosure'?

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body. Wannon Water is a "public body" for the purposes of the Act.

#### What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

- mismanagement of public resources; or
- risk to public health or safety or the environment; or
- corruption.

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

#### How do I make a 'protected disclosure'?

You can make a protected disclosure about Wannon Water or its board members, officers or employees by contacting IBAC on the contact details provided below. Please note that Wannon Water is not able to receive protected disclosures.

*How can I access Wannon Water's procedures for the protection of persons from detrimental action?*

Wannon Water has established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about Wannon Water or its employees. You can access Wannon Water's procedures on our website at: [www.wannonwater.com.au](http://www.wannonwater.com.au).

#### Contacts

Independent Broad-Based Anti-Corruption Commission Vic.

Address: Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3000.

Mail: IBAC, GPO Box 24234, Melbourne Victoria 3001

Internet: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

Phone: 1300 735 135

Email: see the website above for the secure email disclosure process, which also provides for anonymous disclosures.

#### Disclosures under the Protected Disclosure Act 2012

There were no reported disclosures under the Act.

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## Freedom of Information Act

Wannon Water is committed to ensuring information is made accessible in accordance with the *Freedom of Information Act* 1982.

Wannon Water did not receive any valid applications under the *Freedom of Information Act* 1982 in 2014/15.

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 application must describe the documents to which access is sought and include an application fee of \$27.20 (further charges may apply). Fees and charges levied under the *Freedom of Information Act* 1982 are not subject to GST.

## Privacy and Data Protection Act

Wannon Water complies with information privacy principles set out in the *Privacy and Data Protection Act* 2014. A Personal Privacy Charter provides guidance to our employees, contractors and consultants to ensure that personal information is protected from unauthorised access or disclosure.

A copy of this charter can be viewed at [www.wannonwater.com.au](http://www.wannonwater.com.au)

## Other information

The following information is available on request from Wannon Water, subject to relevant legislation:

- 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 Wannon Water about itself, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by Wannon Water
- details of any major external reviews carried out on Wannon Water
- details of major research and development activities undertaken by Wannon Water
- 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 Wannon Water to develop community awareness of Wannon Water 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 Wannon Water and details of time lost through industrial accidents and disputes
- a list of major committees, the purposes of each committee and the extent to which the purposes have been achieved; and
- details of all consultancies and contractors, including consultants/contractors engaged, services provided and expenditure committed to for each engagement.

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

## Building Act

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

## 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 2014/15

Wannon Water commenced one contract in 2014/15 totalling \$2.57 million where a VIPP Plan was required. The project was in regional Victoria.

The commitments by the contractor under VIPP included:

- local content contributing to 100 per cent of the total value of the contract
- the retention of five full-time equivalent jobs

Wannon Water commenced one contract in 2014/15 totalling \$0.81 million where a VIPP Plan was not required. The project was in regional Victoria.

### Contracts completed during 2014/15

One contract was completed in 2014/15 valued at \$2.41 million to which the VIPP applied. The outcomes reported by contractors included:

- 99 per cent local content
- three full-time equivalent jobs created and eight positions retained
- two existing apprenticeships/traineeships retained

The benefits to the Victorian economy in terms of retention of skills committed to by the contractor for this project included construction, commissioning sewerage schemes, pipe works and training in first aid, confined space entry and overhead power line spotting.

# CORPORATE INFORMATION

During the reporting period three small-to-medium sized businesses prepared VIPP Plans and there were no interaction reference numbers undertaken with the Industry Capability Network.

## Consultancy expenditure

### **Consultants costing less than \$10,000**

Wannon Water engaged 15 consultancies in 2014/15 where the total fees payable to the consultants were less than \$10,000. Total expenditure on these consultants was \$30,926 (excluding GST).

### **Consultants costing more than \$10,000**

Three major consultancies were engaged in 2014/15 with a total value of \$505,128.

## Other disclosures

### **Major contracts**

No contracts greater than \$10 million were entered into.

### **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.

Consultant	Purpose of consultancy	Total project fee (exc. GST) \$'000	Expenditure 2014/15 (exc. GST) \$'000	Future expenditure (exc. GST) \$'000
Marchment Hill Consulting Pty Ltd	Benchmarking project for maintenance excellence	348	315	33
GHD Pty Ltd	Dam safety management	583	156	189
RSM Bird Cameron	Probity adviser benchmarking project	34	34	Nil



# PERFORMANCE REPORT

## Financial Performance Indicators

KPI No.	Key Performance Indicator	2013/14 Result	2014/15 Result	2014/15 Target	Variance to prior year	Notes	Variance to target	Notes
F1	<b>Cash interest cover</b> Net operating cash flows before net interest and tax / net interest payments	6.7 times	8.2 times	6.3 times	22.4%	1a	30.2%	1b
F2	<b>Gearing ratio</b> Total debt / total assets x 100	13.3%	11.5%	13.7%	-13.5%	2a	-16.1%	2b
F3	<b>Internal financing ratio</b> Net operating cash flow less dividends / net capital expenditure x 100	130.5%	177.0%	106.5%	35.6%	3a	66.2%	3b
F4	<b>Current ratio</b> Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	1.0 times	1.2 times	1.0 times	20.0%	4a	20.0%	4b
F5	<b>Return on assets</b> Earnings before net interest and tax / average assets x 100	1.2%	1.5%	0.9%	25.0%	5a	66.7%	5b
F6	<b>Return on equity</b> Net profit after tax / average total equity x 100	0.3%	1.1%	0.1%	266.7%	5a	1000.0%	5b
F7	<b>EBITDA margin</b> Earnings before interest, tax, depreciation and amortisation / total revenue x 100	42.3%	41.5%	36.1%	-1.9%		15.0%	

### Notes:

- 1a/1b The cash interest cover ratio is favourable to both target and the prior year. The result reflects higher cash receipts from service and usage charges and reduced interest payments due to lower than expected capital works payments when compared to both budget and the prior year.
- 2a/2b The gearing ratio is favourable to target and the prior year due to reduced debt levels. The reduction in total debt compared to budget and the prior year is due to improved cash inflows from operating activities and a reduction in payments for capital works. The improved cash inflows are due to the implementation of efficiency and productivity initiatives and the reprioritisation of some projects in the capital works program.
- 3a/3b The internal financing ratio is favourable to target and the prior year. The result reflects improved cash inflows from the implementation of efficiency and productivity initiatives and a reduction in payments for capital works due to the reprioritisation of some projects in the capital works program.
- 4a/4b The current ratio is favourable to target and the prior year due to an increase in current assets and a reduction in current liabilities. The increase in current assets is due to higher cash and cash equivalents and accrued tariff revenue, whilst the decrease in current liabilities is due to lower short term borrowings as a result of favourable operational and investing cash flows.
- 5a The return on assets and return on equity ratios are favourable compared to the prior year. This result is due to increased earnings driven by increased revenue, in particular usage charges and developer and customer contributions.
- 5b The return on equity ratio is favourable compared to target due to an increase in earnings compared to budget. This was driven by increased trade waste revenue and reduced operational expenditure from the implementation of efficiency and productivity initiatives.

# PERFORMANCE REPORT

## Water and Sewerage Service Performance Indicators

KPI No.	Key Performance Indicator	2013/14 Result	2014/15 Result	2014/15 Target	Variance to prior year	Notes	Variance to target	Notes
WS1	<b>Unplanned water supply interruptions</b> No. of customers receiving 5 unplanned interruptions in the year/ total number of water (domestic and non-domestic) customers x 100	0.00%	0.00%	0.00%	0.0%		0.0%	
WS2	<b>Interruption time</b> Average duration of unplanned water supply interruptions	101 minutes	91 minutes	80 minutes	-9.9%	6a	13.8%	6b
WS3	<b>Restoration of unplanned water supply</b> Unplanned water supply interruptions, restored within 5 hours / total unplanned water supply interruptions x 100	99%	95%	98%	-4.0%		-3.1%	
SS1	<b>Containment of sewer spills</b> Sewer spills from reticulation and branch sewers, contained within 5 hours / total sewer spills from reticulation and branch sewers x 100	99%	100%	99%	1.0%		1.0%	
SS2	<b>Sewer spills interruptions</b> No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	92%	100%	99%	8.7%	7a	1.0%	

### Notes:

- 6a Wannon Water continued its proactive maintenance program successfully reducing the average duration of unplanned interruptions compared to the prior year.
- 6b There were four events during 2014/15 that required longer than usual repair times, resulting in Wannon Water not achieving its target for the year. The proactive maintenance program will remain a focus of Wannon Water to continue to reduce interruption times.
- 7a The favourable variance compared to the prior year is attributable to two unique cases which significantly affected the prior year result. There were a similar number of sewer spills to customer properties in 2014/15 as occurred in the prior year; however in all instances services were restored within 5 hours.

## Customer Responsiveness Performance Indicators

KPI No.	Key Performance Indicator	2013/14 Result	2014/15 Result	2014/15 Target	Variance to prior year	Notes	Variance to target	Notes
CR1	<b>Water Quality Complaints</b> No. of complaints per 100 customers for:	0.04	0.04	0.21	0.0%	8a/9a	-81.0%	7b/8b
CR1.1	Colour & Turbidity	0.02	0.01	0.16	-50.0%	8a	-93.8%	7b
CR1.2	Taste & Odour	0.02	0.03	0.05	50.0%	9a	-40.0%	8b
CR2	<b>Sewerage service quality complaints</b> No. of complaints per 100 customers	0.03	0.01	0.08	-66.7%	10a	-87.5%	9b
CR3	<b>Sewage odour complaints</b> No. of complaints per 100 customers	0.01	0.01	0.08	0.0%		-87.5%	10b
CR4	<b>Billing complaints</b> No. of complaints per 100 customers	0.17	0.18	0.40	5.9%	11a	-55.0%	11b

### Notes:

- 8a/7b The number of water quality complaints relating to colour and turbidity is favourable to target and the prior year due to the optimisation of water treatment plants, improved water treatment processes and targeted water flushing programs.
- 8b The number of water quality complaints relating to taste and odour is favourable to target due to the optimisation of water treatment plants, improved water treatment processes and targeted water flushing programs.
- 9a The number of water quality complaints relating to taste and odour is unfavourable to prior year. This is due to an isolated event in November 2014 when there was an increase in taste complaints due to algae blooms in Warrnambool's raw water basins. Additional treatment processes are being investigated to prevent future occurrences of this type of event.
- 10a/9b The number of sewerage service quality complaints is favourable to target and the prior year. This is due to Wannon Water's proactive CCTV sewer inspection program.
- 10b The number of sewerage odour complaints is favourable to target due to Wannon Water's monitoring of venting systems and chemical dosing at sewer pump stations. These proactive measures have minimised odours.
- 11a The number of billing complaints is unfavourable compared to the prior year and can be attributed to a minor increase (six) in payment issue complaints received during 2014/15. Wannon Water will continue to improve communication with customers with a view to decrease billing complaints.
- 11b The number of billing complaints is favourable compared to target. This is attributed to the accuracy of billing, the performance of the customer service team and the reduction in customer tariffs.

# PERFORMANCE REPORT

## Environmental Performance Indicators

KPI No.	Key Performance Indicator	2013/14 Result	2014/15 Result	2014/15 Target	Variance to prior year	Notes	Variance to target	Notes
<b>E1</b>	<b>Effluent re-use volume (end use)</b>							
	Percentage Recycled for each category:	12.1%	20.6%	20.0%	70.2%	12a/13a	3.0%	12b/13b
E1.1	Urban and Industrial	0.6%	1.8%	2.0%	200.0%	12a	-10.0%	12b
E1.2	Agriculture	11.5%	16.3%	16.0%	41.7%	12a	1.9%	
E1.3	Environmental Flows	0.0%	0.0%	0.0%	0.0%		0.0%	
E1.4	Other Uses	0.0%	2.5%	2.0%	100.0%	13a	25.0%	13b
<b>E2</b>	<b>Total net CO2 emissions</b>							
	Net tonnes CO2 equivalent	29,095	31,725	34,444	9.0%	14a	-7.9%	14b

### Notes:

- 12a The percentage of recycled water used for urban and industrial and agricultural use is favourable to the prior year due to dryer weather conditions and therefore increased demand for recycled water. Also contributing to the improved result was the availability of all re-use infrastructure during the year.
- 12b The percentage of recycled water used for urban and industrial use is unfavourable to target. This is due to usage falling below anticipated demand levels despite the dryer weather conditions. Wannon Water will continue to supply recycled water for urban and industrial use as demand requires.
- 13a/13b The percentage of recycled water used for other uses is favourable to target and the prior year. An infrastructure upgrade at the Warmambool Water Reclamation Plant allowed recycled water to be used for processes within the reclamation plant for the first time in 2014/15.
- 14a Total net tonnes CO2 emissions was unfavourable compared to the prior year. To meet increased customer demand for water, higher volumes of raw water were pumped to reservoirs in late 2014. In addition demand for trade waste services increased, increasing energy usage in the treatment process. Wannon Water is continuing to be proactive in energy efficiency projects which are focused on reducing our CO2 emissions.
- 14b Total net tonnes CO2 emissions was favourable compared to target due to the implementation of energy efficiency improvement initiatives and lower than expected energy required to pump water.

# CERTIFICATION

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## Certification of Performance Report for 2014/15

We certify that the accompanying Performance Report of Wannon Region Water Corporation in respect of the 2014/15 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister and as set out in the 2014/15 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

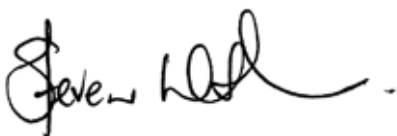
As at the date of signing, we are not aware of any circumstances which would render any particulars in the Performance Report to be misleading or inaccurate.



J A Vogels  
Chairman



A R Jeffers  
Managing Director



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

DATE: This 28th day of August, 2015

# AUDITOR-GENERAL'S REPORT

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The logo for the Victorian Auditor-General's Office (VAGO) features the word "VAGO" in a bold, blue, sans-serif font.

Victorian Auditor-General's Office

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## 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 2015 of the Wannon Region Water Corporation which comprises the performance report, the related notes and the certification of performance report has been audited.

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

The board members of the Wannon Region Water Corporation are responsible for the preparation and fair presentation of the performance report and for such internal control as the board members determine is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

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

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

*Auditing in the Public Interest*

# AUDITOR-GENERAL'S REPORT

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## Independent Auditor's Report (continued)

### *Independence*

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

### *Opinion*

In my opinion, the performance report of the Wannon Region Water Corporation in respect of the 30 June 2015 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

MELBOURNE  
28 August 2015



John Doyle  
Auditor-General

*Auditing in the Public Interest*

# FINANCIAL STATEMENTS

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# COMPREHENSIVE OPERATING STATEMENT

For the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>Revenue</b>	I (c)		
Service charges	3	36,937	35,962
Usage charges	3	33,169	31,680
Government grants and contributions	3	74	107
Interest	3	152	187
Developer and customer contributions	3	1,916	613
Assets received free of charge or for nominal consideration	3	869	1,511
Other income	3	3,669	3,372
<b>Total Revenue</b>		<b>76,786</b>	73,432
<b>Expenses</b>			
Employee benefits	I (d), 4(b)	(17,371)	(17,876)
Depreciation	I (d), 4(b)	(21,915)	(23,010)
Amortisation	I (d), 4(b)	(1,032)	(863)
Supplies and services	I (d), 4(b)	(22,679)	(19,809)
Finance costs	I (d), 4(b)	(4,875)	(5,647)
Net gain / (loss) on disposal of non-current assets	I (d), 4(a)	(1,398)	(1,064)
Environmental contribution	I (d)	(2,557)	(2,557)
<b>Total Expenses</b>		<b>(71,827)</b>	(70,826)
<b>Net result before tax</b>		<b>4,959</b>	2,606
<b>Income tax (expense) / revenue</b>	5(a)	<b>334</b>	(1,158)
<b>Net result for the period</b>		<b>5,293</b>	1,448
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to net result</i>			
Gain on revaluation of property plant and equipment		2,839	-
Income tax relating to gain on revaluation of property, plant and equipment		(852)	-
Net gain on revaluation of property, plant and equipment	I 6	1,987	-
<b>Comprehensive result</b>		<b>7,280</b>	1,448

The above Comprehensive Operating Statement should be read in conjunction with the accompanying notes.

# BALANCE SHEET

As at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	I (e), 6	1,649	260
Receivables	I (e), 7	15,948	16,721
Inventories	I (e), 8	624	634
Prepayments	I (e), 9	825	731
<b>Total current assets</b>		<b>19,046</b>	18,346
<b>Non-current assets</b>			
Receivables	I (e), 7	13,258	13,801
Property, plant and equipment	I (e), 10	548,189	552,845
Intangible assets	I (e), 11	6,628	6,689
<b>Total non-current assets</b>		<b>568,075</b>	573,335
<b>TOTAL ASSETS</b>		<b>587,121</b>	591,681
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	I (f), 12	4,635	5,293
Interest bearing liabilities	I (f), 13	10,486	11,722
Employee benefits	I (f), 14	3,453	3,347
<b>Total current liabilities</b>		<b>18,574</b>	20,362
<b>Non-current liabilities</b>			
Interest bearing liabilities	I (f), 13	56,730	67,216
Employee benefits	I (f), 14	606	690
Net deferred tax liabilities	I (i), 5(d)	38,557	38,039
<b>Total non-current liabilities</b>		<b>95,893</b>	105,945
<b>TOTAL LIABILITIES</b>		<b>114,467</b>	126,307
<b>NET ASSETS</b>		<b>472,654</b>	465,374
<b>Equity</b>			
Contributed capital	I (g), 15	441,165	441,165
Reserves	16	16,224	13,490
Accumulated surplus / (deficit)	17	15,265	10,719
<b>TOTAL EQUITY</b>		<b>472,654</b>	465,374

The above Balance Sheet should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Notes	Contributed Capital \$'000	Reserves \$'000	Accumulated Funds \$'000	Total \$'000
<b>Balance at 1 July 2013</b>		441,165	13,325	9,436	463,926
<b>Total comprehensive income for the period</b>		-	-	1,448	1,448
<b>Transfer from accumulated funds on disposal</b>		-	165	(165)	-
<b>Balance at 30 June 2014</b>		<b>441,165</b>	<b>13,490</b>	<b>10,719</b>	<b>465,374</b>
<b>Total comprehensive income for the period</b>		-	<b>1,987</b>	<b>5,293</b>	<b>7,280</b>
<b>Transfer from accumulated funds on disposal</b>		-	<b>747</b>	<b>(747)</b>	-
<b>Balance at 30 June 2015</b>	15, 16, 17	<b>441,165</b>	<b>16,224</b>	<b>15,265</b>	<b>472,654</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# CASH FLOW STATEMENT

For the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service and usage charges		74,791	70,660
GST received from the ATO		3,325	3,696
Government contributions received		81	107
Capital charges received		2,280	1,601
		<b>80,477</b>	76,064
<b>Payments</b>			
Payments to suppliers and employees		(43,584)	(41,279)
GST paid to the ATO		(99)	(124)
Interest and other costs of finance paid		(4,904)	(5,695)
Environmental contributions		(2,557)	(2,557)
		<b>(51,144)</b>	(49,655)
<b>Net cash inflow from operating activities</b>	22	<b>29,333</b>	26,409
<b>Cash flows from investing activities</b>			
Payments for infrastructure, property, plant and equipment and intangible assets		(16,573)	(20,237)
Proceeds from sale of infrastructure, property, plant and equipment	4(a)	351	447
<b>Net cash (outflow) from investing activities</b>		<b>(16,222)</b>	(19,790)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	1,211
Repayment of borrowings		(11,722)	(11,043)
<b>Net cash inflow / (outflow) from financing activities</b>		<b>(11,722)</b>	(9,832)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,389</b>	(3,213)
Cash and cash equivalents at start of the financial year		260	3,473
<b>Cash and cash equivalents at the end of the financial year</b>	6(a)	<b>1,649</b>	260
Financing arrangements	13		

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note I. Accounting policies

### (a) Basis of Accounting

#### General

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

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

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

The annual financial statements were authorised for issue by the Board on 28 August 2015.

The principal address is:

25 Gateway Rd  
Warmambool VIC 3280

#### Accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Where appropriate, comparative figures have been amended to align with current presentation and disclosure.

#### Functional and presentation currency

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

#### Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over in the next twelve months, being the Corporation's operating cycle. See Note I(f) for a variation in relation to employee benefits.

#### Rounding

Unless otherwise stated, amounts in this report have been rounded to the nearest thousand dollars. Figures in the financial report may not equate due to rounding.

#### Historical cost convention

This financial report has been prepared under the historical cost convention, except for the revaluation of financial assets, certain classes of property, plant and equipment and investment property.

#### Accounting estimates

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

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.

Accounting estimates undertaken in the preparation of this financial report relate to:

- the estimation of useful lives for infrastructure assets
- the impairment of assets
- the estimation of accrued tariffs and charges calculation
- the calculation of provision for impaired receivables
- the calculation of deferred tax assets and deferred tax liabilities
- actuarial assumptions used to determine the Corporation's superannuation defined benefit liability and employee benefit provisions

These assumptions are discussed in Notes I(d) and I(e) and the related carrying amounts are disclosed in Notes 4, 5, 10, 11, 12, 14 and 20.

In 2014-15 the application by the Corporation of an Interpretive Decision (ID 2012/15) issued by the Australian Taxation Office, in relation to the tax accounting treatment of unbilled tariff revenue, has resulted in a permanent tax difference of \$1.9M being recognised in the financial statements via income tax expense and deferred tax liabilities. This treatment has resulted in a change in accounting estimates.

## Note 1. Accounting policies (continued)

### (b) Changes in accounting policies

Subsequent to the 2013-14 reporting period, the following new and revised Standards have been adopted in the current period.

#### **AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value disclosures of Not-for Profit Public Sector Entities**

The Corporation has early adopted AASB 2015-7 in 2014-15. AASB 2015-7 makes amendments to AASB 13 Fair Value Measurement to exempt not-for-profit public sector entities from certain requirements of the Standard.

The impact of adopting AASB 2015-7 is reduced disclosure requirements for assets categorised within Level 3 of the fair value hierarchy. Quantitative information about the significant unobservable inputs used in fair value measurement and descriptive information about the sensitivity of the fair value measurement in unobservable inputs are not required.

There are no financial impacts from adopting this Standard.

#### **AASB 10 Consolidated Financial Statements**

AASB 10 provides a new approach to determine whether an entity has control over another entity and therefore must present consolidated financial statements. The new approach requires the satisfaction of all three criteria for control to exist over an entity for financial reporting purposes:

- (a) The investor has power over the investee;
- (b) The investor has exposure, or rights to variable returns from its involvement with the investee; and
- (c) The investor has the ability to use its power over the investee to affect the amount of investor's returns.

Based on the new criteria prescribed in AASB 10, the Corporation has reviewed the existing arrangements to determine if there are any entities that need to be consolidated into the group. The Corporation has concluded that there are no such entities that meet the control criteria.

#### **AASB 11 Joint Arrangements**

In accordance with AASB 11, there are two types of joint arrangements, i.e. joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportionate consolidation of joint ventures is no longer permitted.

The Corporation has reviewed its existing contractual arrangements with other entities. It has concluded that there is no impact on the financial statements from the change in classification of joint arrangements.

#### **AASB 12 Disclosure of Interests in Other Entities**

AASB 12 Disclosure of Interests in Other Entities prescribes the disclosure requirements for an entity's interests in subsidiaries, associates, joint arrangements and extends to the entity's association with unconsolidated structured entities.

The Corporation has concluded that there is no impact on the financial statements in regards to interests in associates and joint ventures.

### (c) Revenue

#### **Service and usage charges**

Tariff and service charges are recognised as revenue when levied or determined.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 1. Accounting policies (continued)

### (c) Revenue (continued)

#### Interest

Interest income is recognised using the effective interest rate method.

#### Assets received free of charge or for nominal consideration / Developer and customer contributions

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

#### Government grants and contributions

Government grants and contributions are recognised as operating revenue on receipt or when the entity obtains control of the contribution and meets certain other criteria as outlined by AASB 1004 Contributions, whichever is the sooner, and disclosed in the comprehensive operating statement as government grants and contributions. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity - Contributions by owners in accordance with FRD 119A Transfers through Contributed Capital.

#### Other income

Other income includes land lease rentals, general recoveries and interest recoveries on loans, recycled water sales, information statement income and connection and inspection fees. Other income is recognised when the right to receive payment is established.

### (d) Expenses

#### Employee benefits

These expenses include all costs related to employment including wages and salaries, superannuation, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

#### Superannuation

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by Wannon Water to the relevant superannuation plans in respect to the services of Wannon Water's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that Wannon Water is required to comply with.

#### 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 tested for impairment annually as outlined in Note 1(e).

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

Asset Class	Period	Asset Class	Period	Asset Class	Period
Bores	40 years	Mechanical	20 - 25 years	Pumps	15 - 40 years
Buildings	5 - 150 years	Meters	15 - 20 years	Reservoirs	2 - 300 years
Electrical	15 - 25 years	Pipes	2 - 150 years	Service basins	2 - 300 years
Furniture and fittings	5 - 20 years	Plant, equipment		Tanks	40 - 80 years
Lagoons	2 - 300 years	& motor vehicles	2 - 20 years	Towers	50 - 80 years
Manholes	80 years				

#### Supplies and Services

Supplies and services costs are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed. 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 requirements, the cost is capitalised and depreciated.

The Government Water Rebate initiative was introduced in 2014-15 with customers entitled to a \$70 bill reduction in their first quarter bill. This initiative has been disclosed as an efficiency rebate under Supplies and services in Note 4.

## Note 1. Accounting policies (continued)

### (d) Expenses (continued)

#### **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.

#### **Environmental contributions**

The Corporation has a statutory obligation to pay an environmental contribution to the Department of Environment, Land, Water and Planning. This contribution is recognised as an expense during the reporting period as incurred.

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 water supply authorities. The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation. The contribution period has been extended to cover the period 1 July 2012 until 30 June 2016.

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

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

#### **Net gain / (loss) on disposal of non-current assets**

Any gain or loss on the disposal of non-current assets is recognised at the date of disposal and is the difference between the proceeds and the carrying value of the asset at the time.

### (e) Assets

#### **Cash and cash equivalents**

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

#### **Receivables**

Receivables consist of:

- contractual receivables such as debtors in relation to goods and services; and
- statutory receivables such as amounts owing from Goods and Services Tax (GST) input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables

Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment) but are not classified as financial instruments because they do not arise from a contract.

Contractual receivables are recognised initially at fair value and subsequently measured at amortised cost, 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 contractual receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts 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 amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amounts credited to the allowance are recognised as an expense in the comprehensive operating statement.

#### **Inventories**

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

#### **Prepayments**

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



## Note 1. Accounting policies (continued)

### (e) Assets (continued)

#### **Infrastructure, property, plant and equipment**

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

Infrastructure, 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 an estimated useful life of more than two years or are considered to be an attractive item are recognised as an asset. All other assets acquired are expensed.

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

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

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

Revaluations are conducted in accordance with FRD 103F. Scheduled revaluations are 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 fair value. Managements assessment is that depreciated replacement 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.

Water infrastructure assets, at both the entity reporting level and whole of government reporting level, are measured at fair value less accumulated depreciation and impairment in accordance with FRD 103F. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and drainage systems.

The initial fair value assessment for water infrastructure occurred as at 30 June 2011 and was undertaken with involvement from Valuer General of Victoria (VGV), under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructures. Further details of the valuation exercise is provided in Note 10.

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

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

Revaluation decrements are recognised immediately as an expense in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited to the asset 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.

As per the requirements of FRD 103F and under the direction of the Victorian Valuer-General's Office, a managerial revaluation was undertaken on the building asset class as at 30 June 2015. A desktop valuation was performed utilising non-metro regional area indices to revalue the individual carrying amounts of assets within the class. It was determined that there had been a cumulative increment of 12% since the last valuation, resulting in a revaluation amount of \$2.84M being credited directly to equity in the asset revaluation reserve.

##### *Impairment of assets*

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

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

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Where an asset's carrying amount exceeds its recoverable amount, the difference is written off by a charge to the comprehensive operating statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to the class of asset.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 1. Accounting policies (continued)

### (e) Assets (continued)

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.

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

#### *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.

#### *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.

Permanent water entitlements purchased are treated as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109 Intangible Assets), and will not be subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent entitlements are tested annually for impairment. Bulk permanent water entitlements prior to 1 July 2009 are not recorded on the Balance Sheet as an intangible asset, as they cannot be reliably measured.

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

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

### (f) Liabilities

#### **Payables**

Payables consist of:

- contractual payables such as accounts payable. Accounts payable represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid, and arise when the Corporation becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

The contractual payables are unsecured and are usually paid within 30 days of recognition.

#### **Interest bearing liabilities**

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

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

Wannon Water has classified borrowings which mature within 12 months as non-current liabilities on the basis that the entity will and has discretion to refinance or rollover these loans with the Treasury Corporation of Victoria, pursuant to section 8 of the *Borrowings and Investment Powers Act 1987*. Borrowings known as 11am debt are classified as current borrowings.

## Note 1. Accounting policies (continued)

### (f) Liabilities (continued)

#### Provisions

Provisions are recognised when the Corporation has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rates that reflect the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

#### Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

##### *Wages and salaries and annual leave*

Liabilities for wages and salaries including non-monetary benefits like annual leave, are all recognised in the provision for employee benefits as 'current liabilities', because the Corporation does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- undiscounted value - if the Corporation expects to wholly settle within 12 months; or
- present value - if the Corporation does not expect to wholly settle within 12 months

##### *Long service leave (LSL)*

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the Notes to the Financial Statements as a current liability, even where the Corporation does not expect to settle the liability within 12 months because it will 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:

- undiscounted value - if the Corporation expects to wholly settle within 12 months; and
- present value - if the Corporation does not expect to wholly settle within 12 months.

Conditional LSL 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. This non-current LSL liability is measured at present value.

##### *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. On-costs are disclosed separately in Note 14 - Employee benefits.

### (g) Equity

#### Contributed capital

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

#### Asset Revaluation Reserve

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

### (h) Financial instruments

#### Recognition

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

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

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Loans and receivables are recorded at amortised cost less impairment.

#### Impairment of financial assets

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 1. Accounting policies (continued)

### (i) 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.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (j) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 19) at their nominal value and inclusive of the goods and services tax (GST) payable.

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

### (k) Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Corporation and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

### (l) 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. (2014 : \$Nil)

### (m) 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. Accounting policies (continued)

### (n) Fair Value

Consistent with AASB 13 Fair Value Measurement, the Corporation determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment and financial instruments and for non recurring fair value measurements such as assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Corporation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, the Corporation determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer General Victoria (VGV) is the Corporation's independent valuation agency in relation to valuation of property, plant and equipment. The Corporation, in conjunction with VGV, monitors changes in the fair value of property, plant and equipment through relevant data sources to determine whether revaluation is required. This includes the use of certain valuation indices to calculate desktop valuations for certain classes of assets. These indices are:

- Road and Bridge Construction (Victoria) for pipelines, dams, reservoirs and channels;
- Stage of Production – Final Domestic Capital (Australia) index for other built asset classes; and
- Postcode Indexation Factors as provided by the Australian Bureau of Statistics - used for valuation of Land and Buildings.

#### *Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the following assumptions:

- that the transaction to sell the asset or transfer the liability takes place either in the principal market (or the most advantageous market, in the absence of the principal market), either of which must be accessible to the entity at the measurement date; and
- that the entity uses the same valuation assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

#### *Consideration of highest and best use for non-financial physical assets*

Judgements about highest and best use must take into account the characteristics of the assets concerned, including restrictions on the use and disposal of assets arising from the asset's physical nature and any applicable legislative/contractual arrangements.

In accordance with paragraph AASB 13.29, Wannon Water assumes that the current use of a non-financial physical asset is its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

#### *Identifying unobservable inputs (Level 3) fair value measurements*

Level 3 fair value inputs are unobservable valuation inputs for an asset or liability. These inputs require significant judgement and assumptions in deriving fair value for both financial and non financial assets.

Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note I. Accounting policies (continued)

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period. Wannon Water has reviewed all new accounting standards and interpretations that are not yet effective and have identified three standards / interpretations that apply to the Corporation. As at 30 June 2015, the following standards have been issued but were not mandatory for the financial year ending 30 June 2015. 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 Corporation's financial statements
AASB 9 <i>Financial Instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i> ).	1 January 2018	Wannon Water is yet to assess its full impact. However, a preliminary assessment has identified that the financial impact of available for sale assets will now be reported through other comprehensive income and no longer recycled to the profit and loss.  While the preliminary assessment did not identify any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2017 (Exposure Draft 263 – potential deferral to 1 Jan 2018)	Wannon Water is yet to assess its full impact. However the amendment is expected to have a limited impact.
AASB 2015-6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i> (AASB 10, AASB 124 & AASB 1049)	The Amendments extend the scope of AASB 124 <i>Related Party Disclosures</i> to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 January 2016	The amending standard will result in extended disclosures on Wannon Water's responsible persons and executive officers, and the related party transactions. The Corporation will adopt the new standard from its operative date, which means that it will be applied in the annual reporting period ending 30 June 2017.

The following amending standards are effective for the 2014-15 reporting period and are considered to have insignificant impact on public sector reporting.

AASB 2013-1 *Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements*

AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* [AASB 139];

AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities* [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 and AASB 139];

AASB 2013-6 *Amendments to AASB 136 arising from Reduced Disclosure Requirements*;

AASB 2013-7 *Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders* [AASB 1038];

AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* [PART A Conceptual Framework; Part C Financial Instruments];

AASB 2014-1 *Amendments to Australian Accounting Standards* [Part A Annual Improvements; Part B Defined Benefit Plans: Employee Contributions and Part C Materiality];

AASB 2014-2 *Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements* [AASB 1053]

## Note 2: Financial risk management objectives and policies

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

The Corporation's Board has the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. The Corporation uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risks and ageing analysis for credit risk.

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

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

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

### (a) Market risk

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

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

#### (i) Interest rate risk

The Corporation minimises its exposure to interest rate changes on its long term borrowings by holding fixed rate debt. Debt is sourced from Treasury Corporation of Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly. In accordance with Wannon Water's Treasury Management Policy, floating debt is limited to less than 20% of the total borrowing portfolio. This debt is restricted to short term borrowings, which limits the exposure to interest rate risk further.

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

#### (ii) Foreign exchange risk

The Corporation has limited exposure to changes in the foreign exchange rate. Borrowings are not conducted in foreign currencies.

Wannon Water transacts in foreign currencies only in rare instances and for small dollar value transactions, therefore the associated risk is minimal. In managing foreign currency risk, Wannon Water generally uses forward exchange contracts to hedge its foreign currency risk in respect of purchases.

#### (iii) Other price risk

The Corporation has no significant exposure to other price risk.

### Market risk sensitivity analysis

#### Cash flow sensitivity analysis for variable rate instruments

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

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

	Carrying amount \$'000	INTEREST RATE RISK			
		-1%		+1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000

30 June 2015					
Financial assets					
Cash and cash equivalents	1,649	(19)	(19)	19	19
Receivables <sup>1</sup>	19,301	-	-	-	-
Financial liabilities					
Payables <sup>1</sup>	4,315	-	-	-	-
Interest bearing liabilities	67,216	5	5	(5)	(5)
Total increase / (decrease)		(14)	(14)	14	14
30 June 2014					
Financial assets					
Cash and cash equivalents	260	(29)	(29)	29	29
Receivables <sup>1</sup>	20,918	-	-	-	-
Financial liabilities					
Payables <sup>1</sup>	4,500	-	-	-	-
Interest bearing liabilities	78,938	1	1	(1)	(1)
Total increase / (decrease)		(28)	(28)	28	28

Note 1 – The amount disclosed in receivables and payables excludes accrued revenue and expenses and statutory amounts.

### (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.

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 and 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 in Note 18.

### (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 difference between the carrying amount and the fair value is \$296,321.



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 3. Revenue disclosures

	2015 \$'000	2014 \$'000
<b>Service charges</b>		
Water	10,070	9,910
Sewer	26,867	26,052
<b>Total service charges</b>	<b>36,937</b>	<b>35,962</b>
<b>Usage charges</b>		
Water	24,262	23,774
Trade waste	8,907	7,906
<b>Total usage charges</b>	<b>33,169</b>	<b>31,680</b>
<b>Government grants and contributions</b>		
Government contributions	74	107
<b>Total government grants and contributions</b>	<b>74</b>	<b>107</b>
<b>Interest</b>		
Interest on bank deposits	21	15
Income from investments	42	88
Other	89	84
<b>Total interest</b>	<b>152</b>	<b>187</b>
<b>Developer and customer contributions</b>		
Fees paid by developers and customers	1,916	613
<b>Total developer and customer contributions</b>	<b>1,916</b>	<b>613</b>
<b>Assets received free of charge or for nominal consideration</b>		
Assets received free of charge from developers	869	1,511
<b>Total assets received free of charge or for nominal consideration</b>	<b>869</b>	<b>1,511</b>
<b>Other income</b>		
Rental	335	324
Cost recoveries	1,658	1,548
Information statements	213	197
Connection and inspection fees	276	226
Recycled water sales	438	319
Miscellaneous	749	758
<b>Total other revenue</b>	<b>3,669</b>	<b>3,372</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 4. Expense disclosures

### (a) Net gain / (loss) on disposal of non-current assets

#### Cost of assets disposed

Infrastructure	(1,219)	(1,030)
Buildings	-	(20)
Office equipment	(184)	(23)
Motor vehicles	(346)	(438)

#### Total written down value of assets disposed

(1,749)	(1,511)
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#### Proceeds of assets disposed

Motor vehicle trade ins	350	443
Other asset sales	1	4

#### Total proceeds of asset disposed

351	447
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#### Net gain / (loss) on disposal of non current assets

(1,398)	(1,064)
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### (b) Expenses

#### Employee benefits

Salaries and wages	(14,375)	(14,813)
Annual leave	(1,130)	(1,151)
Long service leave	(430)	(509)
Employer superannuation contributions	(1,267)	(1,240)
Defined benefit superannuation expense	(169)	(163)

#### Total employee benefits expense

(17,371)	(17,876)
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#### Depreciation

Land improvements	(14)	(13)
Buildings	(522)	(509)
Infrastructure	(18,932)	(19,832)
Other equipment	(2,447)	(2,656)

#### Total depreciation

(21,915)	(23,010)
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#### Amortisation

Intangible assets - computer software	(1,032)	(863)
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#### Total amortisation

(1,032)	(863)
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#### Supplies and services

Chemicals	(765)	(736)
Consultancies and contractors	(8,984)	(8,358)
Electricity	(3,467)	(3,280)
Goods and Equipment	(941)	(903)
Licences	(1,554)	(1,569)
Efficiency rebate	(2,420)	-
Other goods and services	(4,548)	(4,963)

#### Total supplies and services

(22,679)	(19,809)
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#### Borrowing costs

Interest on loans - TCV	(4,107)	(4,806)
Financial accommodation levy	(768)	(841)

#### Total borrowing costs

(4,875)	(5,647)
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# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## 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:

	2015 \$'000	2014 \$'000
Net result before income tax expense	4,959	2,606
Income tax calculated @ 30% (2014: 30%)	1,487	782
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Depreciating Assets	80	(107)
Non-deductible expenses	8	9
Non-Assessable Accrued Revenue (refer Note 1(a))	(1,909)	-
Prior year adjustment	-	474
<b>Income tax as reported in the comprehensive operating statement</b>	<b>(334)</b>	<b>1,158</b>

### (b) Deferred tax assets

The balance comprises temporary differences attributable to:  
Amounts recognised in the comprehensive operating statement  
Prior and current tax losses  
Provisions and accrued expenditure not deductible

	40,056	40,718
	1,349	1,501
	41,405	42,219
Movement		
Opening balance 1 July	42,219	42,107
Annual movement	(814)	112
<b>Closing balance 30 June</b>	<b>41,405</b>	<b>42,219</b>

### (c) Deferred tax liabilities

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

	(79,958)	(77,484)
	(4)	(2,774)
	(79,962)	(80,258)
Movement		
Opening balance 1 July	(80,258)	(78,986)
Annual movement	296	(1,272)
<b>Closing balance 30 June</b>	<b>(79,962)</b>	<b>(80,258)</b>

### (d) Net deferred tax liabilities

Deferred tax assets	41,405	42,219
Deferred tax liabilities	(79,962)	(80,258)
<b>Net deferred tax liabilities</b>	<b>(38,557)</b>	<b>(38,039)</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 6. Cash and cash equivalents

	2015 \$'000	2014 \$'000
Cash on hand	2	2
Cash at bank	741	258
Deposits at call	906	-
	<b>1,649</b>	<b>260</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	1,649	260
<b>Balances as per cash flow statement</b>	<b>1,649</b>	<b>260</b>
<b>(b) Deposits at call</b>		
The deposit is bearing a floating interest rate at 30 June 2015 of 1.95% (2014: n/a)	906	-

## Note 7. Receivables

### Current

#### Contractual

Tariffs and charges	3,305	4,109
Accrued tariffs and charges	9,554	9,242
Less: Provision for impaired receivables	(72)	(50)
Schemes	61	69
Other receivables	2,749	2,989

15,597

16,359

#### Statutory

GST receivable	351	362
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351

362

#### Total current receivables

15,948

16,721

### Non-current

#### Contractual

Schemes	680	157
Other receivables	12,578	13,644

13,258

13,801

#### Total non-current receivables

29,206

30,522

#### Total receivables

### (a) Provision for impaired receivables

As at 30 June 2015, current receivables of the Corporation with a nominal value of \$72,448 (2014: \$49,618) were impaired. The amount of the provision is \$72,448 (2014: \$49,618). 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	5	6
3 to 6 months	13	17
Over 6 months	54	27
	<b>72</b>	<b>50</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 7. Receivables (continued)

Movements in the provision for impaired receivables are as follows:

As at 1 July  
Provision for impairment recognised during the year  
Receivables written off during the year as uncollectible

2015 \$'000	2014 \$'000
50	55
47	35
(25)	(40)
<b>72</b>	<b>50</b>

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

### (b) Past due but not impaired trade receivables

As of 30 June 2015, trade receivables of \$1,685,475 (2014: \$2,206,998) 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  
3 to 6 months  
Over 6 months

717	1,034
458	575
510	598
<b>1,685</b>	<b>2,207</b>

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

624	634
<b>624</b>	<b>624</b>

### Total inventories

## Note 9. Prepayments

### Current

Prepaid expenses

825	731
<b>825</b>	<b>731</b>

### Total prepayments

**30 June 2015**

**(a) Classes of property, plant and equipment**

Freehold - at fair value  
Crown - at fair value  
Land improvements - at fair value  
Less accumulated depreciation

At fair value  
Less accumulated depreciation

At fair value  
Less accumulated depreciation

At fair value

Less accumulated depreciation

At fair value

Less accumulated depreciation

**Total property plant and equipment**

<b>2015</b>	2014
<b>\$'000</b>	<b>\$'000</b>
<b>27,809</b>	26,624
<b>146</b>	146
<b>530</b>	530
<b>(62)</b>	(48)
<b>28,423</b>	27,252
<b>26,499</b>	32,475
<b>-</b>	(9,211)
<b>26,499</b>	23,264
<b>580,321</b>	577,021
<b>(304,167)</b>	(295,069)
<b>276,154</b>	281,952
<b>396,626</b>	387,544
<b>(196,165)</b>	(190,796)
<b>200,461</b>	196,748
<b>20,039</b>	20,826
<b>(11,008)</b>	(11,146)
<b>9,031</b>	9,680
<b>7,621</b>	13,949
<b>548,189</b>	552,845

Buildings were 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 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 Victoria (using AECOM). The valuation methodology used was depreciated replacement costs using a Greenfields approach for assessing costs and only included assets that were constructed before 1 July 2010. Cost models were built based on actual construction information complimented by a variety of information sources including capacity, height, material type, length and depth that could be applied broadly across the range of assets in each category.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 10. Property, plant and equipment (continued)

### (b) Movements during the reporting period

2014-15	Land \$'000	Buildings \$'000	Infrastructure \$'000	Plant & Equipment \$'000	In the course of construction \$'000	Total \$'000
<b>Opening WDV at 1 July 2014</b>	<b>27,252</b>	<b>23,264</b>	<b>478,700</b>	<b>9,680</b>	<b>13,949</b>	<b>552,845</b>
<b>Additions</b>	<b>1,185</b>	<b>823</b>	<b>8,077</b>	<b>1,234</b>	<b>4,697</b>	<b>16,016</b>
Developer contributed assets	-	-	869	-	-	869
Revaluations	-	2,839	-	-	-	2,839
Disposals	-	-	(1,220)	(511)	(290)	(2,021)
Transfers between categories	-	95	9,121	1,075	(10,735)	(444)
Depreciation expense	(14)	(522)	(18,932)	(2,447)	-	(21,915)
<b>Closing WDV at 30 June 2015</b>	<b>28,423</b>	<b>26,499</b>	<b>476,615</b>	<b>9,031</b>	<b>7,621</b>	<b>548,189</b>

2013-14	Land \$'000	Buildings \$'000	Infrastructure \$'000	Plant & Equipment \$'000	In the course of construction \$'000	Total \$'000
Opening WDV at 1 July 2013	27,265	22,381	468,845	9,027	30,088	557,606
Additions	-	1,413	7,970	3,674	5,213	18,270
Developer contributed assets	-	-	1,511	-	-	1,511
Disposals	-	(21)	(1,030)	(460)	-	(1,511)
Transfers between categories	-	-	21,236	95	(21,352)	(21)
Depreciation expense	(13)	(509)	(19,832)	(2,656)	-	(23,010)
Closing WDV at 30 June 2014	27,252	23,264	478,700	9,680	13,949	552,845

### Fair value measurement hierarchy for assets as at 30 June 2015

	Carrying amount at 30-Jun-15 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land and land improvements at fair value				
Specialised land	28,423	-	-	28,423
<b>Total of land and land improvements at fair value</b>	<b>28,423</b>	<b>-</b>	<b>-</b>	<b>28,423</b>
Buildings at fair value				
Specialised buildings	26,499	-	-	26,499
<b>Total of buildings at fair value</b>	<b>26,499</b>	<b>-</b>	<b>-</b>	<b>26,499</b>
Water infrastructure at fair value				
Water reticulation & distribution	209,001	-	-	209,001
Water treatment plants	28,475	-	-	28,475
Water reservoirs & service basins	38,678	-	-	38,678
<b>Total of water infrastructure at fair value</b>	<b>276,154</b>	<b>-</b>	<b>-</b>	<b>276,154</b>
Sewer infrastructure at fair value				
Sewer reticulation	131,339	-	-	131,339
Sewer treatment plants	69,122	-	-	69,122
<b>Total of sewer infrastructure at fair value</b>	<b>200,461</b>	<b>-</b>	<b>-</b>	<b>200,461</b>
Plant, equipment and vehicles at fair value				
Vehicles	3,056	-	-	3,056
Plant and equipment	5,975	-	-	5,975
<b>Total of plant, equipment and vehicles at fair value</b>	<b>9,031</b>	<b>-</b>	<b>-</b>	<b>9,031</b>

Classified in accordance with the fair value hierarchy. See Note 1(n).

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 10. Property, plant and equipment (continued)

### Fair value measurement hierarchy for assets as at 30 June 2014

	Carrying amount at 30-Jun-14 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land and land improvements at fair value				
Specialised land	27,252	-	-	27,252
<b>Total of land and land improvements at fair value</b>	<b>27,252</b>	<b>-</b>	<b>-</b>	<b>27,252</b>
Buildings at fair value				
Specialised buildings	23,264	-	-	23,264
<b>Total of buildings at fair value</b>	<b>23,264</b>	<b>-</b>	<b>-</b>	<b>23,264</b>
Water infrastructure at fair value				
Water reticulation & distribution	211,460	-	-	211,460
Water treatment plants	30,419	-	-	30,419
Water reservoirs & service basins	40,073	-	-	40,073
<b>Total of water infrastructure at fair value</b>	<b>281,952</b>	<b>-</b>	<b>-</b>	<b>281,952</b>
Sewer infrastructure at fair value				
Sewer reticulation	127,231	-	-	127,231
Sewer treatment plants	69,517	-	-	69,517
<b>Total of sewer infrastructure at fair value</b>	<b>196,748</b>	<b>-</b>	<b>-</b>	<b>196,748</b>
Plant, equipment and vehicles at fair value				
Vehicles	3,158	-	-	3,158
Plant and equipment	6,522	-	-	6,522
<b>Total of plant, equipment and vehicles at fair value</b>	<b>9,680</b>	<b>-</b>	<b>-</b>	<b>9,680</b>

Classified in accordance with the fair value hierarchy. See Note 1(n).



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 10. Property, plant and equipment (continued)

### Specialised land and buildings

The market approach is used for the valuation of specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO's are considered as significant unobservable inputs, specialised land is classified as Level 3 fair value measurements.

For specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered significant unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements. An independent valuation of the Corporations' specialised land and specialised buildings was performed by the Valuer-General Victoria (using Egan National Valuers Pty. Ltd.). The valuation was undertaken using the market approach adjusted for the CSO. The effective date of the valuation is 30 June 2011. A managerial revaluation was performed by management at 30 June 2015 for the building class of assets.

### Water and sewer infrastructure

Water and sewer infrastructure are valued using the depreciated replacement cost method. This cost represents the replacement cost of the infrastructure/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as underground assets or structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the infrastructure. As these assumptions are considered significant unobservable inputs, water and sewer infrastructure are classified as level 3 fair value measurements.

An independent valuation of the Corporation's water and sewer infrastructure was performed by the Valuer-General Victoria (using AECOM Australia Pty. Ltd.). The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2011. Fair value was assessed by management at 30 June 2015.

### Vehicles

Vehicles are valued using the depreciated replacement cost method. The Corporation acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by an experienced fleet manager in the Corporation. Management sets relevant depreciation rates to reflect the utilisation of the vehicles. As this assumption is considered a significant unobservable input, vehicles are classified as a level 3 fair value measurement.

### Plant and Equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method. As this assumption is considered a significant unobservable input, plant and equipment is classified as a level 3 fair value measurement.

There were no changes in valuation techniques throughout the period ending 30 June 2015.

For all assets measured at fair value, the current use is considered the highest and best use.

### Reconciliation of level 3 fair value

2015	Specialised land & improvements \$000	Specialised buildings \$000	Water infrastructure \$000	Sewer infrastructure \$000	Plant & equipment \$000	Vehicles \$000
<b>Opening balance</b>	<b>27,252</b>	<b>23,264</b>	<b>281,952</b>	<b>196,748</b>	<b>6,522</b>	<b>3,158</b>
Additions / purchases	1,185	918	6,634	11,433	1,538	771
Transfers in (out) of Level 3	-	-	-	-	-	-
Disposals	-	-	(759)	(461)	(209)	(302)
Depreciation	(14)	(522)	(11,673)	(7,259)	(1,876)	(571)
Impairment loss	-	-	-	-	-	-
<b>Subtotal</b>	<b>1,171</b>	<b>396</b>	<b>(5,798)</b>	<b>3,713</b>	<b>(547)</b>	<b>(102)</b>
Revaluation	-	2,839	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>2,839</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance</b>	<b>28,423</b>	<b>26,499</b>	<b>276,154</b>	<b>200,461</b>	<b>5,975</b>	<b>3,056</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 10. Property, plant and equipment (continued)

### Reconciliation of level 3 fair value

2014	Specialised land & improvements \$000	Specialised buildings \$000	Water infrastructure \$000	Sewer infrastructure \$000	Plant & equipment \$000	Vehicles \$000
<b>Opening balance</b>	<b>27,265</b>	<b>22,381</b>	<b>287,747</b>	<b>181,098</b>	<b>5,848</b>	<b>3,179</b>
Additions / purchases	-	1,413	7,590	23,127	2,734	1,035
Transfers in (out) of Level 3	-	-	-	-	-	-
Disposals	-	(21)	(704)	(315)	(23)	(437)
Depreciation	(13)	(509)	(12,681)	(7,162)	(2,037)	(619)
Impairment loss	-	-	-	-	-	-
<b>Subtotal</b>	<b>(13)</b>	<b>883</b>	<b>(5,795)</b>	<b>15,650</b>	<b>674</b>	<b>(21)</b>
Revaluation	-	-	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance</b>	<b>27,252</b>	<b>23,264</b>	<b>281,952</b>	<b>196,748</b>	<b>6,522</b>	<b>3,158</b>

### Description of significant unobservable inputs to Level 3 valuations

Asset class	Valuation techniques	Significant unobservable inputs
<b>Specialised land and improvements</b>	Market approach	Community Service Obligation (CSO) adjustment Land value range
<b>Specialised buildings</b>	Depreciated replacement cost	Cost per building Useful life of specialised buildings
<b>Water infrastructure - Water reticulation &amp; distribution</b>	Depreciated replacement cost	Cost per metre Useful life of the infrastructure
<b>Water infrastructure - Water treatment plants</b>	Depreciated replacement cost	Cost per treatment plant Useful life of the infrastructure
<b>Water infrastructure - Water reservoirs &amp; service basins</b>	Depreciated replacement cost	Cost per unit Useful life of the infrastructure
<b>Sewer infrastructure - Sewer reticulation</b>	Depreciated replacement cost	Cost per metre Useful life of the infrastructure
<b>Sewer infrastructure - Sewer treatment plants</b>	Depreciated replacement cost	Cost per treatment plant Useful life of the infrastructure
<b>Plant and Equipment</b>	Depreciated replacement cost	Cost per unit Useful life of plant and equipment
<b>Vehicles</b>	Depreciated replacement cost	Cost per unit Useful life of vehicles

The above table reflects valuation techniques and significant unobservable inputs which were consistent to these disclosed in 2013-2014.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 11. Intangible assets

### (a) Classes of intangibles

Computer software at cost  
Less: Accumulated amortisation

Bulk water entitlement - at cost

### Total intangibles

### (b) Movements during the reporting period

2014-15

Opening WDV at 1 July 2014

Additions

Disposals

Transfers between categories

Amortisation expense

Closing WDV at 30 June 2015

2013-14

Opening WDV at 1 July 2013

Additions

Transfers between categories

Amortisation expense

Closing WDV as at 30 June 2014

2015 \$'000	2014 \$'000
6,297 (4,419)	5,408 (3,469)
1,878	1,939
4,750	4,750
6,628	6,689

Software \$'000	Bulk Water Entitlement \$'000	Total \$'000
1,939	4,750	6,689
545	-	545
(18)	-	(18)
444	-	444
(1,032)	-	(1,032)
1,878	4,750	6,628

Software \$'000	Bulk Water Entitlement \$'000	Total \$'000
2,066	4,750	6,816
715	-	715
21	-	21
(863)	-	(863)
1,939	4,750	6,689

## Note 12. Payables

### Current

#### Contractual

Trade creditors

Accrued loan interest

Contract deposits

Income received in advance

#### Statutory

Employment costs

### Total current payables

### Sensitivity analysis

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

2015 \$'000	2014 \$'000
4,079	3,988
10	13
236	313
-	199
310	780
4,635	5,293

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 13. Interest bearing liabilities

### Current Secured

TCV loans

### Total current interest bearing liabilities

### Non-current Secured

TCV loans

### Total non-current interest bearing liabilities

### 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

### Total facilities

Unused at balance date

Bank overdraft

### Total unused at balance date

### Risk exposures

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

6 months or less

6 - 12 months

1 - 5 years

Over 5 years

Current borrowings

Non-current borrowings

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

	2015 \$'000	2014 \$'000
TCV loans	10,486	11,722
<b>Total current interest bearing liabilities</b>	<b>10,486</b>	<b>11,722</b>
TCV loans	56,730	67,216
<b>Total non-current interest bearing liabilities</b>	<b>56,730</b>	<b>67,216</b>
<b>Security over borrowings</b>		
Borrowings are secured over the future tariff revenue of Wannon Region Water Corporation.		
<b>Financing arrangements</b>		
Unrestricted access was available at the reporting date to the following lines of credit:		
<b>Credit standby arrangements</b>		
Total facilities		
Bank overdraft	-	250
<b>Total facilities</b>	<b>-</b>	<b>250</b>
Unused at balance date		
Bank overdraft	-	250
<b>Total unused at balance date</b>	<b>-</b>	<b>250</b>
<b>Risk exposures</b>		
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	5,000	6,269
6 - 12 months	5,000	5,000
1 - 5 years	34,127	35,000
Over 5 years	23,089	32,669
	<b>67,216</b>	<b>78,938</b>
Current borrowings	10,486	11,722
Non-current borrowings	56,730	67,216
	<b>67,216</b>	<b>78,938</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 14. Employee benefits

### Current

Annual Leave

Annual leave - unconditional and expected to settle within 12 months

Long Service Leave

Long service leave - unconditional and expected to settle within 12 months - measured at nominal value

Long service leave - unconditional and expected to settle after 12 months - measured at present value

On-Costs

Unconditional and expected to settle within 12 months - measured at nominal value

Unconditional and expected to settle after 12 months - measured at present value

Other Leave

Other leave - unconditional and expected to settle within 12 months

### Total current

### Non-current

Long service leave - conditional - measured at present value

Long service leave on costs - conditional - measured at present value

### Total non-current

### Aggregate carrying amount of employee benefits

Current

Non-current

### Total employee benefits

### Employee numbers

Employee numbers at end of financial year

As explained in Note 1(f), some amounts for long service leave are measured at their present values.

The following assumptions were adopted in measuring present value of long service leave entitlements:

Weighted average increase in employee costs

Weighted average discount rates

Weighted average settlement period (years from 30 June)

2015 \$'000	2014 \$'000
962	862
361	287
1,711	1,609
63	215
297	311
59	63
3,453	3,347
516	578
90	112
606	690
3,453	3,347
606	690
4,059	4,037
2015 No.	2014 No.
198	213
4.44%	4.44%
3.03%	3.57%
5.87	6.20

## Note 15. Contributed capital

Opening balance at 1 July

Closing balance at 30 June

2015 \$'000	2014 \$'000
441,165	441,165
441,165	441,165

## Note 16. Reserves

Asset revaluation reserve surplus / (deficit)

Movements in reserves

Infrastructure revaluation reserve surplus / (deficit)

Balance 1 July

Transfer from / (to) accumulated funds on disposal of re-valued assets

Revaluation increment / (decrement) on non-current assets

Balance 30 June

16,224	13,490
13,490	13,325
747	165
1,987	-
16,224	13,490

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 17. Accumulated funds

Opening balance at 1 July

Net result for the period

Transfer from / (to) asset revaluation reserve

Closing balance at 30 June

10,719	9,436
5,293 (747)	1,448 (165)
15,265	10,719

## Note 18. Financial instruments

### (a) Interest rate risk exposure

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

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

	Weighted average effective interest rate %	Floating interest rate \$'000	1 year or less \$'000	1 - 2 years \$'000	2 - 3 years \$'000	3 - 4 years \$'000	4 + years \$'000	Non interest bearing \$'000	Total \$'000
<b>2015</b>									
<b>Financial assets:</b>									
- Cash and Cash Equivalents	1.97	1,648	-	-	-	-	-	1	1,649
- Receivables <sup>1</sup>	7.60	-	5,791	1,219	1,320	1,429	9,164	378	19,301
<b>Total</b>		<b>1,648</b>	<b>5,791</b>	<b>1,219</b>	<b>1,320</b>	<b>1,429</b>	<b>9,164</b>	<b>379</b>	<b>20,950</b>
<b>Financial liabilities:</b>									
- Payables <sup>1</sup>	0.00	-	-	-	-	-	-	4,315	4,315
- Interest bearing liabilities	5.44	-	10,000	10,000	10,000	5,000	32,216	-	67,216
<b>Total</b>		<b>-</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>5,000</b>	<b>32,216</b>	<b>4,315</b>	<b>71,531</b>
<b>2014</b>									
<b>Financial assets:</b>									
- Cash and Cash Equivalents	2.48	258	-	-	-	-	-	2	260
- Receivables <sup>1</sup>	7.84	-	6,499	1,076	1,169	1,269	10,150	755	20,918
<b>Total</b>		<b>258</b>	<b>6,499</b>	<b>1,076</b>	<b>1,169</b>	<b>1,269</b>	<b>10,150</b>	<b>757</b>	<b>21,178</b>
<b>Financial liabilities:</b>									
- Payables <sup>1</sup>	-	-	-	-	-	-	-	4,500	4,500
- Interest bearing liabilities	5.46	1,211	10,059	10,000	10,000	10,000	37,668	-	78,938
<b>Total</b>		<b>1,211</b>	<b>10,059</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>37,668</b>	<b>4,500</b>	<b>83,438</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 19. Commitments

The following commitments are inclusive of GST where applicable.

### Capital commitments

At 30 June 2015, the Corporation had capital commitments for the acquisition and/or construction of plant and equipment not recognised as liabilities payable, to be paid as follows:

Within one year

One to five years

### Total capital commitments

### Operating commitments

At 30 June 2015, the Corporation had operating commitments for the provision of contract and consultancy services to meet the Corporation's operations not recognised as liabilities payable to be paid as follows:

Within one year

One to five years

### Total operating commitments

### Environmental contribution commitments

At 30 June 2015, the Corporation had environmental contribution commitments not recognised as liabilities payable, to be paid as follows:

Within one year

One to five years

### Total environmental contribution commitments

### Total commitments for expenditure

2015 \$'000	2014 \$'000
5,307	3,984
-	-
5,307	3,984
2,884	2,407
1,043	764
3,927	3,171
2,557	2,557
-	2,557
2,557	5,114
11,791	12,269

## Note 20. Superannuation

### Post-employment benefit

Wannon Water makes employer superannuation contributions in respect of most of its employees to the Local Authorities Superannuation Fund (the Fund). Obligations for contributions are recognised as an expense in Comprehensive Operating Statement when they are made or due. The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Wannon Water and Wannon Water's legal or constructive obligation is limited to these contributions.

### Accumulation

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 (for the year ended 30 June 2015, this was 9.5% required under Superannuation Guarantee Legislation (for 2013/14, this was 9.25%)). Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements. 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.

The Superannuation Guarantee contribution rate is legislated to progressively increase to 12% by 2025. The Superannuation Guarantee rate will remain at 9.5% for 7 years, increasing to 10% from 1 July 2021, and eventually to 12% from 1 July 2025.

## Note 20. Superannuation (continued)

### Defined benefit plan

As provided under Paragraph 34 of AASB 119, Wannon Water does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Wannon Water in the Fund cannot be measured as a percentage compared with other participating employers. While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the employers for the purposes of AASB 119 because of the pooled nature of the Fund's defined benefit category.

### Funding arrangements

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. The Fund's latest actuarial investigation was held as at 30 June 2014 and it was determined that the Vested Benefit Indexed (VBI) of the defined benefit category of which Wannon Water is a contributing employer was 103.4%.

The Australian Prudential Regulation Authority (APRA) has introduced a prudential standard (SPS 160 - Defined Benefit Matters) to determine the funding requirements of a defined benefit (DB) arrangement. Under this standard:

- the VBI is the measure to determine whether there is an unfunded liability; and
- any unfunded liability that arises must be paid within three years.

Under SPS 160, the VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the actuarial investigation determined the defined benefit category was in a satisfactory financial position under SPS 160. As a result, the Fund Actuary determined that no change was necessary to the defined benefit category's funding arrangements from prior years.

The Fund's employer funding arrangements comprise of three components (which are detailed below) being:

1. Regular contributions - which are ongoing contributions needed to fund the balance of benefits for current members and pensioners;
2. Funding calls - which are contributions in respect of each participating employers share of any funding shortfalls that arise; and
3. Retrenchment increments - which are additional contributions to cover the increase in liability arising from retrenchments.

Wannon Water is also required to make additional contributions to cover the contribution tax payable on components 2 and 3 referred to above. Employees are also required to make member contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the Trust Deed, as they accrue.

### Employer Contributions

#### Regular contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 30 June 2014, Wannon Water makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee, on the advice of the Fund's Actuary. For the year ended 30 June 2015, this rate was 9.5% of members' salaries. This rate increased from 9.25% for year ended 30 June 2014 and will increase in line with the required Superannuation Guarantee contribution rate.

In addition, Wannon Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the vested benefit index (VBI) multiplied by the benefit).

#### Funding Calls

The Fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund is required to target full funding of its vested benefits. There may be circumstances where:

- a fund is in an unsatisfactory financial position at an actuarial investigation (i.e. its VBI is less than 100% at the date of the actuarial investigation); or
- a fund's VBI is below its shortfall limit at any time other than at the date of the actuarial investigations.

If either of the above occur, the fund has a shortfall for the purposes of SPS 160 and the fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. There may be circumstances where the Australian Prudential Regulation Authority (APRA) may approve a period longer than three years.

The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Wannon Water) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's defined benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 20. Superannuation (continued)

The pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund are based on:

- the service periods of all active members split between the active members pre- 1 July 1993 and post- 30 June 1993 service period; and
- the pensioner (including any potential pensioner liabilities arising from deferred members) liabilities which are allocated to the pre- 1993 period.

The pre-1 July 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at 30 June 1993.

The post-30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

### *Differences between calculations*

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions), for the calculation of accrued benefits as required in AAS 25 and for the values needed for the AASB 119 disclosure in Wannon Water'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 the measurement date, with no allowance for future benefits that may accrue.

### **Retrenchment increments**

During 2014-15, Wannon Water was not required to make payments to the Fund in respect of retrenchment increments (\$Nil in 2013/14). Wannon Water's liability to the Fund as at 30 June 2015, for retrenchment increments, accrued interest and tax is \$Nil (\$Nil in 2013/14).

### **Latest actuarial investigation surplus amounts**

The Fund's latest actuarial investigation as at 30 June 2014 identified the following in the defined benefit category of which Wannon Water is a contributing employer:

- A VBI surplus of \$77.1 million; and
- A total service liability surplus of \$236 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2014.

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

Wannon Water was notified of the results of the actuarial investigation during January 2015.

### **Prior actuarial investigation shortfall amounts**

The Fund's prior actuarial investigation as at 31 December 2011 identified an unfunded liability of \$406 million (excluding contributions tax) in the defined benefit category. A total of \$Nil (excluding contributions tax) was outstanding as at 30 June 2015 (\$Nil for 2013/14). Wannon Water was informed of its share of the shortfall on 2 August 2012 and Wannon Water's share of the shortfall amounted to \$1.458 million (excluding contributions tax) which has been accounted for in the 2011/12 Comprehensive Operating Statement with Employee Benefits and in the Balance Sheet in Current Liabilities Provisions.

Wannon Water has \$Nil amount owing as at 30 June 2015 (\$Nil for 2013/14)

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

## Note 20. Superannuation (continued)

### Accrued benefits

The Fund's liability for accrued benefits was determined in the 31 December 2014 actuarial investigation pursuant to the requirements of Australian Accounting Standard Board AAS25 - Financial Reporting by Superannuation Funds follows:

	31 December 2014 \$million
Net Market Value of Assets	2,354.9
Accrued Benefits (per accounting standards)	2,061.9
Difference between Assets and Accrued Benefits	293.0
Vested Benefits (Minimum sum which must be paid to members when they leave the Fund)	2,277.8

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

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

The next full actuarial investigation of the Fund's liability for accrued benefits will be based on the Fund's position as at 30 June 2017.

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.

Contributions by Wannon Water (excluding any unfunded liability payments) to superannuation funds for the financial year ended 30 June 2015 are detailed below:

Fund	2015 \$'000	2014 \$'000
State Superannuation Fund - Defined benefits	46	50
Vision Super - Defined benefits	123	112
Vision Super - Accumulation Plan	1,102	1,126
Other	155	111
<b>Total contributions</b>	<b>1,426</b>	<b>1,399</b>

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

The expected contributions to be paid to the defined benefit category for the year ending 30 June 2016 is \$173,000.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

## Note 21. Responsible persons and executive officer disclosures

### (a) Responsible persons

The persons who held the positions of ministers and accountable officers in the Corporation are as follows:

The Hon. Peter Walsh MP, Minister for Water (1 July 2014 to 3 December 2014)

The Hon. Lisa Neville, Minister for Environment, Climate Change and Water (4 December 2014 to 30 June 2015)

#### Board

Chairperson	Mr John Vogels	1 July 2014 - 30 June 2015
Deputy Chairperson	Mr Rob Wallis	1 July 2014 - 30 June 2015
Director	Mr Rod Coutts	1 July 2014 - 30 June 2015
Director	Ms Kate Fraser	1 July 2014 - 30 June 2015
Director	Mr Frank Zeigler	1 July 2014 - 30 June 2015
Director	Ms Georgina Gubbins	1 July 2014 - 30 June 2015
Director	Mr Russell Worland	1 July 2014 - 30 June 2015
Managing Director / Accountable Officer	Mr Grant Green	1 July 2014 - 30 June 2015

#### Remuneration of responsible persons

Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet.

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

Income band	2015 No.	2014 No.
\$20,000 - \$29,999	6	6
\$40,000 - \$49,999	1	1
\$300,000 - \$309,999	-	1
\$310,000 - \$319,999	1	-
Total numbers	8	8

	2015 \$'000	2014 \$'000
Remuneration received or due and receivable from the Corporation in connection with the management of the Corporation (includes termination payments and bonuses paid)	500	494

#### Other related party transactions

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

### (b) Executive Officers' remuneration

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

	Total Remuneration		Base Remuneration	
Income band	2015 No.	2014 No.	2015 No.	2014 No.
\$150,000 - \$159,999	-	1	-	1
\$160,000 - \$169,999	-	-	-	2
\$170,000 - \$179,999	1	2	3	1
\$180,000 - \$189,999	2	1	-	-
\$200,000 - \$209,999	-	-	1	-
\$210,000 - \$219,999	1	-	-	-
Total numbers	4	4	4	4
Total annualised employee equivalent (AEE)	4.00	4.00	4.00	4.00

Note : Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

## Note 21. Responsible persons and executive officer disclosures (continued)

	Total Remuneration		Base Remuneration	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Remuneration received or receivable by executives in respect of the management of the Corporation during the reporting period was:	759	703	725	657

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

There were no amounts paid by the Corporation in connection with the retirement of responsible persons of the Corporation during the financial year.

No contractors were engaged during the period as executive officers.

## Note 22. Reconciliation of profit / (loss) for the period after related income tax to net cash flows from operating activities

	2015 \$'000	2014 \$'000
Net result for the period after income tax	5,293	1,448
<b>Add / (less) non-cash flows in net result</b>		
Depreciation and amortisation	22,947	23,873
Net loss on disposal of non-current assets	1,398	1,064
Infrastructure assets contributed at no cost	(957)	(1,782)
<b>Changes in assets and liabilities</b>		
Decrease (increase) in receivables	1,316	580
Decrease (increase) in inventories	10	(10)
Decrease (increase) in prepayments	(94)	(1)
Increase (decrease) in payables	(1,120)	(104)
Increase (decrease) in employee benefits	22	181
Increase (decrease) in net deferred tax liabilities	518	1,160
<b>Net cash (outflow) / inflow from operating activities</b>	<b>29,333</b>	<b>26,409</b>

## Note 23. Ex gratia Payments

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

Forgiveness or waiver of debt (i)	11	18
<b>Total Ex gratia payments</b>	<b>11</b>	<b>18</b>

(i) Relates to forgiveness of debt for high water usage due to identified leaks and customer hardship write-offs. Includes amounts greater than or equal to \$5,000 or those considered material in nature and have been recognised in the comprehensive operating statement under 'Supplies and Services'.

## Note 24. Remuneration of auditors

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

<b>(a) Victorian Auditor-General's Office</b>		
Audit of financial statements	55	53
<b>(b) Non-Victorian Auditor-General's Office audit firms</b>		
Audit and other assurance services	120	92
<b>Total auditors' remuneration</b>	<b>175</b>	<b>145</b>

# NOTES TO THE FINANCIAL STATEMENTS

**30 June 2014**

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## Note 25. Events occurring after the balance sheet date

On the 8 April 2015, the Minister for Environment, Climate Change and Water, the Hon Lisa Neville MP, announced a review of all 135 Victorian water corporation board director positions. Expressions of interest were invited during April and May 2015 with new boards to be in place by 1 October 2015. Water corporations remain governed by a properly constituted board of directors and will do so following 1 October 2015 when any new appointments are due to commence.

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

# CERTIFICATION

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## Accountable officer's and chief finance and accounting officer's declaration

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

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2015 and financial position of the Corporation at 30 June 2015.

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.

We authorise the attached financial statements for issue on 28 August 2015.



J A Vogels  
Chairman  
Wannon Region Water Corporation



A R Jeffers  
Managing Director  
Wannon Region Water Corporation



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

DATE: This 28th day of August, 2015

# AUDITOR-GENERAL'S REPORT

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The logo for the Victorian Auditor-General's Office (VAGO) features the word "VAGO" in a bold, blue, sans-serif font.

Victorian Auditor-General's Office

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## 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 2015 of the Wannon Region Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance and accounting officer's declaration has been audited.

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

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

#### *Auditor's Responsibility*

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

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

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

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## Independent Auditor's Report (continued)

### *Independence*

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

### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Wannon Region Water Corporation as at 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE  
28 August 2015



John Doyle  
Auditor-General



# APPENDIX ONE

## Disclosure index

The 2014/15 annual report of Wannon Region Water Corporation is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the corporation's compliance with statutory disclosure requirements.

Legislation	Requirement	Page reference
<b>REPORT OF OPERATIONS</b>		
<b>Charter and purpose</b>		
FRD 22F	Manner of establishment and the relevant Minister	6
FRD 22F	Objectives, functions, powers and duties	3, 6
FRD 22F	Nature and range of services provided	6
<b>Management and structure</b>		
FRD 22F	Organisational structure	32
<b>Financial and other information</b>		
FRD 10	Disclosure index	85-86
FRD 12A	Disclosure of major contracts	36
FRD 22F	Operational and budgetary objectives and performance against objectives	10, 37-40
FRD 22F	Employment and conduct principles	32
FRD 22F	Occupational health and safety policy	33-34
FRD 22F	Summary of the financial results for the year	10
FRD 22F	Significant changes in financial position during the year	13
FRD 22F	Major changes or factors affecting performance	10
FRD 22F	Subsequent events	13
FRD 22F	Application and operation of <i>Freedom of Information Act</i> 1982	35
FRD 22F	Compliance with building and maintenance provisions of <i>Building Act</i> 1993	35
FRD 22F	Statement on National Competition Policy	36
FRD 22F	Application and operation of the <i>Protected Disclosures Act</i> 2012	34
FRD 22F	Details of consultancies over \$10,000	36
FRD 22F	Details of consultancies under \$10,000	36
FRD 22F	Statement of availability of other information	35
FRD 25B	Victorian Industry Participation Policy disclosures	35-36
FRD 27C	Presentation and reporting of performance information	37-40
FRD 29A	Workforce data disclosures	32-33
FRD 30B	Standard requirements for the design and print of annual report	1-92
SD 4.5.5	Risk management compliance attestation	13
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<b>Ministerial Reporting Directions</b>		
MRD 01	Performance reporting	37-43
MRD 02	Reporting on water consumption and drought response	15-19
MRD 03	Environmental and social sustainability reporting	14, 18-19, 21-23
MRD 04	Disclosure of information on bulk entitlements, transfers of water entitlements, allocations and licences, irrigation water usage and licence entitlements	23-27
MRD 05	Annual reporting of major non-residential water users	18

# APPENDIX ONE

Legislation	Requirement	Page reference
<b>FINANCIAL STATEMENTS</b>		
<b>Financial statements required under part 7 of the FMA</b>		
SD4.2(a)	Statement of changes in equity	47
SD4.2(b)	Statement of comprehensive income	45
SD4.2(b)	Balance sheet	46
SD4.2(b)	Cash flow statement	48
<b>Other requirements understanding directions 4.2</b>		
SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	49
SD4.2(c)	Compliance with Ministerial Directions	49
SD4.2(d)	Rounding of amounts	49
SD4.2(c)	Accountable officer's declaration	82
SD4.2(f)	Compliance with Model Financial Report	45-81
<b>Other disclosures as required by FRDs in notes to the financial statements</b>		
FRD 03A	Accounting for dividends	56
FRD 07A	Early adoption of authoritative accounting pronouncements	58
FRD 11A	Disclosure of ex-gratia payments	80
FRD 17B	Long service leave wage inflation and discount rates	73
FRD 21B	Responsible person and executive officer disclosures	79-80
FRD 102	Inventories	52, 65
FRD 103F	Non-current physical assets	52-53, 66-70
FRD 104	Foreign currency	59
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FRD 119A	Contributions by owners	73
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<b>Legislation</b>		
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	<i>Building Act 1983</i>	35
	<i>Protected Disclosures Act 2012</i>	34
	<i>Victorian Industry Participation Policy Act 2003</i>	35-36

# APPENDIX

## TWO

### Weekly household drinking water consumption 2014/15

Wannon Water bills residential customers four times a year; once every three months.

The calculated average weekly consumption per residential customer for July to September 2014 is 2,135 litres per week, for October to December 2014 is 3,293 per week, for January to March 2015 is 3,486 and for April to June 2015 is 2,178.

Month	Week 1 (L)	Week 2 (L)	Week 3 (L)	Week 4 (L)	Week 5 (L)
July	2,135	2,135	2,135	2,135	2,135
August	2,135	2,135	2,135	2,135	
September	2,135	2,135	2,135	2,135	
October	3,293	3,293	3,293	3,293	3,293
November	3,293	3,293	3,293	3,293	
December	3,293	3,293	3,293	3,293	
January	3,486	3,486	3,486	3,486	3,486
February	3,486	3,486	3,486	3,486	
March	3,486	3,486	3,486	3,486	
April	2,178	2,178	2,178	2,178	2,178
May	2,178	2,178	2,178	2,178	
June	2,178	2,178	2,178	2,178	

# GLOSSARY OF TERMS

Aquaculture	The culture of aquatic organisms (such as fish, crustacean and aquatic plants) under controlled conditions
Biodiversity	The number and variety of organisms found within a specified geographic region
Biosolids	Organic solids derived from the treatment of sewage, stabilised to the point of being ready for its intended safe reuse (e.g. as a soil conditioner)
Bulk entitlement	The right and conditions to water held by water corporations and other organisations as defined in the <i>Water Act 1989</i>
Catchment	An area of land on which water may be caught and collected into a stream, reservoir or aquifer
Effluent	An outflow stream from a sewage treatment system
Environment Protection Authority (EPA)	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
Raw water	Water harvested from the surface or below ground prior to any treatment process
Recycled water	Water produced from a water reclamation plant or industry process, treated to a standard appropriate for reuse
Reticulation	A network of pipes for distributing water to areas of consumption, such as residential districts and individual households
Roof Water Harvesting	The process of capturing rain water from roofs in new residential subdivisions and transporting it to an existing raw water storage to be treated before entering the drinking water supply
Sewage	Any human excreta or domestic waterborne waste, whether untreated or partially treated, but does not include trade waste
Sewerage system	The network of pipes, sewers, pump stations, treatment plants and reuse facility or discharge system used to convey of sewage or trade waste
Stakeholder	An individual or group with an interest in an organisation's operations, such as employees, customers, government bodies or the local community
Storm water	Rainfall run-off
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

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Unplanned interruption	An unforeseen interruption to a water supply system
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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