

WANNON WATER

2015/16

ANNUAL REPORT SUMMARY



OUR VISION Beyond water for strong communities.

During 2015/16 Wannon Water welcomed four new Directors, a new Managing Director and two new Executive Team members. Our corporate attention expanded to include our local community, resulting in a reshaped corporate vision, *Beyond water for strong communities*, which clearly articulates our strategic focus on strengthening the communities we serve.

Being safe, efficient and delivering high quality services remain a priority. Over the last year we have maintained our high service standards, while delivering another strong financial operating result. We have also maintained independent certification for our drinking water quality, occupational health and safety and environmental management systems and successfully passed the biennial Drinking Water Regulatory Audit.

To help support our local economy, we will continue what will be a four-year trend of delivering price reductions in 2015/16. Wannon Water will be the first water corporation to not once but twice reduce prices beyond those approved by the Essential Services Commission.

In 2015/16, Wannon Water completed \$16.87 million of capital works, including the:

- Wyatt Street bore in Portland
- Casterton Water Treatment Plant Clarifier
- Heywood bore
- Portland and Coleraine sewerage mains renewals, and
- Camperdown, Hamilton and Merino water mains renewals

We acknowledge outgoing Directors and our inaugural Managing Director, Grant Green, who have left a solid foundation for Wannon Water to build upon.

RENEWABLE WIND ENERGY TO POWER PORTLAND TREATMENT PLANTS

Portland's credentials as a renewable energy centre received a significant boost during the reporting period, with Wannon Water announcing in May 2016 that it will construct a \$2.4 million wind generator at the city's water reclamation plant.

The innovative project will see Wannon Water produce its own renewable energy to power Portland's energy-intensive water and sewage treatment facilities, helping to deliver reductions in customer water bills and improve Wannon Water's environmental performance.

The generator will be installed at the Olearia Road site and connect directly to the treatment facilities near the coast.

Once the project is completed in mid-2017, it is believed Portland will become the first Australian city to achieve net-zero emissions from on-site renewable power generation for its water and sewerage systems.

The generator, which will produce more than 2GWh of renewable energy a year, will be smaller than other generators already installed along the coastline nearby.

Wannon Water has committed more than \$30 million to infrastructure investment in Portland in recent years, resulting in between 60 and 70 construction jobs.

HIGHLIGHTS

- ✓ New Directors appointed and comprehensive induction program completed
- ✓ OH&S system recertified to AS 4801 standard
- ✓ Profit before tax of \$8.15 million
- ✓ Favourable gearing ratio of 7%
- ✓ Delivered real reductions in customer bills while maintaining levels of service
- ✓ High customer satisfaction rating maintained (94% for residential customers; 95% for business customers)
- ✓ Conducted community engagement to inform the Community Strategy, 2018-2023 pricing submission and the Victorian Government's *Water for Victoria* discussion paper
- ✓ Acted to reassure and engage with the Penshurst community following concerns of groundwater contamination at the CFA Training Campus
- ✓ Reduced Lost Time Injury Frequency Rate by 56%
- ✓ Reduced Lost Time Injuries from 7 to 3

NEW STRATEGY FOR STRONG COMMUNITY PARTNERSHIPS

Wannon Water has developed its first community strategy to help drive a new corporate vision: 'Beyond water for strong communities'.

The new strategy, *Partnering for Stronger Communities*, was developed over six months with input from the Board, employees, the Community Advisory Committee and key regional stakeholders.

The strategy aims to identify initiatives that have shared value for both Wannon Water and its communities to deliver "win-win" solutions for all.



BUSINESS PERFORMANCE

AT A GLANCE

	2015/16	Change (%)
Population served	84,172	1.2
Connected properties (water)	42,466	0.5
Connected properties (sewerage)	36,146	0.9
Water treatment plant volumes (ML)	11,772	4.7
Water reclamation plant volumes (ML)	9,905	-4.1
Employee numbers (FTE)	188	-0.5
Number of days lost to injury	25	-39

VALUE FOR CUSTOMERS

Community Service Rebates and Grants	\$3,456,154
Assisting Customers Experiencing Difficulty in Paying Bills (532)	\$172,105

FINANCIAL RESULT

	2015/16 (\$'000)
Total revenue	77,006
Total expenditure	68,861
Net result before tax	8,145
Total assets	776,364
Total liabilities	163,585
Net cash flows from operations	34,801
Payments for property, plant and equipment (including infrastructure)	17,170

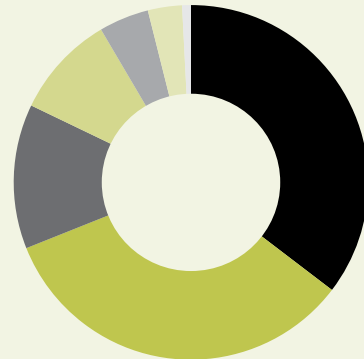
DEPARTMENT TARGETS

The financial sustainability of Wannon Water can be derived from analysis of government department financial sustainability indicators. Wannon Water produced favourable results compared to government targets for all indicators.

	RESULTS	TARGET
Cash interest cover (times)	10.6	(>2)
Internal Financing Ratio	202.7%	(>75%)
Gearing Ratio	7%	(>50%)
Current Ratio (times)	1.33	(>1)
Return on Assets	1.73%	(>0.5%)
EBITDA Margin	43.6%	(>20%)
Return on Equity	1.01%	(>0.5%)

OUR REVENUE

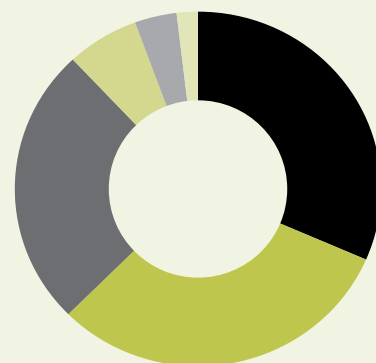
Total revenue for the year remained at a similar level to 2014/15 with a slight increase of \$0.22 million recorded.



Sewerage service charge	35%
Volumetric water usage charges	34%
Fixed water service charges	13%
Trade waste charges	9%
Other income	5%
Gifted assets	3%
New customer / developer contributions	1%

OUR EXPENSES

Total expenses decreased by \$2.97 million (4.1 per cent) compared to the previous year.



Depreciation and amortisation	32%
Supplies and services	31%
Employee benefits	25%
Borrowing costs	6%
Environmental contribution levy	4%
Net loss on disposal of assets	2%

To view the full 2015/16 Annual Report, visit www.wannonwater.com.au

