



annualREPORT **2012/13**

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
- Ensure 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

We are pleased to present Wannon Water's 2012/13 Annual Report. The report highlights Wannon Water's achievements over the past 12 months.

Wannon Water delivered a strong financial result with a profit before tax of \$8.59 million. Robust planning, innovation and a focus on efficiency are integral to delivering affordable water and sewerage services and supporting liveable and sustainable communities. In the reporting period, business efficiencies were delivered which enabled Wannon Water to set water and sewerage charges at one per cent below that authorised by the Essential Services Commission.

Wannon Water completed \$24.11 million of capital works in the past year, including significant progress on the construction of the Portland Water Reclamation Plant, our largest ever investment in Portland. An innovative brine receival facility was constructed in Warrnambool, providing a sustainable solution for receiving and treating saline trade wastes to support regional industries and economic growth across our region.

The corporation continued to deliver on environmental initiatives, increasing recycled water use from 12.5 per cent to 18 per cent, reducing non-revenue water by 10 per cent and achieving 100 per cent biosolids reuse.

Wannon Water submitted its Water Plan 2013-18 to the Essential Services Commission following the culmination of a comprehensive community engagement program driven by our commitment to maintaining a financially viable business and delivering value to customers. Through prudent planning we will absorb cost increases and deliver real price reductions for customers while completing \$109 million of new capital works over the next five years.

In 2013/14, a further \$25.65 million of capital works will be undertaken, including completion of the Portland Water Reclamation Plant, the Dutton Way sewerage scheme and the West Portland sewerage scheme. We will also focus on further reducing the level of non-revenue water.

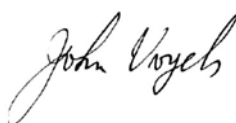
Our *WorkSafe HomeSafe* health and wellbeing program won the Institute of Public Administration Australia (Victoria) 'Leading the Way in Health, Safety and Wellbeing Award'. This was a welcome reward for our substantial investment in enhancing the wellbeing of our workforce in recent years.

Wannon Water's emergency management response was implemented when a fire at the Warrnambool Telstra exchange caused a three-week telecommunications outage across south-west Victoria, including our telemetry system. The response of our workforce to this communications crisis was outstanding, their commitment and innovation ensuring the continuity of our business throughout the outage.

Our customers continued to express their satisfaction with Wannon Water's performance, with the 2013 customer satisfaction survey showing we maintained a 93 per cent satisfaction rating.

We are proud of Wannon Water's achievements in 2012/13 and believe the corporation is well placed to meet its future challenges. With secure supply systems in place and a talented workforce committed to our *Think It! Work It! Own It!* values, we will continue our quest for innovation and efficiency while keeping prices affordable for our customers.

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



John Vogels
Chairman
16 August 2013



Grant Green
Managing Director
16 August 2013

2012/13 ACHIEVEMENTS AT A GLANCE

GOVERNANCE ACHIEVEMENTS

✓	Water Plan 2013-18 submitted to the Essential Services Commission
✓	OH&S system certification maintained
✓	Comprehensive community consultation program undertaken in drafting Water Plan 2013-18
✓	Environmental Management System ISO certification maintained
✓	HACCP water quality management system certification maintained
✓	New corporate strategic framework established
✓	Significant reductions in corporate risks
✓	Konongwootong Reservoir embankment strengthened
✓	Risk management framework reviewed

ECONOMIC ACHIEVEMENTS

✓	Profit before tax of \$8.59 million
✓	Favourable gearing ratio of 14.79 per cent
✓	Self-funded the annual capital works program
✓	Completed \$24.11 million of capital works
✓	Brine receival facility constructed to receive saline trade wastes, thereby generating non-regulated income
✓	Construction of new \$13 million Portland Water Reclamation Plant nearing completion
✓	Five-year capital works plan projects delivered on time and within budget
✓	Construction of Dutton Way and West Portland Sewerage Schemes underway
✓	57 kilometres of sewer pipe inspected by CCTV to proactively maintain quality of sewerage system

2012/13 ACHIEVEMENTS AT A GLANCE

SOCIAL ACHIEVEMENTS

✓	High customer satisfaction maintained (93 per cent for residential and business customers)
✓	Strong performance in meeting service level targets
✓	Delivered a one per cent price reduction on Essential Services Commission authorised prices in 2012/13
✓	Business continuity maintained during the extended three-week telecommunications outage caused by fire at the Warrnambool Telstra exchange
✓	Awarded two certificates of commendation at the 2013 Sir Rupert Hamer Awards for excellence in records management
✓	E-billing campaign launched, offering customers email billing option
✓	Two employees completed the inaugural National Operator Competency Framework
✓	School mural added to James Street Pump Station, Port Fairy
✓	Lost Time Injuries reduced by 33 per cent
✓	<i>Water It, Grow It, Cook It</i> kitchen garden competition held for local schools
✓	3,560 drink bottles distributed to community groups & 1,417 to Prep students
✓	Mentoring program commenced for emerging leaders
✓	Employee health & wellbeing program awarded IPAA (Victoria) Award
✓	Supported the Future Leaders of Industry program in Portland

ENVIRONMENTAL ACHIEVEMENTS

✓	Recycled water facility constructed at Warrnambool water reclamation plant to use 200 megalitres of recycled water per year
✓	Commenced commercial phase of aquaculture sewage project
✓	Partnered with RMIT and the Smart Water Fund to conduct research into biosolids management
✓	Funded waterway health works to help to protect three kilometres of the Gellibrand River riparian zone
✓	Flora and fauna management plan developed for Dunkeld Water Reclamation Plant
✓	Energy database to support energy efficiency projects fully operational
✓	100 per cent of biosolids beneficially reused
✓	Commenced supplying recycled water to the Mortlake Power Plant
✓	Recycled water use increased from 12.5 per cent to 18 per cent
✓	97 houses connected to the innovative Warrnambool Roof Water Harvesting scheme
✓	Non-revenue water reduced by 10 per cent



YEAR IN REVIEW

Manner of establishment and responsible Minister

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

The responsible Minister for the period from 1 July 2012 to 30 June 2013 was the Hon. Peter Walsh MLA, Minister for Water.

Objectives, functions, powers and duties

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

In performing its functions, exercising its powers and carrying out its duties Wannon Water must act as efficiently as possible, consistent with commercial practice.

Wannon Water's service area extends over 23,500 square kilometres from the South Australian border in the west, to Balmoral in the north, to Lismore in the east and the lower Gellibrand River catchment on the south coast.

Assets

Wannon Water has \$600 million of assets including:

- 2,762 kilometres of pipes
- 37 water reservoirs and storages
- 31 water treatment plants
- 20 water reclamation plants
- 190 pumping stations
- 58 water tanks.

Water systems

Wannon Water supplies water from a diverse range of water sources, including surface water catchments, 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
- the 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)
- the Balmoral system, sourced from Rocklands Reservoir in the southern Grampians
- the Glenthompson system, sourced from a local catchment and groundwater
- the 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.

Customers

Our customers comprise 85 per cent residential customers, 11 per cent business customers and 4 per cent rural customers.

Customer segment	Number of Customers	Total water consumption (megalitres)	Percentage of total consumption	3-year average consumption (megalitres)	Average consumption per customer 2012/13 (kilolitres)
Residential	35,163	5,343	46%	5,007	152
Business	4,642	3,666	32%	3,566	790
Rural	1,745	2,611	22%	2,498	1,496
Total	41,550	11,620	100%	11,071	280

YEAR IN REVIEW

Capital expenditure

Wannon Water spent \$24.11 million on capital works to further improve the delivery of water, sewerage and trade waste services and service growth in south-west Victoria.

The capital projects where expenditure was greater than \$0.25 million in the reporting period included:

Project	Total project cost (\$ million)	2012/13 expenditure (\$ million)	Future commitments (\$ million)
Portland water reclamation plant upgrade	\$14.78	\$6.88	\$1.59
Warrnambool brine receival facility	\$3.70	\$2.66	\$0.03
West Portland sewerage scheme	\$3.41	\$2.08	\$0.56
Warrnambool water & sewerage infrastructure in Wollaston Road	\$1.59	\$1.32	\$0.09
Dutton Way sewerage scheme	\$2.69	\$1.15	\$1.00
Warrnambool water reclamation plant recycled water infrastructure	\$0.98	\$0.89	\$0.09
SCADA project stage 3	\$4.22	\$0.86	\$0.04
Konongwootong Reservoir embankment works	\$1.37	\$0.72	\$0.03
Port Campbell-Timboon water transfer main replacement	\$0.96	\$0.71	\$0.03
Terang branch water main replacement	\$1.09	\$0.38	\$0.25
Warrnambool sewer main replacements in Gilles & Timor Streets	\$0.34	\$0.36	\$0.01
Hamilton, sewer pump station and rising main in Petschels Lane	\$0.73	\$0.25	\$0.02
South Warrnambool water main extension	\$0.40	\$0.25	\$0.02

HIGHLIGHTS

2012/13

New brine facility supports regional growth



Wannon Water has constructed a brine receive facility to provide a sustainable solution for receiving and treating saline trade wastes to support regional industries and economic growth in south-west Victoria.

The new \$2.7 million facility in the Warrnambool industrial estate receives brine and other salty trade wastes transported to the site by some of the region's largest industries, including dairy manufacturing, the Mortlake Power Station and the mineral sands processing plant at Hamilton.

The project provides a local solution for dealing with the brine produced as a by-product of operations conducted by large industries in south-west Victoria.

Once received at the new transfer station, the brine safely enters the existing sewerage system where it is piped to the Warrnambool water reclamation plant for treatment.

This facility is delivering economic benefits for the region by providing significant cost savings for industries compared to the alternative brine disposal options.

The project was jointly funded by a \$537,602 Regional Infrastructure Development Fund Grant from the State Government, Wannon Water and the industrial customers who use the facility.

The new facility reflects Wannon Water's commitment to delivering innovative solutions to support liveable and sustainable regional communities.

Above: A truck delivers brine to the new facility where it enters the sewerage system for treatment.

Above Right: Deputy Chairman Rob Wallis, Chairman John Vogels, Manager People & Culture Simon Fleming and Managing Director Grant Green at the IPAA Awards night.

'Leading the way' in health and safety



Wannon Water's innovative *WorkSafe HomeSafe* program captured state-wide attention this year after winning the prestigious 'Leading the Way in Health, Safety and Wellbeing Award' at the 2013 Institute of Public Administration Australia (Victoria) Awards.

The award demonstrates Wannon Water's commitment to workplace safety and the health and wellbeing of our employees, both at work and at home.

In our view a healthy workforce contributes to better business outcomes and through *WorkSafe HomeSafe* we strive to embed our approach to health and safety as a fundamental part of our culture.

Developed with input from Western District Health Services, *WorkSafe HomeSafe* includes an annual program launch, monthly health-related themes, promotional activities, employee health checks and support for national health events.

Since the program was launched in 2011 Wannon Water has recorded many health and safety improvements, including:

- a 53 per cent reduction in the frequency of injuries requiring time off work
- a one per cent overall reduction in absenteeism
- numerous employees giving up smoking through a Wannon Water-sponsored program
- strong employee participation in awareness sessions, exercise activities and health checks, with seven employees referred to their GP for skin spots of concern.

The response from our employees has been overwhelmingly positive. Our challenge now is to build on this success to further strengthen the health and wellbeing of all employees into the future.

The award also recognised Wannon Water's commitment to sharing its experiences with other water corporations and industry bodies to help them achieve similar health outcomes.

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 \$8.59 million for the reporting period. This was a \$3.7 million improvement on the previous year. The major factors that contributed to the result were:

- an increase in revenue from service and volume charges
- the receipt of grants worth \$1.7 million for the construction of infrastructure assets
- a \$2.8 million reduction in operating expenditure partly due to efficiency savings
- a \$2.1 million reduction in depreciation and amortisation expense.

Financial Result	2012/13 (\$'000)	2011/12 (\$'000)	2010/11 (\$'000)	2009/10 (\$'000)	2008/09 (\$'000)
Core business revenue	68,532	61,628	52,158	45,539	41,956
Capital Revenue	921	12,730	802	1,060	729
Government contributions	1,340	621	674	500	625
Other revenue	5,887	5,049	4,876	3,674	2,759
Total revenue	76,680	80,028	58,510	50,773	46,069
Operating expenditure	37,868	40,687	35,415	32,796	33,104
Depreciation & amortisation expenditure	23,362	25,445	13,217	11,707	10,698
Finance costs	5,979	5,873	5,854	4,881	3,344
Other expenditure	878	3,112	2,602	890	509
Total expenditure	68,087	75,117	57,088	50,274	47,655
Net result before tax	8,593	4,911	1,422	499	(1,586)
Current assets	21,048	16,249	14,435	13,991	17,836
Non-current assets	579,303	576,182	560,728	555,174	512,660
Total assets	600,351	592,431	575,163	569,165	530,496
Current liabilities	21,177	19,053	15,619	18,805	11,823
Non-current liabilities	115,248	116,073	106,798	102,051	88,545
Total liabilities	136,425	135,126	122,417	120,856	100,368
Net cash flows from operations	27,241	19,446	12,545	13,855	7,333
Payments for property, plant and equipment (including infrastructure)	24,106	30,820	17,070	46,450	30,124

Our revenue

Total revenue reduced by \$3.35 million in 2012/13 compared to the previous year. However, excluding the contribution of water supply assets worth \$11.9 million recognised in the previous year, total revenue would have increased by \$8.55 million.

Overall service charges increased by \$4.2 million (13.4 per cent) in 2012/13, while usage charges increased by \$2.5 million (9.1 per cent). Usage charges increased in part due to increased water demand, the result of lower than average rainfall in the region during 2012/13. Grants received for capital works and other revenue increased by \$0.72 million and \$0.84 million respectively.

Our expenses

Total expenses decreased by \$7.03 million compared to the previous year.

The decrease is largely due to a reduction in expenditure on supplies and services of \$1.92 million (9.1 per cent) and depreciation and amortisation expense of \$2.08 million (8.2 per cent). Employee benefits expenditure decreased by \$0.90 million or 5 per cent; however, expenditure in the previous year included a provision for a \$1.46 million contribution towards the Local Authorities Superannuation Fund defined benefit scheme. Excluding this, an increase of \$0.56 million (3.1 per cent) was incurred.

Our balance sheet

Property, plant and equipment increased in value by a net \$4.32 million. This included depreciation of \$23.36 million. The \$24.11 million invested in capital works was fully funded by cash flows from operating activities. This enabled interest-bearing liabilities to be reduced by \$0.7 million to a balance of \$88.8 million at the end of the reporting period.



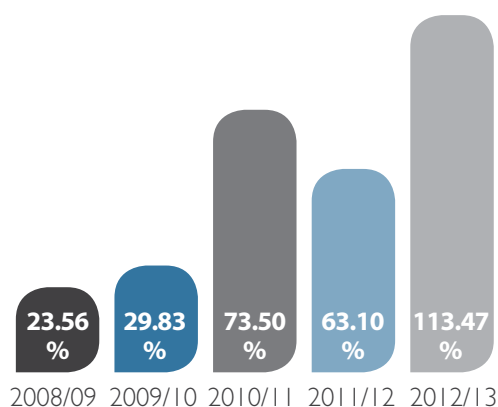
Sewerage charges	42%
Volumetric water usage charges	31%
Fixed water service charges	14%
Other income	8%
Gifted assets	2%
Government grants	2%
New customer/developer contributions	1%



Depreciation and amortisation	35%
Supplies and services	28%
Employee benefits	25%
Borrowing costs	9%
Environmental contribution levy	2%
Net loss on disposal of assets	1%

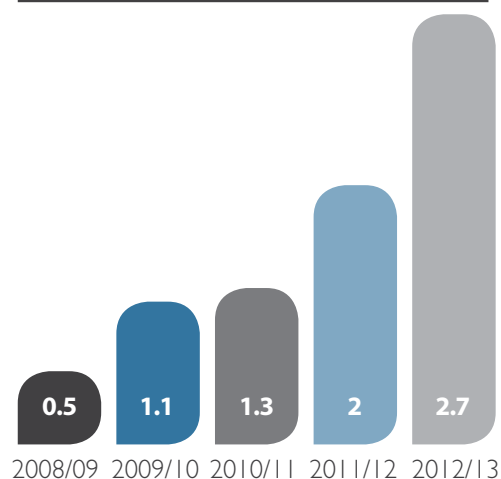
Summary of financial performance indicators

INTERNAL FINANCING RATIO



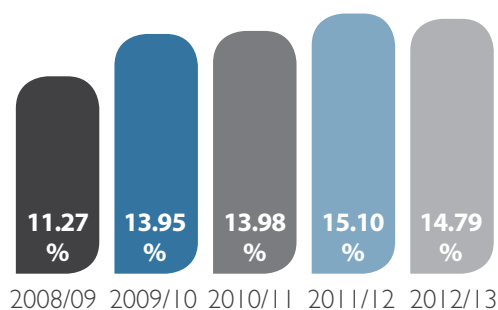
The ratio measures the portion of capital works paid for from operating cash flows. The 2012/13 result indicates that 100 per cent of capital works payments were funded by cash received from operating activities. It has improved significantly on the previous year due to a lower cash outlay for capital works and a higher amount of cash received from operating activities.

INTEREST COVER - EBIT (times)



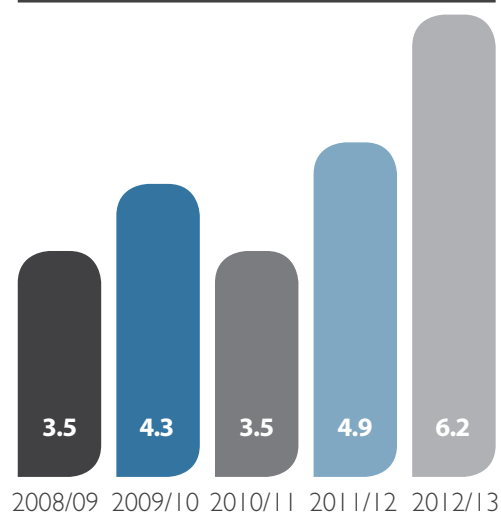
The 20 per cent improvement on the previous year is solely due to the improved profit result in comparison to the previous year. The decreased level of expenses has resulted in a higher profit that covers interest costs incurred by 2.7 times.

GEARING RATIO (debt to assets)



Interest-bearing liabilities reduced by \$0.7 million during 2012/13 and, coupled with an increase in total assets of \$8 million, the reduction results in a decline in the gearing ratio. A decline is a favourable result, as a low ratio provides a positive indication of Wannon Water's long-term liquidity.

INTEREST COVER - CASH (times)



As interest costs remained steady during 2012/13, an increase in cash from operating activities received is the sole explanation for the 27 per cent increase on the previous year. The ratio shows that cash received from operating activities is 6.2 times that of interest costs paid.

Significant changes in financial position during the year

There were no significant changes in financial position during the 2012/13 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

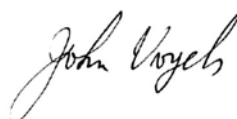
Wannon Water plans to undertake \$25.65 million of capital works in 2013/14, largely funded through cash flows from operating activities. However, new borrowings will be required to fund the shortfall and, as such, Wannon Water will refinance maturing borrowings during 2013/14.

The 2013/14 financial year is the first year in the third regulatory period and will see the completion of several major projects, including the West Portland and Dutton Way sewerage schemes and the Portland water reclamation plant upgrade.

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

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

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



John Vogels
Chairman
Wannon Water
16 August 2013

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 enhanced customer value in 2012/13 by setting water and sewerage prices at one per cent less than the prices authorised by the Essential Services Commission while maintaining levels of service to customers.

A new e-billing option was offered for those customers who prefer to receive their Wannon Water bill by email. The "e-billing: anytime, anywhere" campaign generated a positive response from customers seeking a more convenient method of bill delivery, with a steady uptake recorded since the launch of the campaign.

Community Service Obligations

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

Community Service Obligations	2012/13 (\$)	2011/12 (\$)	2010/11 (\$)	2009/10 (\$)	2008/09 (\$)
Concession card rebates	2,641,712	2,581,979	2,345,036	2,258,560	1,906,875
Not-for-profit organisation rebates	260,501	257,211	246,233	244,139	242,156
Utility relief grant scheme	57,663	52,502	48,618	68,072	22,090
Water usage life machine rebates	298	979	1,396	1,699	993
Hardship relief grant scheme (Sewerage scheme connections)	0	0	0	0	0
Total	2,960,174	2,892,671	2,641,283	2,572,470	2,172,114

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 counselling 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
- reducing fire service charges for not-for-profit organisations.

Customer assistance	No. customers 2012/13	Total value 2012/13 (\$)	No. customers 2011/12	Total value 2011/12 (\$)	No. customers 2010/11	Total value 2010/11 (\$)	No. customers 2009/10	Total value 2009/10 (\$)
High water usage allowances	279	108,888	273	138,619	167	82,086	114	73,203
Bonus credit system	1,265	55,930	516	26,202	74	2,560	294	11,245
Waiver of long term debt	101	32,263	101	50,708	5	5,025	17	3,974
Fire service not-for-profit hardship rebate	7	8,537	7	8,537	7	8,537	3	1,560
Total	1,652	205,618	897	224,066	253	98,208	428	89,982

Flexible installment payment plans were offered to customers who preferred to pay by regular installments. The number of customers on installment plans increased by 21 per cent in 2012/13.

Flexible payment arrangements as at 30 June	2012/13	2011/12	2010/11	2009/10	2008/09
Number of customers on installment payment plans	2,561	2,028	1,574	1,608	1,516
Total value of installment payment plans (\$)	1,139,790	659,490	562,801	590,977	418,239

Water consumption

Total water consumption increased by 1.9 per cent to 11,620 megalitres in 2012/13.

A secure water future

Wannon Water released its Water Supply Demand Strategy 2012-2060 in March 2013. This strategy identified the best mix of measures to maintain a balance between the demand for water and available water resources for our urban supply systems now and into the future.

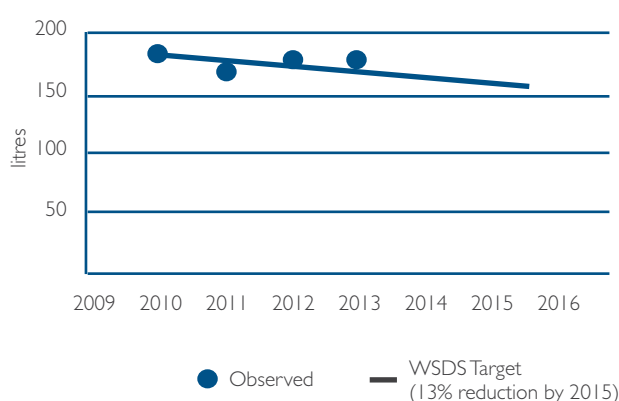
The objectives of this strategy are to:

- assess the expected long-term demand for water by both current and future customers of Wannon Water
- determine the anticipated available water supplies to meet this demand
- identify a suite of water demand reduction and water use efficiency options and assess these options across economic, environmental, and social criteria
- identify, where needed, options for new sources of water supply and assess the options across economic, environmental, and social criteria
- articulate future actions.

This strategy sets a target of reducing residential water use per person per day to 154 litres by 2015, a 13 per cent reduction compared to 177 litres per person per day in the 2009/10 base year.

The 2012/13 residential water use per person per day was 172 litres, up slightly on the previous year due to warm and dry weather conditions experienced across Wannon Water's service area.

Residential water use (litres per person per day)



Warrnambool roof water harvesting project

The benefits of integrated water management promoted in the State Government's water policy document *Living Melbourne Living Victoria* are on show at Wannon Water's innovative Warrnambool Roof Water Harvesting Project.

In 2012/13, 7.5 megalitres of storm water were harvested from the roofs of 97 houses already connected to the innovative roof water harvesting system.

Over the next 20 years this system will progressively expand as development occurs in Warrnambool's main northern growth corridor. 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, where it will be treated at the Warrnambool water treatment plant for urban drinking water.

Water consumption by city/town (megalitres)

City/Town	Residential Customers		Non-Residential Customers		Rural Customers		Total Consumption		3-Year Average Annual Consumption (ML)
	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	
Allansford	304	53.7	40	43.6	7	15.3	351	112.6	106.4
Balmoral	105	15.4	29	7.5	17	12.3	151	35.2	31.1
Balmoral Pipeline	-	-	-	-	2	6.2	2	6.2	3.6
Camperdown	1,576	241.7	214	129.2	-	-	1,790	370.9	317.0
Camperdown Rural	-	-	-	-	385	531.0	385	531.0	567.5
Caramut	54	9.3	14	4.4	7	5.0	75	18.7	14.4
Caramut Pipeline	-	-	-	-	12	4.3	12	4.3	3.0
Casterton	817	112.1	150	52.8	23	8.1	990	173.0	165.9
Cavendish	67	8.5	23	2.3	4	1.1	94	11.8	10.0
Cobden Rural	-	-	-	-	19	20.0	19	20.0	20.2
Cobden Urban	700	110.6	101	317.6	87	94.2	888	522.3	573.7
Coleraine	512	60.3	86	21.5	15	7.4	613	89.3	89.1
Coleraine Pipeline	-	-	-	-	3	0.4	3	0.4	0.1
Darlington	19	2.4	3	0.2	-	-	22	2.6	1.8
Dartmoor	120	13.8	17	1.3	-	-	137	15.1	13.8
Dunkeld	302	51.9	52	17.7	28	10.3	382	80.0	60.0
Glenthompson	96	8.1	27	1.1	8	1.0	131	10.2	12.1
Hamilton	4,676	727.1	641	217.9	49	127.9	5,366	1,073.0	900.8
Hamilton Pipeline	-	-	-	-	41	20.0	41	20.0	17.0
Heywood	644	98.8	102	41.5	7	2.6	753	142.9	127.0
Konongwootong Pipeline	-	-	-	-	51	53.7	51	53.7	43.6
Koroit	682	100.0	56	88.2	2	1.4	740	189.5	162.8
Lismore & Derrinalum	339	45.2	71	16.8	75	60.5	485	122.5	99.2
Macarthur	140	16.4	36	3.3	2	1.5	178	21.2	17.4
Merino	125	14.9	20	5.2	37	15.9	182	36.0	33.5
Mortlake	569	87.9	114	44.1	5	1.8	688	133.8	106.5
Noorat & Glenormiston	158	29.6	17	54.7	76	65.2	251	149.5	120.4
North Otway Pipeline	-	-	1	9.1	449	1,361.1	450	1,370.3	1,354.2
Penshurst	262	44.9	54	16.1	3	0.5	319	61.5	52.5
Peterborough	297	20.8	14	11.6	7	8.8	318	41.2	43.4
Port Campbell	252	25.8	43	29.9	-	-	295	55.8	59.1
Port Fairy	2,011	271.2	224	345.5	2	0.2	2,237	616.8	590.2
Portland	5,038	745.7	691	684.6	6	1.4	5,735	1,431.6	1,450.8
Purnim	-	-	-	-	89	20.5	89	20.5	13.2
Sandford	56	9.0	7	3.3	28	9.6	91	21.9	20.1
Simpson	78	12.4	18	62.5	10	16.9	106	91.8	82.8
Tarrington	133	23.8	5	2.0	17	5.7	155	31.5	26.7
Terang	942	153.0	145	52.3	1	6.7	1,088	212.0	198.4
Timboon	410	60.2	77	48.3	104	69.4	591	177.9	165.5
Tullich Pipeline	-	-	-	-	7	1.5	7	1.5	1.3
Warrnambool	13,679	2,168.3	1,550	1,330.0	30	24.9	15,259	3,523.2	3,377.6
Willaura Pipeline	-	-	-	-	30	16.7	30	16.7	17.5
Totals	35,163	5,343	4,642	3,666	1,745	2,611	41,550	11,620	11,071



Water consumption by system (megalitres)

System	2012/13 Volume (ML)	Change (%)	2011/12 Volume (ML)	Change (%)	2010/11 Volume (ML)	Change (%)	2009/10 Volume (ML)	Change (%)	2008/09 Volume (ML)	Change (%)
East Dilwyn	274.9	3%	265.9	9%	245.0	-16%	293.1	7%	272.8	0%
Grampians	1,284.5	10%	1,163.2	18%	983.0	-10%	1,090.4	-6%	1,161.1	-7%
Other	162.0	20%	135.6	26%	107.7	-30%	154.7	-6%	165.3	-5%
Otway	7,370.0	0%	7,348.9	9%	6,730.1	-7%	7,220.7	-6%	7,647.4	1%
Tullich	322.0	0%	320.7	27%	252.7	-29%	356.8	-8%	388.3	-6%
West Dilwyn	2,206.4	2%	2,167.7	4%	2,091.9	-8%	2,286.1	-9%	2,507.2	1%
Totals	11,620	2%	11,402	10%	10,410	-9%	11,402	-6%	12,142	-8%

Non-revenue water

In 2012/13 the total volume of non-revenue water was 1,960.5 megalitres. This was a reduction of 227.1 megalitres, down from 2,187.6 megalitres in 2011/12.

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.)	Office space (m ²)	Water consumption (kL)	kL/FTE	Water consumption by office space (L/m ²)
25 Gateway Rd, Warrnambool*	122	3,530.0	435	3.6	123
15 Townsend St, Portland	9	278.4	192	21.3	690
66 Gray St, Hamilton	11	614.7	68	6.2	111
Total	142	4,423.1	695	4.9	157

*Storm water is used for flushing toilets and watering gardens at the Gateway Rd office in Warrnambool.

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 2012/13	No. Customers 2011/12	No. Customers 2010/11	No. Customers 2009/10	No. Customers 2008/09
200 to 300	2	1	2	1	0
300 to 400	1	1	1	2	3
400 to 500	1	1	1	1	0
500 to 750	0	1	1	1	2
750 to 1,000	1	0	0	0	0
Greater than 1,000	0	0	0	0	0
Total no. of customers	5	4	5	5	5

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
Warrnambool Cheese & Butter*	Allansford	Yes
Fonterra Milk Australia Pty Ltd	Warrnambool	Yes
Alcoa Portland Aluminum Pty Ltd	Portland	Yes
Fonterra Australia Limited	Cobden	Yes
Midfield Meat International Pty Ltd	Warrnambool	Yes

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

Permanent Water Saving Measures and water restrictions

Permanent Water Saving Measures applied across all of Wannon Water's service area. There was no requirement for higher level water restrictions in 2012/13.

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 2012/13, with 196 new customers connected to 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 0.4 per cent in 2012/13, with 165 new customers connected to a reticulated sewerage service in the reporting period.

Construction of the Dutton Way and West Portland sewerage schemes progressed during the reporting period and both schemes will be commissioned in 2013/14.

Engaging with our community

Wannon Water recognises that engaging, informing, consulting and collaborating with its customers and other stakeholders is pivotal to understanding the needs of our customers and enhancing customer value. A comprehensive program of community consultation, including seeking feedback on discussion papers, customer forums and customer surveys, was undertaken in the preparation of Wannon Water's Water Plan 2013-2018 submission to the Essential Services Commission.

Customer Engagement Committee

Wannon Water's Customer Engagement Committee provides a forum for Wannon Water to better understand the needs of its customers and the wider community. Over the past year the committee provided a valuable contribution to the development of pricing options, e-billing, payment options and input to the preparation of the Water Plan 2013-2018.

Members of the committee were:

- John Wilken (Chair)
- Nathan Anderson
- Tim Clingan
- Tom Doherty
- Alex Dupleix
- Jennie Fairman*
- Georgina Gubbins (Director)
- Roz Greenwood
- Lou Hollis
- Joseph Milani
- Tom Nieuwveld
- George Tyers
- Russell Worland (Director)

*Resigned in May 2013

Cultural heritage

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

- Dutton Way Sewerage Scheme
- Wollaston Road, Warrnambool, water and sewerage infrastructure project.

Wannon Water sought input from relevant groups at the start of these projects to identify cultural heritage needs and expectations. Consultants undertook cultural heritage surveys to ensure sites of cultural importance were identified and plans put in place to ensure their preservation.

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 Dutton Way and Wollaston Road projects.

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

Strategic objective: grow organisational capability

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

Employment data

Employment and conduct principles

Wannon Water is committed to applying merit and equity principles when appointing employees. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination.

Workforce statistics

The total number of full time equivalent employees reduced by four in 2012/13 following minor restructures of the executive team and corporate communications.

2013	Full Time (No.)	Part Time (No.)	Casual (No.)	Total (No.)	Total (percentage)	FTE
Female Employees	41	16	0	57	27%	51
Male Employees	150	2	3	155	73%	153
Total	191	18	3	212	100%	204

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

FTE refers to full time equivalent employees

2012	Full Time (No.)	Part Time (No.)	Casual (No.)	Total (No.)	Total (percentage)	FTE
Female Employees	48	14	1	63	29%	58
Male Employees	149	3	2	154	71%	150
Total	197	17	3	217	100%	208

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

FTE refers to full time equivalent employees

Employee Classification	2012/13 (FTE)	2011/12 (FTE)
Executive	5	6
Manager	24	24
Professional	19	21
Technical	31	31
Production & Maintenance	82	82
Administrative	43	44
Total	204	208

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

FTE refers to full time equivalent employees

In June 2013 Wannon Water launched an Emerging Leaders Program as part of its commitment to developing a high performance culture. This program provides 15 future leaders with leadership training and participation in a structured mentoring program.

In 2012/13 Wannon Water provided 13,920 total training hours (66 hours per employee) on employee learning and development.

Occupational health & safety (OH&S)

Wannon Water's strong OH&S culture reflects our commitment to the health and safety of all employees and contractors involved in our business. In our view, the link between personal wellbeing and working life is an integral part of this culture, and our internal health and wellbeing program has been successful in strengthening this link.

This proactive initiative promotes diverse health and wellbeing themes every two months, coinciding with national and workplace events. Each theme includes education sessions and activities available to all employees. Themes undertaken during the reporting period included:

- ergonomics & manual handling
- women's health
- diabetes awareness
- summer health
- heart disease
- exercise & fitness.

In conjunction with the health and wellbeing program, Wannon Water continued its *WorkSafe HomeSafe* campaign throughout the reporting period. The campaign personalises OH&S for employees and seeks to:

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

WorkSafe HomeSafe has gained momentum in recent years and in February 2013 the program was awarded the Institute of Public Administration Australia (Victoria) 'Leading the Way in Health, Safety and Wellbeing Award' for



demonstrating leadership and continual improvement in creating a healthy, safe and inclusive work environment. For more on this award, see the feature on page 9.

During the reporting period Wannon Water's OH&S management system was re-certified to the AS/NZS 4801 standard following audits by an external accredited auditing body.

Improving the capacity of employees to manage OH&S effectively

Wannon Water continued to invest in OH&S training in 2012/13 including:

- confined space entry
- train track safety awareness
- mini excavator
- driver education
- traffic management
- dogman
- asbestos removal
- chlorine handling
- OHS technical support training for managers
- spotters
- OHS representative
- bullying & harassment
- manual handling
- construction induction.

Performance measures

Wannon Water's key OH&S performance indicators are aligned with the standards set out in the workplace injury and disease recording standard AS 1885.1—1990. For the reporting period both Lost Time Injuries (LTIs) and the Lost Time Injury Frequency Rate (LTIFR) reduced by 33 per cent.

OH&S Indicators	2012/13	2011/12	2010/11	2009/10	2008/09
Lost Time Injuries (Number)	2	3	3	5	6
Lost Time Injury Frequency Rate (LTIFR - LTI occurrences per one million hours worked)	6	9	9	16	20
Lost time Injury Severity Rate (Days)	16	17	7	48	46

ENVIRONMENTAL REPORT

**Strategic objective:
integrated water management**

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

During the reporting period further advances were made into reducing water losses and protecting our water supplies to support liveable and sustainable communities. Wannon Water also undertook programs to protect and enhance the health of catchment waterways and increased the use of recycled water.

Western Region Sustainable Water Strategy

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

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

Regional Catchment Management Strategies

The Regional Catchment Management Strategies of the Corangamite Catchment Management Authority and the Glenelg Hopkins Catchment Management Authority provide the primary planning framework for land, water and biodiversity management across Wannon Water's service area. Through action plans and regional partnerships Wannon Water continues to be a significant contributor to regional water management outcomes, particularly in the Gellibrand River catchment.

Wannon Water also actively contributed to the new Regional Catchment Management Strategies being developed for our region.

Victorian Biodiversity Strategy

Wannon Water continues to work on projects that support implementation of the Victorian Biodiversity Strategy. Biodiversity and land management work was undertaken at high priority sites, including land around reservoirs, water treatment plants, water reclamation plants and other sites. The work was done in partnership with local agencies and contractors, including the Glenelg Hopkins Catchment Management Authority and Corangamite Catchment Management Authority.

Ongoing soil and groundwater monitoring programs are also in place to ensure applying recycled water to farms is being managed sustainably.

A project to better understand the flora and fauna at the Dunkeld Water Reclamation Plant, one of the most important sites for biodiversity under our management, was completed during the reporting period. The information provides a baseline for future action and confirmed the presence and location of Plump Swamp Wallaby Grass, a nationally listed species.

To increase the knowledge of biodiversity on our sites, Wannon Water funded two projects to assess aquatic fauna and flora. The research includes surveys at 13 sites across our region, covering water storages, sewage treatment lagoons and winter storages. Results will be available in the coming year and will help protect and improve the natural values at these sites.

Victorian River Health Strategy

Wannon Water completed the fifth year of a partnership with the Corangamite Catchment Management Authority to improve water quality and waterway health in the Gellibrand River Special Water Supply Catchments. Funding by Wannon Water this year helped protect over three kilometres of the Gellibrand River riparian zone upstream of the South Otway pump station through willow removal, fencing and replanting.

Wannon Water complied with the relevant Environment Protection Authority licence conditions for discharge of recycled water to stream from the Simpson water reclamation plant.

Recycling water

Wannon Water continues to focus on shifting recycled water from a low-value product into a beneficial resource. Recycled water is used for agricultural, recreational and industrial purposes, including as a supply to the recently commissioned Mortlake Power Station.

During the year, infrastructure was constructed to supply recycled water to the belt filter presses and screening plant at the Warrnambool water reclamation plant. This new recycled water initiative will reduce drinking water use by 200 megalitres per year.

The total volume of recycled water reused increased to 1,570 megalitres (18 per cent) in 2012/13, an increase of 321



megalitres from the previous year. The majority of the recycled water was used for agriculture over the summer irrigation period and process water for industry.

Aquaculture project

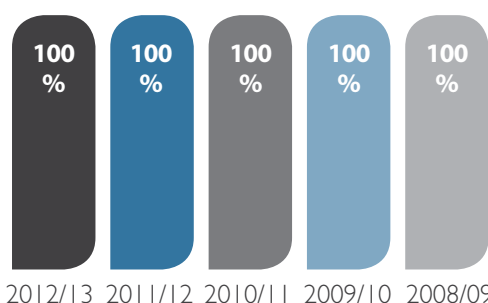
Wannon Water furthered its innovative aquaculture project by establishing a fish hatchery at Warrnambool and converting obsolete infrastructure at Hamilton water reclamation plant into a juvenile fish production facility. Breeding has begun and fish produced from these facilities will be used in the sewage treatment process in lagoon-based water reclamation plants to reduce the accumulation of sludge. Trials at the Hamilton plant have shown that 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.

Biosolids reuse

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

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

PERCENTAGE OF BIOSOLIDS REUSE

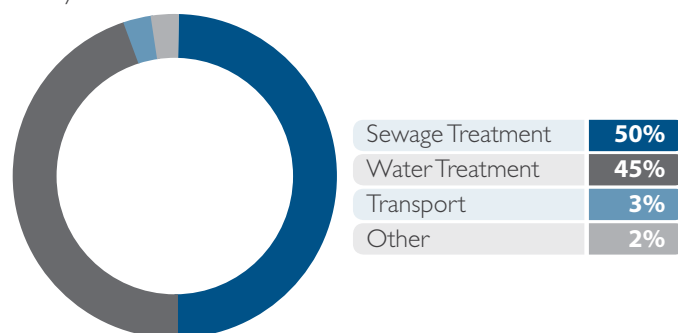


Wannon Water:

- reused 100 per cent of available biosolids by applying 3,016 dry tonnes to land as a soil conditioner, and as construction and landscaping material
- continued research, in partnership with the Smart Water Fund, RMIT University and Gippsland Water, to provide data on the microbial safety and nutrient status of biosolids produced by lagoon-based systems. The research aims to influence a revision of the Victorian Environment Protection Authority *Biosolids Land Application Guidelines for Environmental Management*.

Greenhouse gas emissions

Wannon Water produced 30,586 tonnes of greenhouse gas emissions during the reporting period, maintaining our 10 per cent greenhouse reduction target compared to the 2006/07 base year.



Wannon Water recorded reductions in emissions from sewage treatment and water treatment.

Wannon Water is actively pursuing energy efficiencies, investigating renewable energy options, and has commenced a major benchmarking exercise to assess our pumping and treatment plant efficiencies against industry peers.

Our new energy database tool is now fully operational and has enabled greater insight into energy use and enabled efficiency projects across the business.

Greenhouse gas emission by activity	2012/13 (t CO ₂ -e)	2011/12 (t CO ₂ -e)	2010/11 (t CO ₂ -e)	2009/10 (t CO ₂ -e)	2008/09 (t CO ₂ -e)
Water Treatment	13,680	16,984	9,923	12,946	15,247
Sewage Treatment	15,371	15,271	17,178	18,053	24,280
Transport	832	829	801	864	849
Other (inc. office energy use)	703	668	676	459	520
Reductions/Offsets	0	0	0	-1,588	-1,844
Total	30,586	33,753	28,578	30,734	39,052

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 2012/13.

Summary of bulk entitlements 2012/13:

Bulk entitlement	Volume of entitlement (ML)	Volume extracted in 2012/13 (ML)	Percentage of bulk entitlement extracted in 2012/13	Water in storage at 30 June 2013 (ML)
Otway System Conversion Order	12,580	8,556.50	68.0	2,102.0
Hamilton Conversion Order	3,435	1,183.36	34.5	1,690.8
Coleraine, Casterton & Sandford Conversion Order	855	143.98	16.8	623.0
Dunkeld Conversion Order	170	8.35	4.9	79.3
Glenhompson Conversion Order	94	25.12	26.7	68.1
Wimmera and Glenelg Rivers - Wannon Water Order 2010	2,120	84.72	4.0	4,117.0
Willaura System Conversion Order 2012	58	20.07	34.6	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	Programs and proposals implemented
12.1(f) - volume taken 2012/13	8,556.50 ML
12.1(g) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
12.1(h) - any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system	Nil
12.1(i) - any amendment to this bulk entitlement	Nil
12.1(j) - any new bulk entitlement granted to the corporation with respect to the system	Nil
12.1(k) - any failure by the corporation to comply with any provision of this bulk entitlement	Nil
12.1(l) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

Bulk Entitlement (Hamilton) Conversion Order 1997

12.1(d) - approval, amendment and implementation of programs and proposals under clauses 8, 9 and 11	Programs and proposals implemented
12.1(e) - volume taken 2012/13	1,183.36 ML
12.1(f) - the amount in, credited to and taken from the drought reserve	520 ML in drought reserve; no water credited to or taken
12.1(g) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
12.1(h) - any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system	Nil
12.1(i) - any amendment to this bulk entitlement	Nil
12.1(j) - any new bulk entitlement granted to the corporation with respect to the system	Nil
12.1(k) - any failure by the corporation to comply with any provision of this bulk entitlement	Nil
12.1(l) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

Bulk Entitlement (Dunkeld System) Conversion Order 1997

13.1(b) – water level and storage volume at 30 June 2013	216.20m AHD – 79.3 ML
13.1(c) - volume taken 2012/13	8.35 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 2013	
<ul style="list-style-type: none"> Glenthompson Reservoir Railway Reservoir 	307.62m AHD – 50.6 ML 294.30m AHD – 17.5 ML
13.1(c) - volume taken 2012/13	25.12 ML
13.1(d) - approval, amendment and implementation of programs and proposals under clauses 10, 11 and 12	Programs and proposals implemented
13.1(e) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
13.1(f) - any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system	Nil
13.1(g) - any amendment to this bulk entitlement	Nil
13.1(h) - any new bulk entitlement granted to the corporation with respect to the system	Nil
13.1(i) - any failure by the corporation to comply with any provision of this bulk entitlement	Nil
13.1(j) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

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

13.1(b) – water level and storage volume at 30 June 2013	272.60m AHD – 623.0 ML
13.1(c) - volume taken 2012/13	143.98 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 2012/13	27.37 ML to Hamilton Pipeline; 57.35 ML to Balmoral
13.1(c) – volume and location of any water taken under this bulk entitlement at any other works of Wannon Water	Nil
13.1(d) – final allocation to Wannon Water for the year under this Order	2,120 ML
13.1(e) - approval, amendment and implementation of the metering program under sub clause 12.4	Programs and proposals implemented
13.1(f) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
13.1(g) - any bulk entitlement, licence or water right temporarily or permanently transferred to Wannon Water supply systems under this Order	Nil
13.1(h) - any amendment to this bulk entitlement	Minor amendment gazetted on 28 March 2013 to account for the Commonwealth Government's purchase of an environmental water entitlement
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 2012/13	20.07 ML
10.1(c) – approval, amendment and implementation of the metering program approved under sub clause 9.4	A metering program including Willaura has been drafted.
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	A metering program has been drafted incorporating relevant amendments, and is expected to be finalised in August 2013

Groundwater licences

Wannon Water is licensed to extract groundwater from 18 localities. In 2012/13, 4,426 megalitres of groundwater were extracted for urban water supplies.

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

Locality	Licence No.	Licence allocation (ML)	Volume extracted in 2012/13 (ML)
Warrnambool (Albert Park)	BEE024155 (1152971)	750	382.9
Grampians (Bullawin)	BEE026192 (911313)	1,102.30	3.7
Caramut	BEE021943 (924563)	50	32.4
Carlisle	BEE029488 (9016487)	2,150	263.3
Casterton	BEE022551 (885355)	1,000	506.2
Condah	4001451	N/A	0.0
Curdie Vale	904309	2,150	0.0
Darlington	BEE021827 (1082159)	10	3.4
Dartmoor	9016786	170	25.4
Heywood	900184	333	179.1
Koroit	BEE029066 (899038)	524	3.4
Macarthur	BEE021944 (4001451)	130	37.6
Mocambo	BEE026109 (903701)	100	0.0
Mortlake	BEE030858 (907049)	295	31.0
Penshurst	BEE036146 (914444)	250	99.8
Port Campbell	BEE026252 (904309)	1,009	345.4
Port Fairy	890472	1,026	645.6
Portland	923621	6,222	1,866.8
Total		17,271.3	4,425.9

CORPORATE GOVERNANCE

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 (Governance) Act 2006*.

The Board are 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 was a member of the Timboon APEX club for more than 20 years.

John is Chairman of the Executive Remuneration Committee and Strategic Issues Committee and is an ex-officio member of the Audit and Risk Management Committee and Health 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, has previously served as Director on other Boards and is a Fellow of the Australian Institute of Company Directors.

Rob is Chairman of the Audit and Risk Management Committee and is a member of the Executive Remuneration Committee 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 undertaking various 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 Health 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.

CORPORATE GOVERNANCE

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 Health and Safety Committee and the Strategic Issues Committee.

Katharine Fraser

B Ec, GAICD

Appointed 1 October 2008

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

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

Kate is a member of the Health and Safety Committee, the Executive Remuneration Committee and the Strategic Issues Committee.

Georgina Gubbins

BN, MAB, GAICD

Appointed 1 October 2011

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

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

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

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

Georgina is a member of the Health 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 joins the Wannon Water Board with a long and distinguished career in the water industry.

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

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

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

Russell has been a Director of South West Healthcare since 2009 and runs a 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 joins the Board with extensive business and community service experience. A former policeman with more than 20 years' experience, Frank went on to serve as Mayor of the Glenelg Shire Council and a Member of the Ministerial Crime Prevention Council.

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

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

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

Director attendance at Board and committee meetings

	Board	Audit & Risk Management Committee [#]	Executive Remuneration Committee [#]	Strategic Issues Committee	Health & Safety Committee [#]	Water Plan Committee
	Attended	Attended	Attended	Attended	Attended	Attended
John Vogels	11 of 11	5 of 5	2 of 2	3 of 3	2 of 2	2 of 2
Rodney Coutts	11 of 11	5 of 5	1 of 1	3 of 3	2 of 2	2 of 2
Katharine Fraser*	5 of 11	-	1 of 1	2 of 3	1 of 2	0 of 2
Grant Green	11 of 11	-	-	3 of 3	1 of 2	2 of 2
Georgina Gubbins	11 of 11	2 of 2	-	3 of 3	2 of 2	2 of 2
Robert Wallis	10 of 11	5 of 5	2 of 2	2 of 3	-	2 of 2
Russell Worland	11 of 11	5 of 5	-	3 of 3	-	2 of 2
Frank Zeigler	10 of 11	2 of 3	-	3 of 3	2 of 2	2 of 2

*Director Fraser was on leave of absence from 1 April 2012 to 31 January 2013.

[#]Committee memberships changed in October 2012.

Board meetings

Board meetings are scheduled monthly. Minutes of meetings record Board decisions and summary outcomes are published on the Wannon Water website.

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 2013.

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.

Board committees

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

- Audit and Risk Management Committee
- Executive Remuneration Committee
- Health and Safety Committee
- Strategic Issues Committee
- Water Plan 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, RSM Bird Cameron, and the external auditor.

As at 30 June 2013 the committee comprised four non-executive independent Directors – Robert Wallis (Chairman), Rodney Coutts, Russell Worland, Frank Zeigler – and an independent external member, Steven 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 2013 the committee comprised three non-executive Directors: John Vogels (Chairman), Katharine Fraser and Robert Wallis.

Health and Safety Committee

The Health 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 2013 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.

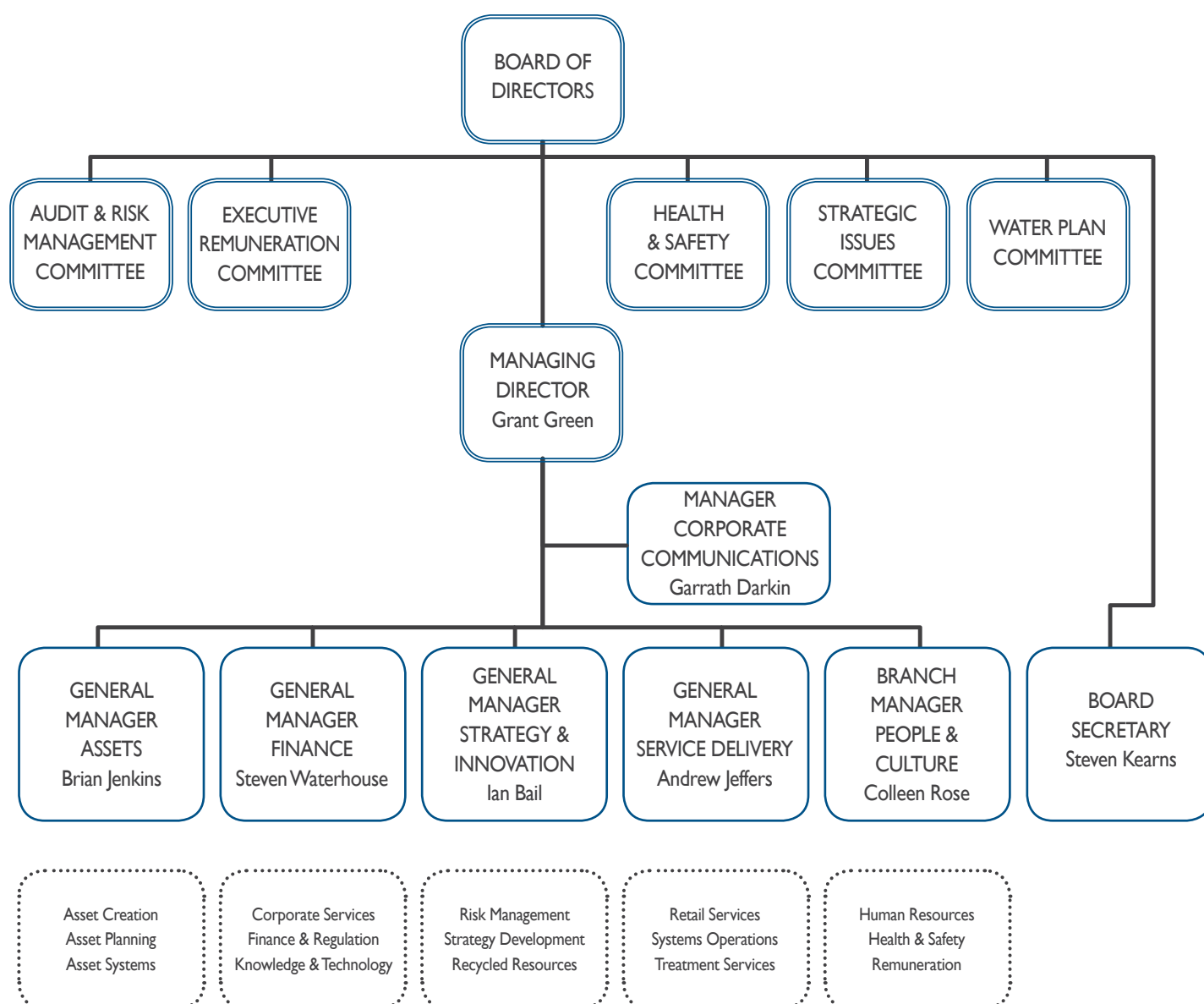
As at 30 June 2013 the committee comprised seven non-executive Directors – John Vogels (Chairman), Rodney Coutts, Katharine Fraser, Georgina Gubbins, Robert Wallis, Russell Worland, Frank Zeigler – and Managing Director Grant Green.

Water Plan Committee

The Water Plan Committee provides guidance and strategic direction regarding development of Water Plan submissions to the Essential Services Commission.

The committee comprised seven non-executive Directors – Katharine Fraser (Chair), John Vogels, Rodney Coutts, Georgina Gubbins, Robert Wallis, Russell Worland, Frank Zeigler – and Managing Director Grant Green.

ORGANISATIONAL STRUCTURE



Legislative compliance

Protected Disclosures Act

The *Whistleblowers Protection Act 2001* (WB Act) was repealed and replaced with the *Protected Disclosure Act 2012* (PD Act) on 10 February 2013. As the change of legislation occurred midway through the 2012/13 financial year, this disclosure complies with the requirements of the PD Act and section 104 of the WB Act, for each of the relevant time periods.

Compliance with the Protected Disclosures Act 2012

The PD Act was part of a package of integrity reforms introduced by the Victorian Coalition Government, which also established the Independent Broad-Based Anti-Corruption Commission (IBAC).

The PD Act enables people to make disclosures about improper conduct within the public sector without fear of reprisal. It 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 PD 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.

ORGANISATIONAL STRUCTURE

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 the Department of Environment and Primary Industries or 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.

Contacts

Department of Environment and Primary Industries
Jennifer Berensen, Senior Advisor, Privacy & Ombudsman
Department of Environment and Primary Industries
Address: PO Box 500, East Melbourne Vic 3002
Phone: 03 9637 8697
Website: www.depi.vic.gov.au

Independent Broad-Based Anti-Corruption Commission Vic.

Address: Level 1, North Tower, 459 Collins Street,
Melbourne Victoria 3001.
Mail: IBAC, GPO Box 24234, Melbourne Victoria 3000
Website: www.ibac.vic.gov.au
Phone: 1 300 735 135
Email: see the website above for the secure email
disclosure process, which also provides for
anonymous disclosures.

Disclosures under the Whistleblowers Protection Act 2001 (up to 9 February 2013)

There were no disclosures under the WB Act.

The archived procedures established under the WB Act are available upon request.

Freedom of Information Act

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

In 2012/13, Wannon Water received one request for access to documents under the *Freedom of Information Act* 1982 and granted access in full.

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 \$25.70 (further charges may apply). Fees and charges levied under the *Freedom of Information Act* 1982 are not subject to GST.

Information Privacy Act

Wannon Water complies with information privacy principles set out in the *Information Privacy Act* 2000. A Personal Privacy Charter provides guidance to our employees, contractors and consultants to ensure that private information is protected from unauthorised access or disclosure.

A copy of this charter can be viewed on our website.

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
- 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.

Building Act

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

Victorian Industry Participation Policy

No contracts to which the *Victorian Industry Participation Policy Act* 2003 applied were commenced or completed in 2012/13.

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.

Consultancy expenditure

Consultants costing less than \$10,000

Wannon Water engaged 21 consultancies in 2012/13 where the total fees payable to the consultants were less than \$10,000. Total expenditure on these consultants was \$96,127 (excluding GST).

Consultants costing more than \$10,000

Six major consultancies were engaged in 2012/13 with a total value of \$333,529.

Consultant	Purpose of consultancy	Total Project Fee (exc. GST) \$'000	Expenditure 2012/13 (exc. GST) \$'000	Future Expenditure (exc. GST) \$'000
GHD Pty Ltd	Dam safety management	509	159	350
This Side Up Pty Ltd	Telecommunications tender assessment	22	22	Nil
Andrew Long & Associates Pty Ltd	Aboriginal cultural heritage plan	20	20	Nil
Maloney Field Services Pty Ltd	Professional services – pipeline easements	11	11	Nil
Step Two Designs Pty Ltd	Intranet architecture plan	31	31	Nil
Odysseus-imc Pty Ltd	Asset management plan	91	91	Nil

FINANCIAL STATEMENTS

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COMPREHENSIVE OPERATING STATEMENT

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Revenue	I(b)		
Service charges	4(a)	36,159	31,897
Usage charges	4(a)	30,438	27,889
Government grants and contributions	4(a)	1,340	621
Interest	4(a)	166	178
Developer and customer contributions	4(a)	921	12,730
Assets received free of charge or for nominal consideration	4(a)	1,769	1,664
Other income	4(a)	5,887	5,049
Total Revenue		76,680	80,028
Expenses			
Employee benefits	I(c), 4(c)	(17,025)	(17,922)
Depreciation	I(c), 4(c)	(22,453)	(24,974)
Amortisation	I(c), 4(c)	(909)	(471)
Supplies and services	4(c)	(19,274)	(21,196)
Borrowing costs	I(c), 4(c)	(5,979)	(5,873)
Net loss on disposal of non financial assets	I(b), 4(b)	(878)	(3,112)
Environmental contribution	I(c)	(1,569)	(1,569)
Total Expenses		(68,087)	(75,117)
Net result before tax		8,593	4,911
Income tax (expense) / revenue	5(a)	(1,972)	(1,170)
Net result for the period		6,621	3,741
Comprehensive result		6,621	3,741

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

BALANCE SHEET

As at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	I (d), 6	3,473	24
Receivables	I (d), 7	16,221	14,730
Inventories	I (d), 8	624	606
Prepayments	I (d), 9	730	626
Assets classified as held for sale	I (d), 10	-	263
Total current assets		21,048	16,249
Non-current assets			
Receivables	I (d), 7	14,881	15,660
Property, plant and equipment	I (d), 11	557,606	553,287
Intangible assets	I (d), 12	6,816	7,235
Total non-current assets		579,303	576,182
TOTAL ASSETS		600,351	592,431
LIABILITIES			
Current liabilities			
Payables	I (e), 13	6,920	5,393
Interest bearing liabilities	I (e), 14	11,043	10,700
Employee benefits	I (e), 15	3,214	2,960
Total current liabilities		21,177	19,053
Non-current liabilities			
Payables	I (e), 13	-	1,458
Interest bearing liabilities	I (e), 14	77,727	78,770
Employee benefits	I (e), 15	642	769
Deferred tax liabilities	I (h), 5(d)	36,879	35,076
Total non-current liabilities		115,248	116,073
TOTAL LIABILITIES		136,425	135,126
NET ASSETS		463,926	457,305
Equity			
Contributed capital	I (f), 16	441,165	441,165
Reserves	17	13,325	11,744
Accumulated funds	18	9,436	4,396
TOTAL EQUITY		463,926	457,305

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	Notes	Contributed Capital \$'000	Reserves \$'000	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2011		440,347	11,857	542	452,746
Total comprehensive income for the year as reported in the 2012 financial report		-	-	3,741	3,741
Transfer to accumulated funds on disposal		-	(113)	113	-
Transactions with the State in its capacity as owner:					
Contributions by owners					
Grant - Warrnambool Roof Water Harvesting Project	16	476	-	-	476
Grant - Small Towns Water Quality Fund	16	342	-	-	342
Balance at 30 June 2012		441,165	11,744	4,396	457,305
Total comprehensive income for the period		-	-	6,621	6,621
Transfer from accumulated funds on disposal		-	1,581	(1,581)	-
Balance at 30 June 2013		441,165	13,325	9,436	463,926

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 2013

	Notes	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Receipts			
Service and usage charges		65,096	61,084
GST recovered		4,390	4,781
Capital grants received		1,340	621
Capital charges received		1,619	1,175
		72,445	67,661
Payments			
Payments to suppliers and employees		(33,429)	(35,900)
GST paid		(4,238)	(4,895)
Interest and other costs of finance paid		(5,968)	(5,851)
Environmental contributions		(1,569)	(1,569)
		(45,204)	(48,215)
Net cash inflow from operating activities	24	27,241	19,446
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(24,106)	(30,820)
Proceeds from sale of infrastructure, property, plant and equipment		1,014	440
Net cash (outflow) from investing activities		(23,092)	(30,380)
Cash flows from financing activities			
Proceeds from borrowings		9,811	15,151
Repayment of borrowings		(10,511)	(6,075)
Proceeds from contributions by owners		-	818
Net cash inflow/(outflow) from financing activities		(700)	9,894
Net increase/(decrease) in cash and cash equivalents		3,449	(1,040)
Cash and cash equivalents at start of the financial year		24	1,064
Cash and cash equivalents at the end of the financial year	6(a)	3,473	24
Financing arrangements	14		

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

NOTES TO THE FINANCIAL REPORT

30 June 2013

Note 1. 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 16 August 2013.

The principal address is:
25 Gateway Rd
Warrnambool VIC 3280

Accounting policies

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

Functional and presentation currency

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

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over in the next twelve months, being the Corporation's operating cycle. See Note 1(e) 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, as modified by 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.

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

- the estimation of useful lives for infrastructure assets
- the impairment of assets
- actuarial assumptions used to determine the Corporation's superannuation defined benefit liability and employee benefit provisions

These assumptions are discussed in notes 1(c) and 1(d) and the related carrying amounts are disclosed in notes 4, 11, 13, 15 and 22.

(b) 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 2013

Note I. Accounting policies (continued)

(b) Revenue (continued)

Interest

Interest income is recognised using the effective interest rate method.

Developer contributions / Fees paid by developers

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

Government grants and contributions

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

Sale of assets

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

(c) Expenses

Employee benefits

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

Superannuation

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

Depreciation and amortisation of non-current assets

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

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

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

Repairs and maintenance

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

Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note 1. Accounting policies (continued)

(c) Expenses (continued)

Environmental contributions

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

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

(d) Assets

Cash and cash equivalents

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

Receivables

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

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

Inventories

Inventories comprise stores and materials used for the repair and maintenance of existing assets. All inventories are measured at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date on a first in, first out basis.

Prepayments

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

Property, plant and equipment

Recognition and measurement of assets

Property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage and drainage infrastructure, plant, equipment and motor vehicles used by the Corporation in its operations. Items with 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) 103D Non-Current Physical Assets.

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

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

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

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

The fair value assessment for water infrastructure in the prior period was undertaken with involvement from the Valuer General of Victoria (VGV) and under the instructions of the Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructures. Further details of the valuation exercise are provided in Note 11.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

(d) Assets (continued)

Revaluation of non-current physical assets

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

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

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Impairment of assets

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

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

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying amount exceeds its recoverable amount, the difference is written off by a charge to the comprehensive operating statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to the class of asset.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

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

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

Assets classified as held for sale

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note I. Accounting policies (continued)

(d) Assets (continued)

Intangibles

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

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

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

(e) Liabilities

Payables

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

Interest bearing liabilities

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

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

Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in employee benefit liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, at their nominal values. Employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the entity, in respect of services rendered by employees up to the reporting date. Regardless of the expected timing of settlements, liabilities in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

Long service leave (LSL)

Current Liability - unconditional LSL (representing 7 or more years of continuous service, as per the Wannon Water EBA Agreement 2010) is disclosed as a current liability even where the Corporation does not expect to settle the liability within 12 months because it does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- Present value - component that the Corporation does not expect to settle within 12 months
- Nominal value - component that the Corporation expects to settle within 12 months

Non-Current Liability - conditional LSL (representing less than 7 years of continuous service, as per the Wannon Water EBA Agreement 2010) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional LSL is required to be measured at present value.

In calculating present value, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note 1. Accounting policies (continued)

(e) Liabilities (continued)

Superannuation

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

Employee benefit on-costs

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

(f) Equity

Contributed capital

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

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.

(g) Financial instruments

Recognition

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables and other receivables in the balance sheet. Loans and receivables are recorded at amortised cost less impairment.

Impairment of financial assets

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

(h) 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.

(i) Commitments

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

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

(j) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 21) and if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note 1. Accounting policies (continued)

(k) 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.

(l) 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.

(m) 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 2013 reporting period. As at 30 June 2013, the following standards and interpretations had been issued but were not mandatory for the financial year ending 30 June 2013. The Corporation has not and does not intend to adopt these standards early.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on Corporations financial statements
AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures	AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The entity has not yet decided when to adopt AASB 9.	1 January 2013	The entity is yet to assess its full impact. However, initial indications are that it may affect the entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
AASB 1053 Application of Tiers of Australian Accounting Standard, AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements, AASB 2011-2 Amendments to Australian Accounting Standards arising from the Tans-Tasman Convergence Project - Reduced Disclosure Requirements and AASB 2012-7 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements and AASB 2012-11 Amendments to Australian Accounting Standards - Reduced Disclosure Requirements and Other Amendments	On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Tier 1 are the Australian Accounting Standards as currently applied and Tier 2 is the reduced disclosure regime which retains the recognition and measurement requirements of Australian Accounting Standards but with reduced disclosure requirements. This Standard adds to or amends the Australian Accounting Standards - Reduced Disclosure Requirements for AASB 7 Financial Instruments: Disclosures, AASB 12 Disclosure of Interests in Other Entities, AASB 101 Presentation of Financial Statements and AASB 127 Separate Financial Statements. The Standard makes various editorial corrections to Australian Accounting Standards - Reduced Disclosure Requirements (Tier 2). These corrections ensure that the Standards reflect decisions of the AASB regarding the Tier 2 requirements.	1 July 2013	The impact of these standards will depend on instructions provided by DTF on its applicability to the entity. The entity will assess its impact once DTF has provided guidance on this standard.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note 1. Accounting policies (continued)

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

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on Corporations financial statements
AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements.	These standards require the recognition of all remeasurements of defined benefit liabilities/ assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.	1 January 2013 / 1 July 2013	The entity is yet to assess its full impact. The entity will apply amended standard from 1 July 2013.
AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	AASB 1 First-time Adoption of Australian Accounting Standards was amended in December 2010 by eliminating references to fixed dates for one exemption and one exception dealing with financial assets and liabilities.	1 January 2013	This amendment will not affect the financial statements of the entity.
AASB 2011-4 Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements	Removes the individual key management personnel disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporation Act 2001. The amendments cannot be adopted early.	1 July 2013	This amendment is expected to have a limited impact.
AASB 13 Fair Value Measurement, AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 and AASB 2012-1 Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements.	The standard explains how to measure fair value and aims to enhance fair value disclosures.	1 January 2013 / 1 July 2013	The entity has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group will adopt the new standard from its operative date, which means that it will be applied in the annual reporting period ending 30 June 2014.
AASB 2013-1 Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements	This Standard removes the requirements relating to the disclosure of budgetary information from AASB 1049 (without substantive amendment). All budgetary reporting requirements applicable to public sector entities are now located in a single, topic-based, Standard AASB 1055 Budgetary Reporting.	1 July 2014	This amendment is expected to have a limited impact.
AASB 2012-1 Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141]	This Standard applies to annual reporting periods beginning on or after 1 July 2013. Earlier application is permitted for annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013, provided that the following are also adopted for the same period: (a) AASB 1053 Application of Tiers of Australian Accounting Standards; (b) AASB 13 Fair Value Measurement; and (c) AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.	1 July 2013	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 2014.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note I. Accounting policies (continued)

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

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on Corporations financial statements
AASB 2012-5 Amendments to Australian Accounting Standard arising from Annual Improvements- 2009-2011 Cycle	These amendments are a consequence of the annual improvements process, which provides a vehicle for making non-urgent but necessary amendments to Standards.	1 January 2013	This amendment is expected to have a limited impact.
AASB 1055 Budgetary Reporting	AASB 1053 Application of Tiers of Australian Accounting Standards establishes a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards; and (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements. Tier 1 requirements incorporate International Financial Reporting Standards (IFRSs), including Interpretations, issued by the International Accounting Standards Board (IASB), with the addition of paragraphs on the applicability of each Standard in the Australian environment. Publicly accountable for-profit private sector entities are required to adopt Tier 1 requirements, and therefore are required to comply with IFRSs. Furthermore, other for-profit private sector entities complying with Tier 1 requirements will simultaneously comply with IFRSs. Some other entities complying with Tier 1 requirements will also simultaneously comply with IFRSs. Tier 2 requirements comprise the recognition, measurement and presentation requirements of Tier 1 but substantially reduced disclosure requirements in comparison with Tier 1.	1 July 2014	The impact of these standards will depend on instructions provided by DTF on its applicability to the entity. The entity will assess its impact once DTF has provided guidance on this standard.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

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

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

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

(ii) Foreign exchange risk

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

Wannon Water transacts in foreign currencies only in rare instances and for small dollar value transactions, therefore the associated risk is minimal.

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

(iii) Other price risk

The Corporation has no significant exposure to other price risk.

Market risk sensitivity analysis

Cash flow sensitivity analysis for variable rate instruments

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

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

Market risk sensitivity analysis (continued)

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

30 June 2013	Carrying Amount \$'000	INTEREST RATE RISK			
		Result \$'000	-1% Equity \$'000	+1% Result \$'000	+1% Equity \$'000
Financial assets					
Cash and cash equivalents	3,471	(6)	(6)	6	6
Receivables	22,062	-	-	-	-
Financial liabilities					
Payables	6,876	-	-	-	-
Interest bearing liabilities	88,770	14	14	(14)	(14)
Total increase / (decrease)		8	8	(8)	(8)

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

(b) Credit risk

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

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

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

(c) Liquidity risk

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

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

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

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

(d) Fair value measurements

The carrying amounts of trade receivables and payables are assumed to approximate their fair value due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments. The fair value of current borrowings approximate the carrying amount, as the impact of discounting is not significant.

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note 3. Critical accounting estimates and judgements

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

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

Note 4. Revenue and expense disclosures

(a) Revenues

Service charges

Water

Sewer

Total service charges

Usage charges

Water

Trade waste

Total usage charges

Interest

Interest on bank deposits

Income from investments

Other

Total interest

Developer and customer contributions

Fees paid by developers and customers

Total developer and customer contributions

Assets received free of charge or for nominal consideration

Assets received free of charge from developers

Total assets received free of charge or for nominal consideration

Government grants and contributions

Government contributions

Total government grants and contributions

Other income

Rental

Cost recoveries

Information statements

Connection and inspection fees

Miscellaneous

Total other revenue

2013 \$'000	2012 \$'000
10,603	9,422
25,556	22,475
36,159	31,897
23,880	21,638
6,558	6,251
30,438	27,889
16	24
32	10
118	144
166	178
921	12,730
921	12,730
1,769	1,664
1,769	1,664
1,340	621
1,340	621
243	325
2,101	1,157
279	287
352	467
2,912	2,813
5,887	5,049

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note 4. Revenue and expense disclosures (continued)

	2013 \$'000	2012 \$'000
(b) Net gain/(loss) on disposal of non-current assets		
Cost of assets disposed		
Infrastructure	(877)	(3,083)
Land	(394)	-
Buildings	(87)	-
Office equipment	(19)	(122)
Motor vehicles	(515)	(347)
Total written down value of assets disposed	(1,892)	(3,552)
Proceeds of assets disposed		
Motor vehicle trade ins	539	438
Other asset sales	475	2
Total proceeds of asset disposed	1,014	440
Net gain/(loss) on disposal of non current assets	(878)	(3,112)
(c) Expenses		
Employee benefits expense		
Salaries and wages	(14,166)	(13,396)
Annual leave	(1,130)	(1,084)
Long service leave	(401)	(754)
Employer superannuation contributions	(1,176)	(1,100)
Defined benefit superannuation	(152)	(1,588)
Total employee benefits expense	(17,025)	(17,922)
Depreciation		
Land improvements	(13)	(14)
Buildings	(500)	(499)
Infrastructure	(19,548)	(22,164)
Other equipment	(2,392)	(2,297)
Total depreciation	(22,453)	(24,974)
Amortisation		
Intangible assets - computer software	(909)	(471)
Total amortisation	(909)	(471)
Supplies and services		
Chemicals	(724)	(865)
Consultancies and contractors	(8,278)	(9,645)
Electricity	(2,995)	(2,832)
Other goods and services	(7,277)	(7,854)
Total supplies and services	(19,274)	(21,196)
Borrowing costs		
Interest on loans - other institutions	(1)	(3)
Interest on loans - TCV	(5,107)	(5,065)
Financial accommodation levy	(871)	(805)
Total borrowing costs	(5,979)	(5,873)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note 5. Income tax

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

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

Net result before income tax expense

Income tax calculated @ 30% (2012: 30%)

Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:

Balancing deduction on disposal of fixed assets - tax

Non-deductible expenses

Income tax as reported in the comprehensive operating statement

(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

Movement

Opening balance 1 July

Annual movement

Closing balance 30 June

(c) Deferred tax liabilities

The balance comprises temporary differences attributable to:

Amounts recognised in the comprehensive operating statement

Depreciation and revaluation

Other

Movement

Opening balance 1 July

Annual movement

Closing balance 30 June

(d) Net deferred tax liabilities

Deferred tax assets

Deferred tax liabilities

Net deferred tax liabilities

2013 \$'000	2012 \$'000
8,593	4,911
2,577	1,473
(610) 5	(307) 4
1,972	1,170
40,400	41,466
1,707	1,792
42,107	43,258
43,258	41,514
(1,151)	1,744
42,107	43,258
(76,274)	(75,616)
(2,712)	(2,718)
(78,986)	(78,334)
(78,334)	(75,419)
(652)	(2,915)
(78,986)	(78,334)
42,107	43,258
(78,986)	(78,334)
(36,879)	(35,076)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note 6. Cash and cash equivalents

	2013 \$'000	2012 \$'000
Cash on hand	2	2
Cash at bank	15	22
Deposits at call	3,456	-
	3,473	24
(a) Reconciliation to cash as at the end of year		
The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:		
Balance as above	3,473	24
Balances as per cash flow statement	3,473	24
(b) Deposits at call		
The deposit is bearing a floating interest rate at 30 June 2013 of 2.70% (2012: n/a)	3,456	-

Note 7. Receivables

Current

Tariffs and charges	4,143	3,131
Accrued tariffs and charges	9,040	9,061
Less: Provision for impaired receivables	(55)	(62)
	13,128	12,130
Amounts owing from the Victorian Government Schemes/ Receivables	177	129
	73	53
	250	182
Other receivables	2,476	1,898
GST receivable	367	520
	2,843	2,418
Total current receivables	16,221	14,730
Non-current		
Schemes/Receivables	241	89
Other receivables	14,640	15,571
	14,881	15,660
Total non-current receivables	14,881	15,660
Total receivables	31,102	30,390

(a) Provision for impaired receivables

As at 30 June 2013, current receivables of the Corporation with a nominal value of \$54,950 (2012: \$62,401) were impaired. The amount of the provision is \$54,950 (2012: \$62,401). 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	9
3 to 6 months	18	19
Over 6 months	32	34
	55	62

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

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

2013 \$'000	2012 \$'000
62	55
30	88
(37)	(81)
55	62

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 2013, trade receivables of \$2,176,935 (2012: \$1,632,090) 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

1,068	717
601	461
508	454
2,177	1,632

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	606
624	606

Total inventories

Note 9. Prepayments

Current

Prepaid expenses

730	626
730	626

Total other assets

Note 10. Assets classified as held for sale

Freehold land held for sale

Other assets held for sale

-	175
-	88
-	263

Total other assets

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note 11. Property, plant and equipment

(a) Classes of property, plant and equipment

Land

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

2013 \$'000	2012 \$'000
26,624	26,843
146	146
530	530
(35)	(22)

27,265 27,497

Buildings

At fair value
Less accumulated depreciation

31,089	30,980
(8,708)	(8,208)

22,381 22,772

Water Infrastructure

At cost
At fair value
Less accumulated depreciation

18,354	13,521
553,597	558,628
(284,204)	(275,527)

287,747 296,622

Sewer Infrastructure

At cost
At fair value
Less accumulated depreciation

19,821	11,112
345,646	346,557
(184,369)	(177,789)

181,098 179,880

Plant & equipment (including motor vehicles)

At cost
Less accumulated depreciation

18,023	16,377
(8,996)	(7,362)

9,027 9,015

Under construction - at cost

30,088 17,501

Total property plant and equipment

557,606 553,287

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

The effective date of the valuation is 30 June 2011.

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.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note 11. Property, plant and equipment (continued)

(b) Movements during the reporting period

2012-13	Land \$'000	Buildings \$'000	Infrastructure \$'000	Plant & Equipment \$'000	In the course of construction \$'000	Total \$'000
Opening WDV at 1 July 2012	27,497	22,772	476,502	9,015	17,501	553,287
Additions	-	109	9,393	2,904	16,144	28,550
Disposals	(219)	-	(1,033)	(533)	-	(1,785)
Transfers between categories	-	-	3,524	33	(3,557)	-
Depreciation expense	(13)	(500)	(19,541)	(2,392)	-	(22,446)
Closing WDV at 30 June 2013	27,265	22,381	468,845	9,027	30,088	557,606

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

Note 12. Intangible assets

(a) Classes of intangibles

Computer software at cost
Less: Accumulated amortisation

Bulk water entitlement

Total intangibles

2013 \$'000	2012 \$'000
4,674 (2,608)	4,191 (1,706)
2,066	2,485
4,750	4,750
6,816	7,235



NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note 12. Intangible assets (continued)

(b) Movements during the reporting period

2012-13

Opening WDV at 1 July 2012

Additions

Amortisation expense

Closing WDV at 30 June 2013

Software	Bulk Water Entitlement	Total
\$'000	\$'000	\$'000
2,485	4,750	7,235
490	-	490
(909)	-	(909)
2,066	4,750	6,816

2011-12

Opening WDV at 1 July 2011

Additions

Amortisation expense

Closing WDV as at 30 June 2012

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

Note 13. Payables

Current

Trade creditors

Other creditors - Superannuation defined benefits

Accrued loan interest

Contract deposits

Income received in advance

Total current payables

Non-Current

Other creditors - Superannuation defined benefits

Total non-current payables

Total Payables

Sensitivity analysis

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

2013 \$'000	2012 \$'000
4,978	5,129
1,458	-
44	36
253	89
187	139
6,920	5,393
-	1,458
-	1,458
6,920	6,851

Note 14. Interest bearing liabilities

Current

Secured

Bank loans

TCV loans

Total current interest bearing liabilities

Non-current

Secured

Bank loans

TCV loans

Total non-current interest bearing liabilities

9	12
11,034	10,688
11,043	10,700
-	9
77,727	78,761
77,727	78,770

Security over borrowings

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

30 June 2013

Note 14. Interest bearing liabilities (continued)

Financing arrangements

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

Credit standby arrangements

Total facilities
Bank overdraft

Total facilities

Unused at balance date
Bank overdraft

Total unused at balance date

The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. The interest rate at 30 June 2013 was 5.37% (2012: 6.17%) on the overdraft facility.

Risk exposures

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

6 months or less
6 - 12 months
1 - 5 years
Over 5 years

Current borrowings
Non-current borrowings

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

Note 15. Employee benefits

Current

Annual leave
Long service leave - unconditional short term - measured at nominal value
Long service leave - unconditional long term - measured at present value
Other leave

Total current

Non-current

Long service leave - conditional

Total non-current

Aggregate carrying amount of employee benefits

Current
Non-current

Total employee benefits

2013 \$'000	2012 \$'000
250	250
250	250
250	250
250	250

without notice.

repricing dates at the balance dates are as follows:

5,000	10,192
5,509	1
40,170	40,793
38,090	38,484
88,769	89,470
11,043	10,700
77,726	78,770
88,769	89,470

955	910
288	202
1,909	1,789
62	59
3,214	2,960
642	769
642	769
3,214	2,960
642	769
3,856	3,729

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note 15. Employee benefits (continued)

Employee numbers

Employee numbers at end of financial year

As explained in note 1(e), 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)

2013 No.	2012 No.
212	217
4.50%	4.31%
3.79%	3.06%
6.20	6.36

Note 16. Contributed capital

Opening balance at 1 July

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

Grant - Warrnambool Roof Water Harvesting Project

Grant - Small Towns Water Quality Fund

Closing balance at 30 June

2013 \$'000	2012 \$'000
441,165	440,347
-	476
-	342
441,165	441,165

Note 17. Reserves

Asset revaluation reserve surplus/(deficit)

Movements in reserves

Infrastructure revaluation reserve surplus/(deficit)

Balance 1 July

Transfer from/ (to) accumulated funds on disposal

Disposal of Re-Valued Assets (net of Tax Effect)

Balance 30 June

13,325	11,744
11,744	11,857
1,581	(113)
13,325	11,744

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

Note 18. Accumulated funds

Opening balance at 1 July

Net result for the period

Transfer from/(to) asset revaluation reserve

Closing balance at 30 June

4,396	542
6,621	3,741
(1,581)	113
9,436	4,396

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note 19. Financial instruments

(a) Interest rate risk exposure

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

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

	Weighted average effective interest rate %	Floating interest rate \$'000	1 year or less \$'000	1 - 2 years \$'000	2 - 3 years \$'000	3 - 4 years \$'000	4 + years \$'000	Non interest bearing \$'000	Total \$'000
2013									
Financial assets:									
- Cash	2.70%	3,471	-	-	-	-	-	2	3,473
- Receivables ¹	7.80%	-	6,591	1,003	1,088	1,180	11,446	754	22,062
Total		3,471	6,591	1,003	1,088	1,180	11,446	756	25,535
Financial liabilities:									
- Payables ¹	-	-	-	-	-	-	-	6,876	6,876
- Interest bearing liabilities	5.60%	-	11,043	10,511	10,486	10,521	46,209	-	88,770
Total		-	11,043	10,511	10,486	10,521	46,209	6,876	95,646
2012									
Financial assets:									
- Cash	3.50%	22	-	-	-	-	-	2	24
- Receivables ¹	8.66%	-	4,608	921	984	1,067	12,484	1,265	21,329
Total		22	4,608	921	984	1,067	12,484	1,267	21,353
Financial liabilities:									
- Payables ¹	-	-	-	-	-	-	-	6,815	6,815
- Interest bearing liabilities	5.84%	189	10,511	11,042	10,511	10,486	46,730	-	89,469
Total		189	10,511	11,042	10,511	10,486	46,730	6,815	96,284

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

(b) Net fair value of financial assets and liabilities

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

	2013		2012	
On balance sheet	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets				
- Cash and cash equivalents	3,473	3,473	24	24
- Trade and other receivables	22,062	19,649	21,329	18,817
Total	25,535	23,122	21,353	18,841
Financial liabilities				
- Payables	6,876	6,876	6,815	6,774
- Interest bearing liabilities	88,770	80,480	89,469	81,673
Total	95,646	87,356	96,284	88,447

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note 20. Commitments

The following commitments are inclusive of GST where applicable.

Capital commitments

At 30 June 2013, 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 2013, 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 2013, 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

2013 \$'000	2012 \$'000
6,030	17,400
-	-
6,030	17,400
2,720	2,679
795	2,688
3,515	5,367
2,557	1,569
5,114	7,971
7,671	9,540
17,216	32,307

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note 21. Contingent liabilities and contingent assets

During the financial year Wannon Water received a claim for additional costs from a contractor for works undertaken at the Portland water reclamation plant. The Superintendent has rejected the claim. However, without prejudice, Wannon Water has recognised an undisclosed amount in the 2012-13 financial year relating to the claim. Wannon Water expects the claim to be settled within the next 12 months.

Note 22. Superannuation

Post-employment benefit

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

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 (9% required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Effective from 1 July 2013, the Superannuation Guarantee contribution rate will increase to 9.25%, and will progressively increase to 12% by 2019.

Defined benefit plan

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

Wannon Water makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2011, Wannon Water makes the following contributions:

- 9.25% of members' salaries (same as previous year), as determined by the Fund's Trustee;
- the difference between resignation and retrenchment benefits paid to any retrenched employees, plus contributions tax (same as previous year)
- 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.

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

Following an actuarial review of the Fund by the Trustee as at 31 December 2011, it was announced in July 2012 that a funding shortfall of \$453 million has been determined. Wannon Water has been notified that its share of this shortfall requires an additional contribution of \$1.458 million, payable 1 July 2013. This additional amount was recognised in Wannon Water's accounts as at 30 June 2012. This unpaid amount is included in the Balance Sheet in Other creditors - Superannuation defined benefits (see note 13)



NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

Note 22. Superannuation (continued)

Accounting standard disclosure

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

31 December 2011

\$'000

Net Market Value of Assets	4,315,324
Accrued Benefits	4,642,133
Difference between Assets and Accrued Benefits	(326,809)
Vested Benefits (Minimum sum which must be paid to members when they leave the Fund)	4,838,503

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

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

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

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

Employer Contributions to Superannuation Funds:

Fund

State Superannuation Fund - Defined benefits

Vision Super - Defined benefits

Vision Super - Accumulation Plan

Other

2013

\$'000

2012

\$'000

59

57

128

135

1,019

909

119

125

1,325

1,226

Total contributions

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

Note 23. Responsible persons and executive officer disclosures

(a) Responsible persons

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

The Hon. Peter Walsh MLA, Minister for Water

Board

Chairperson

Deputy Chairperson

Director

Director

Director

Director

Director

Managing Director / Accountable Officer

Mr John Vogels

Mr Rob Wallis

Mr Rod Coutts

Ms Kate Fraser

Mr Frank Zeigler

Ms Georgina Gubbins

Mr Russell Worland

Mr Grant Green

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

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

Remuneration of responsible persons

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

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

Income band	2013 No.	2012 No.
\$0 - \$9,999	1	3
\$10,000 - \$19,999	-	5
\$20,000 - \$29,999	5	2
\$30,000 - \$39,999	-	1
\$40,000 - \$49,999	1	-
\$300,000 - \$309,999	-	1
\$310,000 - \$319,999	1	-
Total numbers	8	12

	2013 \$'000	2012 \$'000
Remuneration received or due and receivable from the Corporation in connection with the management of the Corporation (includes termination payments and bonuses paid)	485	487

Other related party transactions

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

(b) Executive Officers' remuneration

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

Income band	Total Remuneration		Base Remuneration	
	2013 No.	2012 No.	2013 No.	2012 No.
\$110,000 - \$119,999	-	1	-	1
\$130,000 - \$139,999	-	1	-	1
\$140,000 - \$149,999	1	-	2	-
\$150,000 - \$159,999	1	1	1	1
\$160,000 - \$169,999	1	1	1	1
\$180,000 - \$189,999	-	1	-	1
\$190,000 - \$199,999	1	-	1	-
\$220,000 - \$229,999	1	-	-	-
Total numbers	5	5	5	5
Total annualised employee equivalent (AEE)	4.41	4.46	4.41	4.46

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

	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Remuneration received or receivable by executives in respect of the management of the Corporation during the reporting period was:	883	767	812	767

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

No contractors were engaged during the period as executive officers.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

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

	2013 \$'000	2012 \$'000
Net result for the period after income tax	6,621	3,741
Add/(less) non-cash flows in net result		
Depreciation and amortisation	23,362	25,445
Net loss on disposal of non-current assets	878	3,064
Infrastructure assets contributed at no cost	(3,569)	(3,524)
Changes in Assets and Liabilities		
Decrease (increase) in receivables	(712)	(13,338)
Decrease (increase) in inventories	(18)	6
Decrease (increase) in prepayments	(104)	128
Increase (decrease) in payables	(1,147)	2,174
Increase (decrease) in employee benefits	127	579
Increase (decrease) in deferred tax liabilities	1,803	1,171
Net cash (outflow)/Inflow from operating activities	27,241	19,446

Note 25. Ex Gratia Payments

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

Ex gratia payments	5	7
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These ex-gratia payments related to settlement of minor individual claims.

Note 26. Remuneration of Auditors

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

(a) Victorian Auditor-General's Office		
Audit and review of financial statements	52	51
(b) Non-Victorian Auditor-General's Office audit firms		
Audit and other assurance services	82	146
Total auditors' remuneration	134	197

Note 27. Events occurring after the balance sheet date

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

CERTIFICATION

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 Direction 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 2013 and financial position of the Corporation at 30 June 2013.

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 16 August 2013.



J A Vogels
Chairman
Wannon Region Water Corporation



G V Green
Managing Director
Wannon Region Water Corporation



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

DATE: This 16th day of August, 2013



AUDITOR-GENERAL'S REPORT

VAGO

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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 2013 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.

Auditing in the Public Interest

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 2013 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Wannon Region Water Corporation for the year ended 30 June 2013 included both in the Wannon Region Water Corporation's annual report and on the website. The Board Members of the Wannon Region Water Corporation are responsible for the integrity of the Wannon Region Water Corporation's website. I have not been engaged to report on the integrity of the Wannon Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
20 August 2013


for John Doyle
Auditor-General

PERFORMANCE REPORT

Financial Performance Indicators

Performance Indicator	Notes	2011/12 Result	2012/13 Result	2012/13 Target	Variance %
F1 Internal Financing Ratio (Net operating cash flow – dividends) / capital expenditure	1, 2	63.10%	113.47%	90.94%	24.77%
F2 Gearing Ratio Total debt (including finance leases) / total assets		15.10%	14.79%	15.84%	6.63%
F3 Interest Cover (EBIT) Earnings before net interest and tax expense / net interest expense	3, 4	2.0 times	2.7 times	0.7 times	285.71%
F4 Interest Cover (Cash) Cash flow from operations before net interest and tax payments / net interest payments	1, 4	4.9 times	6.2 times	4.9 times	26.53%

Notes:

1. The result is favourable to target and last year's result largely due to increased operating cash flows. Higher cash receipts from tariffs, charges and grants, and lower cash payments to suppliers for goods and services contributed to the favourable result.
2. The cash outlay for capital expenditure is lower than target and lower than last year. This had a positive impact on the ratio.
3. The result is significantly higher than target and last year's result due to a combination of lower expenditure on goods and services and higher revenue from tariffs, charges and grant revenue.
4. Increased operating cash flows contributed to lower borrowings to fund capital expenditure during the year. This resulted in lower than target interest expense payments, which further enhanced the favourable result.

Service Performance Indicators

Performance Indicator	Notes	2011/12 Result	2012/13 Result	2012/13 Target	Variance %
S1 Water supply interruptions					
S1.1 Number of customers receiving 5 unplanned interruptions in the year		0	0	0	0%
S2 Interruption time indicators					
S2.1 Average duration of unplanned water supply interruptions	1	89 minutes	111 minutes	108 minutes	-3%
S3 Restoration of water supply					
S3.1 Unplanned water supply interruptions restored within 5 hours		98%	99%	97%	2%
S4 Reliability of sewerage collection services					
S4.1 Sewage spills from reticulation and branch sewers (priority 1 and 2)	2	67	56	90	38%
S5 Containment of sewage spillages					
S5.1 Sewage spills contained within 5 hours		100%	100%	98%	2%
S6 Customer complaints indicators					
S6.1 Water quality complaints per 1,000 customers	3	1.3	0.8	3.0	73%
S6.2 Sewerage service quality and reliability complaints per 1,000 customers	2	0.1	0.1	0.8	88%
S6.3 Billing complaints per 1,000 customers	4	2.8	3.1	3.0	-3%
S6.4 Sewage odour complaints per 1,000 customers	5	0.2	0.2	0.8	75%

Notes:

- Several complex repairs during the reporting period resulted in longer unplanned water supply interruptions and increased the average duration of unplanned water supply interruptions compared to last year.
- The result is both favourable to target and last year's result due to a proactive program of sewer inspections being implemented.
- The result is both favourable to target and last year's result due to targeted water flushing programs and improved water treatment.
- The increase compared to last year is attributable to higher customer bills, the result of higher fees and charges and higher water use by customers.
- The result is favourable to target due to the monitoring of venting systems and chemical dosing at sewer pump stations to minimise odours.

Environmental Performance Indicators

Performance Indicator		Notes	2011/12 Result	2012/13 Result	2012/13 Target	Variance %
E1	Reuse Indicators					
E1.1	Effluent reuse	1	13%	18%	30%	-40%
E1.2	Biosolids reuse		100%	100%	100%	0%
E2	Sewage treatment standards					
E2.1	Number of analyses complying with licence agreements as % of samples	2	96%	96%	90%	7%

Notes:

1. The result is below target due to the decision not to proceed with construction of infrastructure to upgrade the quality of treated effluent available for reuse at a major coastal water reclamation plant.
2. The favourable result compared to target is due to the ongoing effective management of water reclamation plants.

CERTIFICATION

Certification of Performance Report for 2012/13

We certify that the accompanying Performance Report of Wannon Region Water Corporation in respect of the 2012/13 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

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

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



J A Vogels

Chairman



G V Green

Managing Director

DATE: This 16th day of August, 2013

AUDITOR-GENERAL'S REPORT

VAGO

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 2013 of the Wannon Region Water Corporation which comprises the performance report, the related notes and the certification 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 in accordance with 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 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

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 2013 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Performance Report

This auditor's report relates to the performance report of the Wannon Region Water Corporation for the year ended 30 June 2013 included both in the Wannon Region Water Corporation's annual report and on the website. The Board Members of the Wannon Region Water Corporation are responsible for the integrity of the Wannon Region Water Corporation's website. I have not been engaged to report on the integrity of the Wannon Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the performance report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited performance report to confirm the information contained in the website version of the performance report.

MELBOURNE
20 August 2013


for John Doyle
Auditor-General

APPENDIX ONE

Disclosure index

The 2012/13 annual report of Wannon Region Water Corporation is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the corporation's compliance with statutory disclosure requirements.

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	<i>Victorian Industry Participation Policy Act 2003</i>	35

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	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

GLOSSARY OF TERMS

Trade waste	Waterborne waste other than sewage (e.g. industrial or commercial liquid wastes) suitable for discharge into the sewerage system
Unplanned interruption	An unforeseen interruption to a water supply system
Water Plan	A water corporation's five-year organisational plan submitted to the Essential Services Commission, outlining proposals to ensure high quality water and sewerage services for customers, and the balance between the expenditure needed and water; sewerage and trade waste charges
Water reclamation plant	A treatment facility for treating sewage or trade waste suitable for safe reuse or discharge to the environment
Water restriction	A restriction to regulate the use of water from the water supply system in periods of water shortage
Water Supply Demand Strategy (WSDS)	A 50-year plan to provide sustainable water supplies for the community into the future
Water treatment plant	A treatment facility that removes undesirable characteristics from the water, making it "fit for purpose" (such as safe drinking water)



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