

**WESTERN
WATER**



Optimising local resources

ANNUAL REPORT

2012/13



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INTRODUCTION

Western Water

Western Water provides water, recycled water and sewerage services to 58,200 properties, with a population of 158,300 across a region of 3,000 square kilometres to the north west of Melbourne.

Western Water's service area is one of the fastest growing regions in Victoria with housing development in Melton and Sunbury attracting many new residents. Over the past decade, annual population increases have averaged 3-4%. Whilst population growth in the past year was slower than in past years, serviced properties actually increased by 2.1% indicating that development remains buoyant in the region despite some lag in new home occupancy.

MANNER OF ESTABLISHMENT AND THE RESPONSIBLE MINISTER

Established under the *Water Act 1989*, Western Region Water Corporation (trading as Western Water) is one of Victoria's 13 regional urban water corporations. During the reporting period, 1 July 2012 to 30 June 2013, the relevant minister was the Hon Peter Walsh MLA, Minister for Water.

Western Water is responsible to the Minister for Water via the Department of Environment and Primary Industries (formerly the Department of Sustainability and Environment). The Department of Treasury and Finance also has a shareholder governance role.

The Department of Health sets and supervises water quality standards, while the Environment Protection Authority governs environmental standards, particularly for wastewater discharge, recycled water and biosolids management.

The Essential Services Commission, the Victorian Government's economic regulator for essential utility services, regulates Western Water prices, service standards and market conduct. The Energy and Water Ombudsman Victoria receives, investigates and resolves enquiries and complaints against electricity and water suppliers across Victoria.

OBJECTIVES AND FUNCTIONS

Under sections 93 and 94 of the *Water Act 1989*, Western Water must have regard to the following principles:

- the need to ensure that water resources are conserved and properly managed for sustainable use and for the benefit of present and future generations
- the need to encourage and facilitate community involvement in the making and implementation of arrangements relating to the use, conservation and management of water resources
- the need to integrate both long term and short term economic, environmental, social and equitable considerations
- the need for the conservation of biological diversity and ecological integrity to be a fundamental consideration
- if there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to address the threats.

In addition, in carrying out its duties, Western Water must act as efficiently as possible consistent with commercial practice. The corporation is required to undertake research into its functions and educate the community.

Foreword from the Managing Director and Chair

This year we accepted the challenge of leading Western Water into the future as the corporation's new Managing Director and Chair. We have enjoyed the opportunities and achievements of 2012/13 and look forward to addressing the coming needs of the region through an organisational commitment to integrated water cycle management, with particular focus on more innovative use of our local water resources.

Western Water's service population has almost doubled since the corporation was established in 1995 with essential services now provided for 158,300 people. In that time, Western Water has developed a strong track record for delivering safe, quality and affordable water, sewerage and recycled water services whilst maintaining high levels of customer satisfaction.

However, to succeed in the future, we are strongly aware that we must strive to identify ways to offer our customers greater value for money and enhance the liveability of our region. Western Water's proven ability to adapt and innovate must become our foremost strength. It is through this ability that we will maintain our commitment to excellence as we meet the demand to service what is one of the fastest growing regions in Australia.

Western Water's achievements in 2012/13 reflect our commitment to the principles of integrated water cycle management with upgrades to drinking water and recycled water plants, optimal utilisation of surface, bore and various classes of recycled water sources across the region, extension of recycled water pipelines, and the commissioning of Class A recycled water and stormwater infrastructure in the Toolern residential development near Melton.

At the same time, we have enhanced our focus on community engagement, having introduced an online consultation panel and social media channels to ensure our strategies meet the needs of the growing population.

Going forward, Western Water's will continue to embrace integrated water cycle management whilst challenging the whole organisation to improve efficiencies, engagement and innovation. Underpinning this approach will be an internal emphasis on building the leadership and culture at Western Water which will be mandatory to drive and sustain success.



Chair, Lucia Cade, and Managing Director, Neil Brennan

We would like to take this opportunity to thank the Board, Executive and staff at Western Water for their support and effort during 2012/13 and we look forward to the coming year with a great sense of pride in our past achievements and excitement about what we can accomplish for the service region in the future.

In accordance with the *Financial Management Act 1994*, we are pleased to present Western Water's Annual Report for the year ending 30 June 2013. It is compliant with all statutory reporting requirements.

Neil Brennan
MANAGING DIRECTOR

Lucia Cade
CHAIR

29 August 2013

Vision, values, mission and strategic themes

VISION

To be a leading service provider working with our community towards a sustainable future.

Western Water's vision reflects principles and practices of sustainability that are embedded throughout the corporation. It is based on the belief that all people, as individuals and communities, must play a part in protecting and preserving our finite water resources. For this reason, our vision maintains a strong community focus.

VALUES

Our values embody how we will act and define our behaviours. They shape the way we want to interact with staff, customers and stakeholders.

- ✦ *Commitment*
- ✦ *Integrity*
- ✦ *Fairness*
- ✦ *Leadership*
- ✦ *Accountability*
- ✦ *Sustainability*
- ✦ *Inclusiveness*

MISSION

The Board reaffirmed the vision and values of Western Water during 2012/13 as part of the development of the Strategic Plan. In order to further clarify what Western Water must do, the corporation's fundamental purpose has been defined in the following mission statement:

To retail secure, safe, healthy and reliable water and sewerage services that meet community needs in an efficient and sustainable manner

STRATEGIC THEMES

Our strategic themes were also established from the strategic planning process and have now changed to ensure the organisational focus is on three key areas: efficiency, engagement and innovation.

- ✦ *Secure the efficiencies needed to help fund growth and drive customer value*
- ✦ *Higher levels of engagement with customers, stakeholders and staff in authentic, informed and responsive ways*
- ✦ *Build the capacity for, and encourage, innovation, particularly to improve liveability and to deliver efficient solutions*

YEAR IN REVIEW

Highlights

- ✦ Safe delivery of 12,788 million litres of drinking water
- ✦ Invested \$22.5 million in strategic capital works including the new Gisborne Recycled Water Scheme
- ✦ Successful submission of our Water Plan 2013-2018 to the ESC, with price rises contained to 12.3% in real terms over the five year period
- ✦ Strong consultation with over 500 customers for Water Plan 2013-2018
- ✦ Maintained a high level of customer satisfaction at 89%
- ✦ Achieved revision of methodology for determining new customer contributions charge

Awards

- ✦ Leaders in Sustainability Award at 2013 Powercor City of Melton Business Excellence Awards
- ✦ Eighth consecutive Gold Award for excellence in reporting at Australasian Reporting Awards
- ✦ Finalist - Pam Keating Environmental Sustainability Award at 2013 Keep Australia Beautiful Sustainable Cities Awards for Melton's Class A Recycled Water Plant
- ✦ Finalist - Water Utilities section of the National 2012 Savewater! Awards

Financial results

- ✦ Net pre-tax profit of \$4.1 million
- ✦ Developer revenue of \$19.4 million
- ✦ Capital expenditure of \$22.5 million
- ✦ Debt level now \$169 million

Business at a glance

PROPERTIES

	FY12	FY13
Serviced assessments (including vacant land)	57,026	58,235
Serviced assessments (vacant land)	2,953	2,754

WATER SUPPLY

Connected water customers	54,073	55,481
- Residential	51,123	52,534
- Non-residential	2,950	2,947
Water consumption (ML)	11,260	12,830
- Residential consumption (ML)	8,634	9,525
- Non-residential consumption (ML)	1,673	1,680
- Water losses (ML)	953	1,070
Water mains (km)*	1,800	1,823
Water filtration plants	7	7
Chlorination plants	14	14

SEWER SERVICE

Serviced sewer customers	50,796	52,016
Connected sewer customers	48,138	49,555
Sewage treated (ML)	8,211	8,442
Sewer mains (km)	1,149	1,185

RECYCLED WATER SUPPLY

Recycled water plants	7	7
Recycled water produced (ML)	7,544	7,494
Percentage reused	56%	67%
Recycled water mains - classes A, B & C (km)	118	132

These totals no longer include Class A recycled water mains.

PERFORMANCE REPORT

Financial performance indicators

Performance Indicator	Notes	2011-12 Result	2012-13 Result	2012-13 Target	Variance %
Internal financing ratio (Net operating cash flow - dividends)/capital expenditure	1	52.7%	20.5%	19.1%	7%
Gearing ratio Total debt (including finance leases)/total assets		22.1%	24.3%	24.4%	(1%)
Interest cover (EBIT) Earnings before net interest & tax expense/net interest expense		1.56 times	1.41 times	1.33 times	6%
Interest cover (cash) Cash flow from operations before net interest and tax payments/net interest payments	1	2.57 times	1.54 times	1.62 times	(5%)

Notes:

1. Reduced net operating cashflows reported in 2012/13 as a result of 9% higher interest payments (\$0.81M); \$2.0M payment to Defined Benefit Superannuation call; and 43% higher water purchase cost (\$4.72M).

Service & environmental performance indicators

Performance Indicator	Notes	2011-12 Result	2012-13 Result	2012-13 Target	Variance %
Water supply interruptions Number of customers receiving >5 unplanned interruptions in the year	2	10	0	2	100%
Interruption time indicators Average duration of unplanned water supply interruptions	3	48 minutes	50 minutes	95 minutes	47%
Restoration of water supply Unplanned water supply interruptions restored within 5 hours		99%	97%	98%	(1%)
Reliability of sewerage collection services Sewer spills from reticulation and branch sewers (priority 1 and 2)	4	94	80	no target set	15%
Containment of sewer spillages Sewerage spills contained within 5 hours		100%	100%	100%	0%
Customer complaints indicators					
Water quality complaints per 1000 customers	5	2.95	2.95	3.8	22%
Sewerage service quality and reliability complaints per 1000 customers	6	0.00	0.08	0.30	74%
Billing complaints per 1000 customers	7	0.53	0.41	0.05	(724%)
Sewage odours complaints per 1000 customers	6	0.00	0.00	0.25	100%

Notes:

- Mains renewal program targets mains that have failed more than five times.
- Prior year performance has been maintained due to maintenance teams located close to customers.
- Sewer Spills Prevention Strategy continues to reduce blockages and spills by targeting the maintenance program at worst performing assets.
- Increased flushing has reduced water quality issues.
- Sewer Spills Prevention Strategy focusses on sewer issues has reduced potential for complaints.
- Desalination impact on bills saw high level of complaints.

Service & environmental performance indicators (cont.)

Performance Indicator	Notes	2011-12 Result	2012-13 Result	2012-13 Target	Variance %
Effluent reuse (volume)					
- Bacchus Marsh	9	96%	107%	100%	7%
- Gisborne	8	10%	9%	65%	(86%)
- Melton	8	77%	90%	100%	(10%)
- Riddells Creek	8	43%	62%	100%	(38%)
- Romsey	8	29%	48%	100%	(52%)
- Sunbury	8	35%	41%	56%	(27%)
- Woodend	9	1%	30%	12%	150%
Total	8	56%	67%	80%	(16%)
Biosolids reuse (dry mass)					
- Bacchus Marsh		0%	0%	0%	
- Gisborne	10	69%	85%	100%	(15%)
- Melton	11	99%	74%	100%	(26%)
- Riddells Creek		0%	0%	0%	0%
- Romsey	12	0%	0%	100%	(100%)
- Sunbury	13	99%	98%	80%	23%
- Woodend	14	2,980%	1,272%	0%	
Total		117%	115%	90%	28%
Sewage treatment standards (number of analyses complying with licence agreements* as % of samples)					
- Bacchus Marsh		100%	100%	100%	0%
- Gisborne		100%	100%	100%	0%
- Melton		100%	100%	100%	0%
- Riddells Creek		100%	100%	100%	0%
- Romsey		100%	100%	100%	0%
- Sunbury		86%	100%	100%	0%
- Woodend		100%	100%	100%	0%
Total		97%	100%	100%	0%

Notes:

* Licence limits are based on annual median limits.

8. Due to high rain levels, 2012-13 recycled water reuse targets were not due to reduced demand.
9. One customer took higher volumes than forecast over summer.
10. Inability to obtain additional farm customers to apply biosolids for beneficial reuse. Markets are still being investigated.
11. Timing issue with removal of stockpile to contractors premises due to wetter conditions.
12. Sludge level survey indicated desludging not required immediately.
13. Contractor moved more material than expected.
14. Stockpiles at Woodend were used up, therefore high percentage

Certification of performance report for 2012-2013

We certify that the accompanying Performance Report for Western 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 predetermined 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.



Lucia Cade
CHAIRMAN



Robert Franklin
ACTING ACCOUNTABLE OFFICER

29 August 2013

Auditor-General's report on the performance report



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INDEPENDENT AUDITOR'S REPORT

To the Board Members, Western Region Water Corporation

The Performance Report

The accompanying performance report for the year ended 30 June 2013 of the Western Region Water Corporation which comprises the performance indicators, the related notes and the certification has been audited.

The Board Members' Responsibility for the Performance Report

The Board Members of Western 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 Western 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 Western Region Water Corporation for the year ended 30 June 2013 included both in the Western Region Water Corporation's annual report and on the website. The Board Members of the Western Region Water Corporation are responsible for the integrity of the Western Region Water Corporation's website. I have not been engaged to report on the integrity of the Western 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
30 August 2013

For 
John Doyle
Auditor-General

Capital projects

Western Water is undertaking an ambitious capital works program to ensure water, sewer and recycled water services are in place to meet the needs of existing and future customers.

In the past five years, Western Water has invested over \$150 million in capital works with \$22.5 million dedicated to the program in 2012/13.

Another \$231.6 million is planned for investment in the coming five years to meet the needs of the growing population.

Table 1: Capital works investment (\$M) – 5 years

	2008/09	2009/10	2010/11	2011/12	2012/13
Capital works investment (\$M)	37.3	35.5	31.3	27.9	22.5

Capital works achievements for 2012/13 include:

- Completion of \$4.4 million Bacchus Marsh Recycled Water Plant upgrade
- Ongoing construction of \$6.4 million Gisborne Recycled Water Scheme
- Commencement of \$3.9 million Rosslynne Water Filtration Plant upgrade
- Completion of \$4.4 million Stage 3A upgrade for Melton Recycled Water Plant.

Major capital works projects planned for 2013/14 include:

- Ongoing design for \$33.1 million Sunbury Recycled Water Plant upgrade
- Commencement of \$10.1 million Stage 1 of Toolern Stormwater Harvesting project
- Commencement of \$8.8 million Stage 3B upgrade for Melton Recycled Water Plant
- Commencement of \$3.8 million Romsey-Lancefield water supply interconnection.

Smaller capital works projects in 2013/14 include:

- Commencement of \$1.6 million Rees Road Water Main Melton
- Commencement of \$1.5 million O'Keefe Crescent Sewer Pump Station in Bacchus Marsh
- Commencement of \$0.5 million Mount Macedon Wastewater Improvement project
- Completion of \$0.4 million Romsey Recycled Water Scheme
- Commencement of \$0.4 million Coburns Road Sewer Pump Station emergency storage.

REPORT OF OPERATIONS

Water consumption and drought response

WATER CONSUMPTION

During 2012/13, Western Water supplied 12,830 million litres of drinking water to the service region. Consumption increased significantly as a result of increased demand due to extreme hot and dry weather in the past spring and summer, combined with the shift from Stage 1 Water Restrictions to Permanent Water Saving Rules in December 2012.

Table 2: Regional consumption (ML) and population – 10 years

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Consumption (ML)	11,351	11,813	12,891	11,601	10,730	10,719	10,592	10,251	11,260	12,830
Population	119,775	123,600	128,758	131,312	134,810	139,730	144,948	150,664	155,431	158,290

CONSUMPTION BY DISTRICT

Western Water monitors water consumption at a town level and, in some cases, smaller district areas within towns. Collection of data to this level enables alerts of sudden changes in water demand which can indicate bursts or leaks within the reticulation system.

Table 3: Water consumption (ML) by district

	Bacchus Marsh	Sunbury / Macedon Ranges	Melton	Romsey / Lancefield	Total
Residential water customers	7,308	22,380	20,531	2,315	52,534
Residential water consumption (ML)	1,455	3,913	3,748	409	9,525
Residential per capita consumption (litres/person/day)	181	159	166	161	165
Non-residential water customers	463	1,429	889	166	2,947
Non-residential water consumption (ML)	257	690	661	72	1,680
Water losses (ML)	163	440	421	46	1,070
Non-revenue water (ML)	248	668	640	70	1,626
Total annual consumption (ML)	1,960	5,270	5,049	551	12,830
Average annual consumption (7 years)* (ML)	1,645	4,664	4,357	475	11,141

* average calculated for the seven financial years to 30 June 2013

PER CAPITA CONSUMPTION

Residential per capita usage increased to 165 litres per person per day in 2012/13. While still relatively low compared to historic levels (e.g. 207 litres per person per day in 2005/06), this increase in consumption reflects the impact of increased demand and reduced restrictions.

Table 4: Residential water consumption (litres per capita per day) – 5 years

	2008/09	2009/10	2010/11	2011/12	2012/13
Water consumption per person per day (litres)	159	149	143	153	165

RESERVOIR LEVELS

Western Water's service region is supplied by two major local reservoirs – Rosslynne and Merrimu. These reservoirs have recovered from close to empty in recent years due to record rainfall in the preceding reporting periods.

Augmentation via supply from the Melbourne Headworks system has enabled Western Water to maintain strong storage levels as we move into the Water Plan 2013-2018 regulatory period.

In 2012/13, 80% of all drinking water supplied by Western Water was sourced from outside the region's local catchments, compared to 43% the year before and over 90% in prior years.

Table 5: Major reservoir levels (% capacity) - 10 years

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Rosslynne Reservoir	6%	14%	7%	4%	3%	3%	5%	66%	72%	85%
Merrimu Reservoir	7%	22%	17%	13%	13%	10%	9%	85%	78%	84%

WATER LOSSES

Addressing water losses is a key component of Western Water's efficiency theme to guarantee future supply. In 2012/13, annual real water losses were at 8.3% of total consumption, continuing a trend of improvement over many years. Water loss reduction efforts during the reporting period included:

- using the latest technology and practices to improve system monitoring and identify sub-surface losses from pipes; and
- an internal and external communications program to encourage early notification and repair of leaks.

In the coming year, we aim to further refine our water accounting approach and install new water flow monitors and pressure controls in the system to minimise leakage.

CORPORATE WATER CONSUMPTION

Corporate water consumption increased to 395,000 litres during the reporting period, a result of hot, dry summer and a small increase in staff numbers. This data is based on water used at Western Water's Sunbury administration office. It does not include water consumption at any other sites including depots, plants or sewer infrastructure.

Table 6: Office based water consumption (kL) - 5 years

	2008/09	2009/10	2010/11	2011/12	2012/13
Water consumption (kL)	417.1	318.0	382.0	374.0	395
Full time equivalent (FTE) staff	87	89	95	106	108
Water consumption (kL) per year per FTE staff	4.8	3.6	4.0	3.5	3.7

Because the water meter at the Sunbury office is shared with other tenants in the building, corporate water consumption is calculated on the proportion of Western Water staff in the building. Six years of water consumption data is now available for this site.

At other sites, Western Water conserves drinking water supplies by using recycled water to wash fleet vehicles and wash down recycled water plants. It is also used for flushing and other sewerage system maintenance tasks.

MAJOR NON-RESIDENTIAL WATER USERS

During 2012/13, Western Water had no customers classified as major non-residential water users.

Table 7: Customer by volume range

Volumetric range - ML per year	No. customers
Equal to or greater than 200ML and less than 300ML	0
Equal to or greater than 300ML and less than 400ML	0
Equal to or greater than 400ML and less than 500ML	0
Equal to or greater than 500ML and less than 750ML	0
Equal to or greater than 750ML and less than 1000ML	0
Greater than 1000ML	0
Total no. customers	0

BULK ENTITLEMENTS

Western Water has 10 bulk entitlements which provide rights to use and supply water. Bulk entitlement agreements specify rules regarding the timing, location, type and amount of water that can be taken from streams, reservoirs and headworks.

Much of the local water sourced for the region is supplied through a bulk water agreement with Southern Rural Water who manage the region's two major reservoirs: Merrimu Reservoir, near Bacchus Marsh, and Rosslynne Reservoir, near Gisborne. Agreements also exist for a number of smaller local storages and reservoirs.

Western Water also has a bulk entitlement with Melbourne Water to access water from the Melbourne Headworks system. This entitlement was critical during the recent drought and continues to provide a significant proportion of drinking water supplied to our region. Western Water's Bulk Entitlements Report is contained in Appendix 2. It provides details about water sourced in compliance with all 10 bulk entitlements.

DROUGHT RESPONSE

Western Water's Drought Response Plan By-Law was invoked during the year through the change from Stage 1 Water Restrictions to Permanent Water Saving Rules in December 2012. This change was communicated to customers through local and metropolitan newspapers, regional signage, Western Water's website, with bills and in the *H2info* customer newsletter.

Western Water's Water Supply Demand Strategy and Drought Response Plan provide guidance to ensure adequate long term supply to customers, accommodating the expected population growth across the region.

Environmental sustainability

INTEGRATED WATER CYCLE MANAGEMENT

Western Water's strong integrated water cycle management approach aims to make the most of all available water sources including local surface water, recycled water, stormwater and ground water to ensure sustainable local water solutions for future generations in the face of strong population growth and climate variability.

Significant sustainable water actions and achievements during 2012/13 include:

- A \$9.2 million grant committed by the Australian Government through the National Urban water and Desalination Plan under *the Water for the Future* initiative to a stormwater harvesting scheme in the new residential development of Toolern, south of Melton
- Completion of a Class A recycled water pipeline to supply Toolern
- Construction of the Gisborne Recycled Water Scheme which can supply up to 250 million litres of Class B recycled water a year to agribusinesses and private landholders in the horticultural precinct south of Gisborne
- Completion of the Romsey Borefield as a supplementary local, alternative water source to water supplied from the Melbourne system
- Concept designs to increase the capacity of Campaspe Reservoir, Woodend
- Upgrade of Rosslynne Water Filtration Plant to make the most of local surface water
- Commenced design of the Lancefield-Romsey water supply connection to increase available water resources for both towns
- Commenced development of an Integrated Water Cycle Strategy for the Western Water region.

SUSTAINABLE WATER USE

Local water optimisation

Areas to the north and west of Melbourne have been earmarked for rapid growth and provision of water to this dry part of Victoria presents many challenges for Western Water. We have worked with water resource experts and consulted the community to develop a 50 year strategy which is both targeted and optimal.

This Water Supply Demand Strategy focusses on optimising local water solutions before we source more expensive water from further away. This involves using a combination of local drinking water, recycled water and alternative water solutions.

Nonetheless, sourcing water from the Melbourne supply system will remain an integral component of Western Water's plan to meet growing customer demand and insure against potential severe dry periods in the future.

Community education and awareness

Western Water is committed to ensuring the community is well advised regarding the best water efficiency practices and Permanent Water Saving Rules. Water efficiency within the community is promoted through the WaterTight program and Living Victoria Water Rebate Program (residential and commercial).

A combination of traditional and new communication tools are employed for efficiency promotion including printed newsletters, local advertising, website information, consulting our online panel and providing updates on social media through both Facebook and Twitter.

A major component for communicating water efficiency in Western Water's region continues to be our well established education program. During the reporting period, a total of 9,844 students from 84% of the 101 local preschools and primary schools participated in Western Water education programs.

Recognising that a large portion of discretionary water use now occurs in the garden, Western Water has initiated a major sustainable gardening communications program consisting of electronic newsletters, booklets and workshops for residents. This program is aimed at optimising outdoor water usage and is being undertaken in collaboration with local government and community groups. Sitting alongside this residential program, is our existing sustainable gardens grants program which supports sustainable water practices in local school and community gardens.

Industry

Western Water works with industry across the region to help conserve water. Major industrial customers are those using over 5 million litres of water annually and they are encouraged to develop a water management action plan to use water more efficiently, use alternative water supplies and report savings.

Key achievements with industry include assisting our two major water consumers, ABMT Textiles and Saizeriya Australia. Information on their water saving progress is contained in Table 8. Western Water also works closely with over 400 trade waste customers providing advice on cleaner production techniques, reducing water consumption and trade waste.

Table 8: Major customers and their participation in water efficiency activities

Name of customer	Customers participation in water conservation program
ABMT Textiles	ABMT continue to implement actions identified in past years through its WaterMAP and cleaner production strategies. Water usage per kilogram of product has reduced by 20% since 2009/10. A number of other improvements have been introduced to reduce general water consumption with further initiatives planned.
Saizeriya Australia Pty Ltd	Saizeriya continue to implement waste and water minimisation opportunities identified in its waste management and cleaner production plan. They are also participating in research with Western Water to identify other water efficiency opportunities.

Recycled water offers a viable alternative to drinking water for many primary industry customers in the region. A total of 45 agricultural customers are now supplied with recycled water for crop irrigation. The Gisborne Recycled Water Scheme is nearing completion and will supply recycled water to ten new customers in the Couangalt Food Hub precinct south of Gisborne.

Local government

Western Water has developed strong working relationships with the four local governments in the service region – Hume City Council, Melton City Council, Macedon Ranges Shire Council and Moorabool Shire Council. Western Water provides regular monitoring and reporting of water use for council properties, and councils provide showerhead exchange points for Western Water.

Through Western Water's developing Integrated Water Cycle Strategy, investigations continue with all local councils to support the sustainable use of recreational open space.

Local councils are major users of recycled water supplies and Western Water actively partners with councils to deliver alternative water to support liveable communities. The majority of major recreational reserves across the region, including some school ovals, are connected to recycled water as an alternative water supply in all seven towns with a recycled water plant. This includes Sunbury, Melton, Gisborne, Woodend and Riddells Creek. The Romsey sports precinct and Sunbury's Goonawarra Recreation Reserve are expected to be connected to recycled water supply in the coming year.

Further initiatives are underway including a recycled water extension to Goonawarra Recreation Reserve in Sunbury, jointly funded by Hume City Council and the State Government, and the supply of recycled water to the Romsey Recreation Hub, jointly funded by the Victorian Regional Growth Fund's *Putting Locals First* program, Macedon Ranges Shire Council and Western Water.

A strong relationship with Melton City Council has seen the integration of Class A recycled water in new housing developments at Eynesbury and both Class A and stormwater solutions at Toolern.

In addition, Western Water is working closely with Hume City Council and Macedon Ranges Shire Council to implement its major sustainable gardening program across the region. Local councils are also consulted and updated on progress as capital works are planned and implemented.

RECYCLED WATER

In 2012/13, Western Water's seven recycled water plants received 8,442 million litres of sewage and produced 7,494 million litres of recycled water. Two thirds of this available volume was used by customers. The reuse rate increased during the reporting period due to an increase in irrigation demand due to hot, dry conditions in spring and summer. An estimated 2,027 million litres of drinking water was saved through substitution with recycled water for non-potable purposes during this reporting period.

Table 9: Recycled water volume (ML) and % used – 5 years

	2008/09	2009/10	2010/11	2011/12	2012/13
Recycled water (ML)	6,058	7,386	7,992	7,544	7,494
Recycled water used (%)	88%	85%	52%	56%	67%

The number of Western Water's recycled water customers has increased significantly in the past year with strong growth in residential customers supplied with Class A recycled water. There are now 531 customers connected to Class A in their homes in Eynesbury and a further 90 homes connected to Class A in the new suburb of Toolern.

Class B and Class C recycled water is supplied to another 64 customers for appropriate uses. These customers include recreational, agricultural, local government and construction businesses.

Highlights for recycled water during the reporting period include:

- Connection of Class A recycled water to new residential estates in Toolern
- Construction of the \$6.4 million Gisborne Recycled Water Scheme which will supply Class B recycled water from the Gisborne Recycled Water Plant to agribusinesses in Gisborne South. This project is expected to be complete and commissioned before the 2013/14 irrigation season
- Successful trial in Eynesbury for the use of Class A recycled water for clothes washing
- Construction of a recycled water pipeline to Goonawarra Recreation Reserve, jointly funded by Hume City Council and the Victorian Government
- Funding of \$220,000 from Smart Water Fund to create a framework for environmental offsets through a case study on using discharges from Gisborne Recycled Water Plant for environmental flows.

Recycled Water for Romsey Sports Precinct

Western Water, in partnership with Macedon Ranges Shire Council, received state government funding in June 2012 through the Regional Growth Fund's *Putting Locals First* program to deliver recycled water to the Romsey Sports Precinct. The fund will contribute \$299,160, along with \$79,720 from Western Water and \$20,000 from Macedon Ranges Shire Council. Recycled water will be supplied for the irrigation of two sporting ovals and the local golf course to replace drinking and bore water.

OTHER STATUTORY OBLIGATIONS

Regional Catchment Management Strategy

The main focus of the Regional Catchment Management Strategy is the management of land, water and biodiversity in the region. Western Water continued its part in implementing relevant actions identified in the strategy with weed control measures occurring along Werribee River, Jacksons Creek, Five Mile Creek, Deep Creek, and Djerrivarrh Creek during the reporting period. Weed control actions focussed on stream frontages adjoining Western Water properties and ongoing maintenance works have enhanced priority native vegetation patches and reduced weed seed banks.

Several tree planting events were organised during 2012/13 along stream frontages in conjunction with local environment groups and schools. In May, a public walk was also organised along Werribee River to create awareness in the community about the biodiversity enhancement work being undertaken at the Melton Recycled Water Plant site. More than 50 local residents participated.

In addition to specifying volumes of water that can be supplied, Western Water's bulk entitlement agreements establish rules around environmental or passing streamflows as well as volumes in storages, diversions and streamflows. More information is contained in the Bulk Entitlements Report in Appendix 2.

Victorian Biodiversity Strategy

The Victorian Biodiversity Strategy requires Western Water to undertake weed and pest control programs at its landholdings. During the reporting period, particular focus was given to extensive rehabilitation work at Melton Recycled Water Plant.

Land previously used for controlled disposal of sewage sludge is being rehabilitated with native vegetation to create a habitat corridor between Pinkerton Forest and Bush's Paddock. Known as the Pinkerton Link, the rehabilitation works will improve the connectivity between two significant biodiversity assets of Grey Box (*Eucalyptus microcarpa*) Grassy Woodland habitat. More than two hectares of Pinkerton Link was directly seeded with native grass and Grey Box trees were also planted.

This biodiversity work is consistent also with one of the actions identified in the Regional Catchment Management Strategy - relating to improving the connectivity and long term security of indigenous habitats and species.

Victorian River Health Strategy

Rivers within our service region are classified as Cleared Hills and Coastal Plains in the State Environment Protection Policy (Waters of Victoria).

The Victorian River Health Strategy emphasises the proactive minimisation of impacts on waterways by water corporations and Western Water is committed to minimising any potential impacts on surface water quality from the discharge of recycled water to streams. We also aim to achieve the objectives specified for the protection of the river segments in the Waters of Victoria Policy.

During the reporting period, work continued to enhance the biodiversity values of both Deep Creek and Werribee River escarpments on Western Water properties. In addition, Western Water sought feedback on a draft Ecological Risk Assessment (ERA) report on potential threats from discharges from Western Water's Gisborne, Sunbury and Woodend recycled water plants. The ERA report was endorsed by the Environment Protection Authority and provides Western Water with a clear direction to implement measures that will reduce identified threats on the relevant streams.

In line with the expectations of the river health strategy, Western Water continues to implement its Sewer Spill Prevention Strategy which has resulted in a remarkable 54% reduction in the number of sewer spills in the past three years. This strategy was audited by an EPA appointed independent auditor during 2012/13 and the findings are being implemented to further reduce the incidence of sewer spills in the region.

River health obligations

As stated above, Western Water is committed to minimising the impact on the environment and risks to the aquatic ecosystem from its activities. The following actions were undertaken during 2012/13 to fulfil this commitment:

- Planting 4,162 trees and shrubs along stream frontages with Melbourne Water
- Controlling noxious weeds and pest animals
- Completion of Ecological Risk Assessment for Jacksons Creek and Five Mile Creek.

Environmental flows

Western Water is required to manage its water storages in accordance with environmental flow requirements detailed in its Bulk Entitlements. To meet these requirements, Western Water's detailed monitoring infrastructure network is regularly examined to ensure compliance. Western Water upgraded this monitoring network in conjunction with the Bureau of Meteorology to improve the accuracy of data captured. Details of environmental releases can be reviewed in Western Water's bulk entitlements report, contained in Appendix 2

GREENHOUSE GAS EMISSIONS

The main activities generating greenhouse gas emissions for Western Water are the treatment and supply of water and the treatment and management of sewage.

During the reporting period, the emissions associated with water treatment and supply increased by 29%. This was primarily due to increased demand for pumping water from Melbourne Water supplies.

The amount of emissions generated by sewage treatment and management increased by 4%. This resulted from an increase in volumes being treated - due to population growth, as well as a reduction in the renewable energy available for use from the Melton cogeneration plant - a result of a breakdown for several months.

In addition, the volume of recycled water supplied to customers increased by 19% compared to 2011/12. This contributed to the increase in emissions associated with recycled water distribution.

Table 10: Significant activities generating GGE (tonnes CO_{2e}) – 5 years

Activities generating GGE	2008/09	2009/10	2010/11	2011/12	2012/13
Water treatment and supply	10,483	9,651	7,599	8,176	10,574
Sewerage treatment and management	13,584	12,701	14,916	14,688	15,235
Transport	462	587	638	572	429
Other - recycled water distribution	794	814	723	719	1,183
Other - office	522	533	591	547	574
Total gross scope 1 and 2 emissions (tonnes CO_{2e})	25,845	24,286	24,467	24,702	27,995

Net greenhouse gas emission sources

The main source of Western Water's greenhouse gas emissions continues to be the Victorian electricity grid, catering for 74% of total emissions. This has increased by 22% since 2011/12.

Contributing factors for this increase in grid electricity use include an increase in water pumping from Melbourne Water, greater demand for water supply and treatment due to population growth, and a breakdown in the operation of the Melton biogas cogeneration plant.

Table 11: Net GGE source breakdown* (tonnes CO_{2e}) – 5 years

	2008/09	2009/10	2010/11	2011/12	2012/13
• Nitrous oxide emissions	2,058	2,148	3,052	3,673	3,643
• Methane emissions	2,667	1,806	2,966	2,318	2,994
• Diesel consumed	516	386	456	386	303
• Unleaded petrol consumed	250	243	222	200	172
• Gaseous fuel combustion	0	0	25	29	28
• B20 biodiesel	1	2	2	2	1
• Other	2	5	0	0	0
• Autogas	0	0	0	0	1
Direct emissions (scope 1)	5,494	4,590	6,723	6,608	7,141
• Vic grid electricity consumed	20,351	19,696	17,745	18,094	20,855
• Reduction from GreenPower purchase	(522)	(793)	(895)	(1,403)	(545)
Indirect emissions (scope 2)	19,829	18,903	16,850	16,691	20,310
Offsets purchased and retired	(820)	(2,494)	(1,952)	(5,783)	(11,927)
Total net scope 1 & 2 emissions (tonnes CO_{2e})	24,503	20,999	21,621	17,515	15,524

*Table data has been rounded with total based on actual numbers

Climate Change Adaptation Strategy

Western Water's Climate Change Adaptation Strategy was updated in April 2013 and encompasses risk management, service resilience, operational energy and carbon efficiency. Preparing for increased climate variability and reducing Western Water's greenhouse gas emissions will improve service resilience by reducing exposure to increased energy prices and a price on carbon. The strategy includes development of a climate change risk register.

Regional organic waste treatment

Western Water, in association with RMIT, is investigating the opportunity to trial the redirection of regional organic waste streams from landfill to Melton Recycled Water Plant for treatment and conversion into biogas. Funding is being sought for this pilot trial.

Greener government buildings

Western Water is participating in this DTF initiative to improve energy and water efficiency of buildings and infrastructure. Measures are being investigated for potential savings opportunities such as equipment upgrades, building automation, demand side response, onsite energy generation, and other innovative solutions. A detailed facilities study is underway.

Other highlights for 2012/13 include:

- Recertification from Low Carbon Australia of the carbon neutral status of the Class A Recycled Water Plant at Melton, primarily through sourcing power from the Melton co-generation plant
- Ongoing creation of Victorian Energy Efficiency Certificates (VEECs) through WaterTight home plumbing audit program
- Community education for water conservation and efficiency, water recycling and cleaner production
- Purchasing offsets and initiating investigations into resource recovery.

Social sustainability

SERVICE DELIVERY

Water quality

Western Water is fully compliant with the water quality requirements set out in the Australian Drinking Water Guidelines with quality testing conducted at reservoirs, water filtration plants, storage tanks, pump stations and customer taps.

During the reporting period, all 19 water quality zones complied with all microbiological requirements for drinking water quality. In February, Western Water also passed an external HACCP audit of the drinking water quality system.

Water supply system

In 2012/13, Western Water supplied 55,481 properties with drinking water through 1,823 km of water mains. The extensive reticulation system is maintained through regular renewals, repairs and operational actions such as valve exercising, mains flushing, and flow and condition monitoring and assessment. These actions help reduce water losses through leakage and bursts and assist in maintaining water quality.

Key achievements during the reporting period include:

- the average time for planned interruptions being 174 minutes with all planned interruptions restored within five hours
- 2% of customers experienced repeat unplanned interruptions during the year. However, none of these customers had more than 5 interruptions, compared to 10 during the previous year, and
- average interruption time due to unplanned interruptions (burst mains) fell to 50 minutes.

The number of burst water mains during the reporting period is above the prior year due to higher rainfall levels increasing ground moisture and movement. Temporary drinking water supplies are offered to customers when their water supply is unavailable for long periods or when special needs exist.

Table 12: Water mains bursts – 5 years

	2008/09	2009/10	2010/11	2011/12	2012/13
Water mains bursts	290	202	253	334	358

Sewer system

In 2012/13, Western Water supplied 49,555 properties with sewer service through 1,185 km of sewer mains. The innovative Sewer Spill Prevention Strategy continued successfully with a 54% decline in sewer blockages since the strategy commenced three years ago.

Table 13: Sewer blockages – 5 years

	2008/09	2009/10	2010/11	2011/12	2012/13
Sewer blockages	298	327	248	182	150

CUSTOMER SERVICE

Customers

Western Water's service area population grew by 1.8% during the reporting period to reach 158,300. Customer numbers have experienced strong growth since the corporation began operation in 1995, increasing by 90% in that period.

Whilst the population growth rate was comparatively low in 2012/13, serviced properties increased by 2.1% indicating a lag in occupancy of new homes. The regional population is forecast to escalate as the major towns of Melton and Sunbury are expected to experience rapid development over the coming decade.

Customer satisfaction

Results from Western Water's annual Customer Satisfaction Survey remained very high with 89% of the 600 residential customers interviewed satisfied with the overall service provided. The research provides continuing demonstration of strong, stable service delivery.

Table 14: Customer satisfaction (% satisfied) – 5 years

	2009	2010	2011	2012	2013
Overall customer satisfaction	92%	91%	89%	91%	89%

Customer advisory network

Western Water's customer advisory network provides ongoing advice to the Board on issues important to achieving its vision. The network is comprised of one Customer Advisory Group (CAG), and three Community Reference Groups (CRGs) representing the key locales of Sunbury, Macedon Ranges and Melton/Bacchus Marsh.

During the year, each individual CAG and CRG meets five times. Member input is sought on major projects and customer service initiatives. In July, all network members attend a Strategic Planning Day and input from this day is the starting point for Western Water's strategic planning process.

During the reporting period, the advisory network played a key role in informing the process and direction for Water Plan 2013-2018 consultation which ultimately reflected feedback from over 500 customers through a combination of printed, electronic and face to face engagement.

Western Water has extended its commitment to community engagement by introducing an online panel and social media channels. The online panel now has 1,129 members and, at the time of reporting, Western Water's Facebook site exceeded 1,000 friends – achieved within eight months of establishment. These new channels enable Western Water to achieve unprecedented levels of immediate, relevant, two way communication with customers on a large scale.

Customer service performance

Western Water's customer service performance is measured weekly to ensure that essential functions are performed in accordance with agreed standards.

Call numbers decreased again in 2012/13. This trend is largely due to ongoing improvements to information available on the website and the introduction of online forms during the reporting period. Customer research indicates that more customers now seek information on Western Water's website than by phoning the organisation.

In addition, the frequency of calls per customer has reduced due to focused efforts to improve first call resolution and internal call distribution practices.

Table 15: Customer service statistics – 5 years

	2008/09	2009/10	2010/11	2011/12	2012/13
Customer service calls received	89,010	83,768	78,236	67,341	62,410
Calls answered within 30 seconds (%)	93%	95%	96%	98%	97%
Average wait time (seconds)*	11	10	9	8	8
Correspondence requiring a response	1,466	1,852	1,909	1,766	1,683

Managing complaints

Western Water's complaints management procedure provides a process for managing a complaint from receipt through to resolution. During 2012/13, there were fewer billing and general complaints. There were, however, more water quality complaints than the prior year some of which are due to changing water supplies in the Merrimu supply system and return to Lancefield bore water.

Table 16: Customer complaints – 5 years

Complaint category	2008/09	2009/10	2010/11	2011/12	2012/13
Water quality	215	120	194	166	172
Water and sewer service	3	3	2	3	7
Billing and accounts	27	20	25	30	24
General	15	11	13	18	9
Total	260	154	234	217	212

The Energy and Water Ombudsman Victoria (EWOV) handled 28 referrals on behalf of Western Water customers in the past year. All of these were handled as enquiries requiring no further action or escalation by the Ombudsman's office.

Water restrictions

All towns in Western Water's service area were on Stage 1 Water Restrictions until 1 December 2012 when Permanent Water Saving Rules were introduced.

When restrictions are in place, customers are able to apply for an exemption under specific circumstances. A total of 19 Stage 1 exemptions were issued during the reporting period, for the establishment of Warm Season Grasses. In addition, 24 approvals were issued for either filling a new swimming pool or refilling an existing pool following repair works.

Formal procedures exist for customers who did not observe water restrictions, and similar procedures are in place for breaches of Permanent Water Saving Rules. During the reporting period, one contact was received alleging non-compliance and one warning was issued. No property visits were conducted nor were then any restrictions of water supply, on the spot fines or formal legal action undertaken for breaches of water restrictions.

Service charges

Western Water's water, sewer and trade waste charges were frozen in 2012/13 instead of increasing by 8.8% in line with the five year pricing structure set out in Water Plan 2008-2013.

The price freeze was to compensate customers for money prematurely collected from July 2011 for costs associated with the Wonthaggi desalination plant which had run behind schedule. An additional customer return occurred in the last billing period of the reporting period to finalise the return of any outstanding overpayment of desalination plant funds.

The following water and sewerage charges applied for 2012/13:

Table 17: Water and sewerage charges 2012/13

	Residential	Non-Residential
Water service & usage		
Service charge per annum	\$215.26	\$215.26
Usage – litre per day (per four monthly billing cycle)		
0-440 litres per day	\$1.3838	\$1.8358
441-888 litres per day	\$1.8358	\$1.8358
889+ litres per day	\$3.6717	\$1.8358
Sewerage tariff		
Service charge	\$496.32	\$496.32
New customer contributions (lot size 450-1350 sqm)		
Water*	\$1,217.30	
Sewer	\$1,217.30	
Class A recycled water*	\$1,217.30	
Class A recycled water		
Service charge	\$93.06	
Usage	\$1,3838	

* If both water and Class A recycled water are connected, the customer pays only 50% of the water contribution.

Hardship

Western Water has policies in place to provide customers with tailored individual payment solutions when required and continues to work closely with Kildonan Uniting Care to optimise our customer support program.

During 2012/13, 103 customers entered Western Water's hardship program whilst 67 customers graduated from the program. Of the 520 applications for financial assistance, 474 payments were approved totalling \$75,329. Staff also visited 73 properties of customers in need of support.

Community service obligations

At the end of the financial year, close to a quarter of Western Water's residential customers held a pensioner, healthcare and veteran affairs concession card. During the reporting period, Western Water provided a total of 41,464 concessions, amounting to \$3.2 million with an annual concession cap of \$277.

There was a slight decrease in the number of not for profit organisations receiving rebates on their annual water and sewer charges during the reporting period. This was due to those organisations discontinuing operation.

The number of customers receiving Utility Relief Grants (provided by the Department of Human Services) decreased this year, although many were still awaiting review at the end of the reporting period.

Customers receive payments for the Hardship Relief Grant Scheme (Sewerage Connection Scheme), Non-Mains Water Concession and Water Wise Program directly from the Department of Human Services.

There was a slight decrease in the amount rebated for life support machines compared to the previous year as less water was used by the eligible customers.

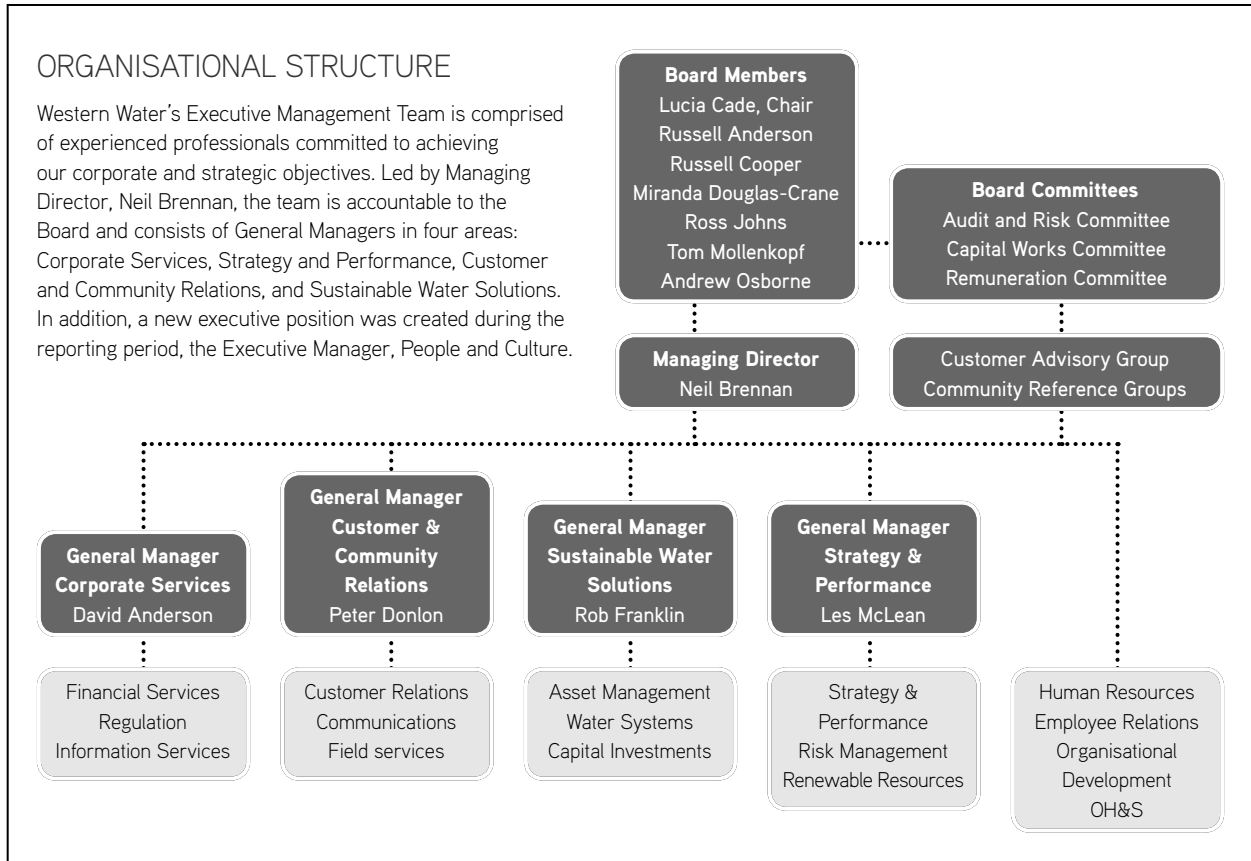
Table 18: Community service obligations – 2 years

	2011/12		2012/13	
	No.	\$	No.	\$
Concession card holders: Pensioners, Healthcare, Veterans Affairs*	11,942	2,946,563	13,172	3,214,677
Not for profit rebates*	466	165,389	444	155,930
Utility Relief Grant Scheme	200	87,447	160**	71,432
Water concession on life support machines – haemodialysis*	7	1,688	7	1,441

* Concession, not for profit and haemodialysis numbers calculated at 30 June 2013

** 302 applications submitted with many awaiting approval/refusal

Governance & organisational structure



Neil Brennan, Managing Director - July 2012

Neil commenced as Managing Director of Western Water in July 2012. Prior to his appointment, Neil was Managing Director of Central Highlands Water for 15 years. He previously held CEO positions at Western Water and Macedon Region Water Authorities.

Neil has been employed in the Victorian water industry for 32 years and has had various Ministerial appointments to industry committees. He is currently a Director of the Board of the Electricity and Water Ombudsman Scheme Victoria, Executive Council Member of the Institute of Water Administration and Chair of the Victorian Water Industry, Intelligent Water Networks Steering Group. Neil's academic achievements include a Graduate Diploma in Management, a Masters in Business Leadership and completion of the Oxford Advanced Management Programme.

BOARD

A Board of Directors, supported and advised by Executive Management, is appointed by the Minister to set Western Water's strategic direction and business policy. Board Directors are appointed for a three year term and have a broad range of relevant skills, experience and expertise to meet our objectives.

Western Water acknowledges the significant contribution of those people who left the Board in the past 12 months including:

- Chair Terry Larkins following 11 years' contribution
- Managing Director John Wilkinson retired after 10 years' service
- Board Directors Dorothy Bell (11 years' service) and Marcos Anastassiou (5 years' service).

During the reporting period, three new Directors joined the Board. These are Russell Cooper, Miranda Douglas-Crane and Lucia Cade, who was appointed Chair.

Lucia Cade, Chair – October 2012

Lucia is the Director Strategy and Development for Water and Infrastructure Services at AECOM.

She has extensive experience in the infrastructure and construction industry, previously consulting on business strategy, incentivised procurement models, strategic stakeholder engagement, and leading winning teams for major projects. Lucia has lectured in business case development and venture capital financing in the Biotechnology and Business Masters program at RMIT.

Lucia previously held executive and management roles at City West Water and Melbourne Water and she is immediate past President of the Australian Water Association. Lucia was previously a Director of Western Water for five years. She holds undergraduate degrees in engineering and economics, Masters in engineering science and business administration and is a fellow of the Australian Institute of Company Directors and of Engineers Australia.



Russell Anderson, Deputy Chair – October 2007

Russell has extensive experience in financial management, governance, risk management and internal auditing. He has held senior governance roles at Air New Zealand, Marsh Pty Ltd, CSIRO, PricewaterhouseCoopers and the Qantas Group. Russell has provided independent governance reporting to listed public companies and government authorities incorporating financial and strategic risk analysis. Russell is actively involved in ensuring sustainability principles are being adopted in corporate governance frameworks utilised in the public and private sectors and has a Bachelor Degree in Commerce.

Russell Cooper – October 2012

Russell Cooper has held Managing Director roles with Goulburn Murray Water, SUEZ/Degremont (Australia/NZ) and South East Water. He has been a Director of Murrumbidgee Irrigation, the Cooperative Research Centre for Irrigation Futures, Vic Water and the Water Services Association of Australia, and a special advisor to the Chair of the National Water Commission. Russell holds a Bachelor of Science, a Diploma of Management and is a fellow of the Australian Institute of Company Directors and Institute of Engineers.

Miranda Douglas-Crane – October 2012

Miranda has a background as an executive with RACV Pty Ltd including roles as acting Chief Executive Officer and General Manager Operations. Miranda is a member of National Occupational Licensing Authority, RACV Foundation and Special Olympics (Victoria). Miranda holds a Bachelor of Commerce, a Master of Business Administration and is a fellow of the Australian Institute of Management and the Australian Institute of Company Directors.

Ross Johns – October 2011

Ross is currently Victorian Farmers Federation Wimmera Branch President. He has a primary production background, owning a farm in Warracknabeal in the Northern Wimmera region of Victoria. Ross was Director of ABB Grain, an ASX top 100 company, from 1996 to 2009, serving on the audit committee. He was also Director and Deputy Chair of the Grain Research and Development Corporation from 2003 to 2006 and chaired its finance and audit committee.

Tom Mollenkopf – October 2011

Tom Mollenkopf is the former Chief Executive of the Australian Water Association. He is a Fellow of the Institute of Chartered Secretaries and member of the Institute of Company Directors. He is a Director of WaterAid Australia and Water Australia Solutions Ltd, and chairs the Water Industry Skills Taskforce and the Smart Approved Water Mark scheme. Tom is also a member of the Governing Assembly, International Water Association and the International Committee, American Water Works Association as well as serving on numerous advisory committees and panels. He is Chair of the Life Saving Victoria Review Committee.

Tom was previously Deputy Executive Director of the International Water Association, based in London. Prior to that, he was an executive at South East Water in Melbourne. Tom's background is in law, first in private practice and then as corporate counsel. Tom has a Masters of Business Administration, Bachelor of Jurisprudence and Bachelor of Laws.

Andrew Osborne – October 2011

Andrew has over 40 years' experience in the water industry. He has held senior management and director positions in national and international consulting and contracting, and has worked in London, the Middle East and more broadly in the Asia Pacific basin.

Andrew brings extensive experience in the delivery of major infrastructure in the areas of procurement, risk management and commercial business arrangements, and currently provides strategic and technical advice to government and the private sector for the provision of water infrastructure including irrigation and recycling through separate consulting arrangements. Andrew holds undergraduate and post graduate qualifications in engineering and engineering science and is a member of the Australian Institute of Company Directors.

BOARD COMMITTEES

Western Water has three Board committees to assist in carrying out its corporate governance functions:

- Audit and Risk Committee
- Remuneration Committee
- Capital Works Committee

Each Board committee is chaired by a Board Director and operates under approved terms of reference. In addition, one Board Director chairs Western Water's Customer Advisory Group meetings. Committee members are chosen for their skills, experience and other qualities they bring to the committees.

Board committees are entitled to any resources and information required including direct access to Western Water staff. The Managing Director, members of the Executive Management Team and other staff attend committee meetings as required. Board Directors receive committee agendas and can attend all meetings, subject to reviewing any conflict of interest requirements. A verbal report by the Chair of each committee is presented at each Board meeting and all committee minutes are tabled.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its responsibilities by reviewing all matters relating to corporate finance, auditing functions, review of financial statements and accounting policies. This committee also considers compliance with legislation and other activities and procedures, including insurance and risk management. Russell Anderson is the Chair. The other committee members are Ross Johns, Lucia Cade, Miranda Douglas-Crane and Andrew Osborne. All Board Directors on the Audit and Risk Committee are independent, non-executive Directors.

Remuneration Committee

The Remuneration Committee reviews the remuneration and performance arrangements of executives and the terms of employment for all employees. Lucia Cade is the Chair. The other committee members are Tom Mollenkopf and Russell Cooper.

Capital Works Committee

The Capital Works Committee is responsible for providing strategic input to Western Water's capital works program and monitors the implementation of the program in accordance with timeframes and budgets. Andrew Osborne is the Chair. The other committee members are Lucia Cade, Russell Cooper, Miranda Douglas-Crane, Tom Mollenkopf and Ross Johns.

Customer Advisory Group

The Customer Advisory Group enables community input to service planning and decision making processes by providing a direct link between the Board, customers and consumer advocacy groups. Russell Anderson is the Chair of the advisory group.

Board & committee meeting attendance

The Board has 11 scheduled meetings each year, with additional meetings convened as required.

Table 19: Board meeting and committee attendance

Board Member	Board	Capital Works Committee	Audit & Risk Committee	Remuneration Committee
Lucia Cade (Chair)	8	1	3	2
Russell Anderson (Deputy Chair)	11	1	4	1
Russell Cooper	8	2		2
Miranda Douglas-Crane	8	1	2	
Andrew Osborne	8	3	4	
Ross Johns	11	3	4	
Tom Mollenkopf	9	2		2
Neil Brennan (Managing Director)	11	3	3	3
Terry Larkins*	3			1
Dorothy Bell*	2			
Marcos Anastassiou*	3	1		1

* These Directors left the Board during 2012/13.

People and culture

EMPLOYMENT AND CONDUCT PRINCIPLES

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

Western Water's values and employment principles are critical to maintaining and improving performance of the workforce. Policies and practices are in place so that the corporation continually strives to uphold the principles of equal opportunity, employee diversity and work/life balance.

WORKFORCE DATA

Western Water aims to attract, retain and develop talented and committed employees. At 30 June 2013, 169 people were employed in a variety of roles including professional, technical, trade and administrative. This figure includes permanent, casual and temporary employees and is equivalent to 153 full time staff. This is an increase from 151 FTE staff in 2011/12.

The employee base has grown by 8 over the prior reporting period. The business is well placed to meet the significant challenges presented by population growth in the region. Of the total employee base, 47% are female (this figure excludes Board Directors).

Table 20: Workforce composition by function – 2 years

	2011/12		2012/13	
	Male	Female	Male	Female
Board members	6	1	5	2
Managing Director/ General Managers	5	0	5	1
Managers	6	6	7	5
Operational, administration and field staff	76	68	79	72
Total	93	75	95	80

TRAINING & CAREER DEVELOPMENT

Western Water supports employees through training and development, performance management and recognition programs to fully develop their potential and deliver leading services to customers. In 2012/13, the training budget represented 3.6% of payroll. Identified as a key strategic driver, Western Water is making a considerable commitment to building leadership capability across all levels of the business.

OCCUPATIONAL HEALTH AND SAFETY

Western Water is committed to providing a healthy and safe workplace for employees, contractors and the wider community. Key safety messages are reinforced across the business via safety alerts, the intranet and onsite toolbox meetings.

Consultation remains a significant aspect of the safety culture. The OH&S committee, comprising management and employee representatives, meets monthly and plays a key role in improving the safety of the work environment. To this end, the OH&S Policy, committee member details and meeting minutes are displayed on worksite noticeboards, the intranet and/or via monthly team meetings.

Western Water's OH&S training program is aligned with its Health and Wellbeing Strategy and has a strong emphasis on prevention and early intervention. Significant OH&S activities during 2012/13 include:

- Successful external accreditation of Western Water's OH&S to Australian Standard 4801
- Reviewed safe storage of hazardous chemicals to meet regulatory changes
- Increased focus on auditing external contractors
- Introduced competency based induction for contractors
- Reduced OH&S risk relating to walkways and railings in operating plants.

INCIDENT MANAGEMENT

Workplace incidents increased in 2012/13 compared to the previous reporting period. Of the 29 incidents reported, two were lost time injuries, three were minor injuries of a less serious nature and one was a potentially serious near miss. The remaining 23 incidents were either minor first aid level injuries or near misses rated as low risk.

Analysis of these reported incidents indicates that they reflect a higher frequency in reporting. This is a result of increasing involvement from staff operating in a positive OH&S culture.

Table 21: Workplace incidents – 5 years

	2008/09	2009/10	2010/11	2011/12	2012/13
Workplace incidents	18	20	27	19	29

The number of WorkCover claims lodged during the year increased, for both standard and minor claims. The standard claims were all related to manual handling injuries, one of which occurred in the previous 2011/12 reporting period. To address and reverse this trend, a number of programs are proposed for the coming year, including:

- Manual handling training
- Pre-start exercise and warm up programs
- Improved management and support of staff with pre-existing injuries
- New OH&S induction program for staff and contractors
- Revision and development of Safe Work Method Statements
- Continued efforts to eliminate hazards and reduce overall OH&S risk.

Table 22: WorkCover claims – 5 years

	2008/09	2009/10	2010/11	2011/12	2012/13
New standard* claims	3	7	1	2	6
New minor claims	4	4	5	4	13
Total	7	11	6	6	19

* For a claim to be classified as a standard claim it must exceed a threshold of \$642 of medical payments or ten days lost time. Any claim that falls below these thresholds is classified as a minor claim.

WorkCover lost days increased in 2012/13. Of the 135 days lost, only a third were the result of injuries incurred during the current reporting period and the majority of these were due to a single injury. The other 90 days lost were due to ongoing surgical and paramedical treatment of pre-existing injuries, some of which are more than five years old.

Table 23: WorkCover lost days – 5 years

	2008/09	2009/10	2010/11	2011/12	2012/13
Lost time injuries	5	11	2	2	2
Lost time injury days	27.5	468	109	78	135

WorkCover premiums increased in 2012/13. The premiums are calculated from application of industry rates and claims made between 1 January 2010 and 31 December 2012, thereby reflecting the claim history within that period. Claims reported after 31 December 2012 are not used in this year's premium, but form part of our claims history and will affect future premiums. To reduce the WorkCover premium, Western Water is working to reduce injuries and return injured workers to meaningful work as quickly as possible.

Table 24: WorkCover premiums

	2008/09	2009/10	2010/11	2011/12	2012/13
Premiums (\$)	220,078	194,280	164,943	173,178	245,728

In the coming year, Western Water will work to promote and improve the OH&S culture, implement a manual handling and core strength program, improve traffic management at our worksites, and review and update hazard registers.

Other disclosures

IMPLEMENTATION OF THE VICTORIAN INDUSTRY PARTICIPATION POLICY

In October 2003, Parliament passed the *Victorian Industry Participation Policy (VIPP) Act 2003*. This requires public bodies and departments to report on the implementation of the VIPP. The policy was developed to ensure that applicable Government projects use local suppliers whenever and wherever they offer the best value for money.

Department and public bodies are required to apply VIPP in all tenders over \$3 million in metropolitan Melbourne and \$1 million in regional Victoria. In Western Water's service area, both Hume City Council and Melton City Council are considered metropolitan, while Moorabool Shire Council and Macedon Ranges Shire Council are regional.

VIPP applicable contracts

New projects:

Western Water had two new VIPP applicable projects in 2012/13:

1. Melton Recycled Water Plant upgrade. This \$4.4 million project commenced in December 2012 and is expected to be completed by April 2014. Two new full time equivalent jobs were created for this project, which will have 100% local content.
2. Rosslynne Water Filtration Plant upgrade. This \$3.9 million project commenced in February 2013 and is expected to be completed by September 2013. No new full time equivalent jobs were created for this project, which will have 100% local content.

Completed projects:

One VIPP applicable contract was completed during the reporting period: the \$4.4 million upgrade of Bacchus Marsh Recycled Water Plant. The contract was completed in June 2013. Seven new jobs were created for this project and three full time equivalent existing jobs were retained for the contract.

DISCLOSURE OF MAJOR CONTRACTS

Western Water did not enter into any contracts greater than \$10 million during the year ended 30 June 2013.

COMPLIANCE WITH THE *BUILDING ACT 1993*

Western Water complies with the building and maintenance provisions of the *Building Act 1993*.

NATIONAL COMPETITION POLICY

Competitive neutrality seeks to enable fair competition between government and private sector business. Western Water continues to implement and apply this principle in its business undertakings.

CONSULTANCIES

During the reporting period, consultancies for Western Water in excess of \$10,000 expenditure numbered 29 at a combined cost of \$1,499,000 (excluding GST). In addition, there were another 67 consultancies of less than \$10,000 engaged during the year, totalling \$248,916 (excluding GST).

Table 25: Details of the consultancies greater than \$10,000 (\$'000s)

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2012-13 (excluding GST)	Future Expenditure (excluding GST)
A J Forbes and Associates	Riddells Creek site assessment and EIP, customer training session and soil sampling risk assessment review	Jul-12	May-13	16	16	0
RMIT University	Waste to energy research	Aug-12	Oct-13	30	11	19
GHD Pty Ltd	Bacchus Marsh RWP Upgrade - Construction audit	Mar-12	Feb-13	31	20	11
Montgomery Watson Harza	Bacchus Marsh RWP Upgrade - Superintendency services	Aug-11	Ongoing	143	56	87
AECOM Australia Pty Ltd	Melton RWP Stage 3 Upgrade - Superintendency services	Jun-12	Ongoing	106	62	44
GHD Pty Ltd	Melton RWP Stage 3 Upgrade - Design and tender services	Mar-12	Jun-13	69	69	0
Everything Infrastructure	Sunbury RWP Upgrade - Contract procurement advice	Feb-13	Jun-13	42	20	22
GHD Pty Ltd	Sunbury RWP Upgrade - Ecological risk assessment	Feb-12	Sep-12	14	1	13
Marsden Jacob Associates Pty Ltd	Sunbury RWP Upgrade - Project financial review	Feb-13	Jun-13	14	0	14
Montgomery Watson Harza	Sunbury RWP Upgrade - Strategic advice and concept design	Jun-12	Ongoing	702	456	246
CMP Consulting Group Pty Ltd	Water main renewal	Jul-12	Jun-13	13	13	0
GHD PTY LTD	Concept design and review of available yield for Campaspe Reservoir upgrade	Jan-04	Mar-08	49	45	4
AECOM Australia Pty Ltd	Toolern strategy development	Jul-12	Jun-13	13	13	0
Montgomery Watson Harza	Review of Toolern PSP sewer service strategy	Jul-12	Sep-12	15	15	0
Sinclair Knight Merz	Toolern business case development and board presentation	Feb-13	Aug-13	300	141	159
CMP Consulting Group Pty Ltd	Bacchus Marsh Avenue of Honour pump station augmentation	May-10	Jun-13	138	15	123
CMP Consulting Group Pty Ltd	Bacchus Marsh Avenue of Honour rising main duplication	Mar-11	Jun-13	161	15	146
Montgomery Watson Harza	Bacchus Marsh distribution system	Jul-12	Jul-13	70	14	56
Montgomery Watson Harza	Gisborne GROs	Jul-11	Sep-13	559	68	491
Montgomery Watson Harza	Korkuperrimul Creek Est Area A Bacchus Marsh	Jul-12	Jun-13	14	14	0
GHD Pty Ltd	Romsey borefield	Jun-11	Aug-13	128	70	58
CMP Consulting Group Pty Ltd	Romsey Recycled Water Scheme Stage 2	Dec-12	Oct-13	35	22	13
Montgomery Watson Harza	Rockbank and Toolern water and recycled water design works	May-12	Dec-13	355	73	282
CMP Consulting Group Pty Ltd	Jacksons Hill rising main extension	Feb-12	Mar-13	31	11	20
AECOM Australia Pty Ltd	Development of biosolids management options for Sunbury RWP	May-12	Sep-11	25	14	11
Marsden Jacob Associates Pty Ltd	Strategic financial model development - Water Plan 2013-2018	Jul-12	Nov-12	145	145	0
Enhance Solutions	Risk management consultation	Jul-12	Jun-13	43	43	0
BCM Solutions	Business continuity planning	Jul-12	Dec-12	19	19	0
Planfore-It	Emergency planning	Jan-12	May-13	40	40	0
Total				3,320	1,499	1,821

Other disclosures

FREEDOM OF INFORMATION

The Victorian *Freedom of Information Act* gives customers the right to access documents held by Government agencies as well as the right to request that incorrect or misleading information be amended or removed. Western Water is considered to be a Government agency under the Act and the decision to release information is made by an authorised officer.

During 2012/13, there was one request for access to information in accordance with the Act. There were no requests outstanding at 30 June 2012. No information was able to be located in respect of the request made during 2012/13. As at 30 June 2013, all requests were finalised.

Table 26: Freedom of information summary

Personal requests received	1
Non personal requests received	0
Requests outstanding at 30 June 2012	0
Reviews by the FOI Commissioner received	0
Reviews by the FOI Commissioner where the original decision was confirmed	0
Reviews by the FOI Commissioner where the original decision was varied or overturned	0
VCAT appeals lodged	0
VCAT appeals confirmed decision	0
VCAT appeals varied or overturned decision	0
Exemptions in requests, reviews by the FOI Commissioner and VCAT appeals	s.25(A)1, s.33(1), s.75
Total dollar of application fees collected	\$25.10
Total dollar of charges collected and waived	Nil

Names and titles of FOI decision makers:

Authorised person: David Anderson,
General Manager Corporate Services

Principal officer: Neil Brennan,
Managing Director

Requests for access to information held by Western Water should be made in writing to:

FOI Officer - David Anderson,
General Manager Corporate Services
Western Water
PO Box 2371
Sunbury DC Victoria 3429

Contact: 9218 5400 or
david.anderson@westernwater.com.au

From 1 July 2013 a fee of \$25.70 applies to any application for documents. Additional information and how to make an FOI request is available on Western Water's website and at www.foi.vic.gov.au.

PROTECTED DISCLOSURE ACT 2012

The *Whistleblowers Protection Act 2001* (WP 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 WP Act, for each of the relevant time periods.

Compliance with the *Protected Disclosure 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.

Western 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.

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 Western Water or its Board Directors, officers or employees by contacting the Department of Environment and Primary Industries (DEPI) or IBAC on the contact details provided below. Please note that Western Water is not able to receive protected disclosures.

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

Western Water has established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about Western Water or its employees. You can access Western Water's procedures on its website at westernwater.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
Ph: 03 9637 8697
Website: www.depi.vic.gov.au

Independent Broad-Based Anti-Corruption Commission Victoria
Address: Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3001.

Mail: IBAC, GPO Box 24234, Melbourne Victoria 3000
Internet: www.ibac.vic.gov.au

Phone: 1300 735 135

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

DISCLOSURES UNDER THE WHISTLEBLOWERS PROTECTION ACT 2001

(up to 9 February 2013)

The archived procedures established under the WP Act are available upon request. The disclosures detailed in the table below relate to the period commencing on 1 July 2012 and ending on 9 February 2013.

Table 27: Whistleblowers Protection Act disclosures – FY12 vs FY13

The number and types of disclosures made to Western Water during the year (1 July 2012 to 9 February 2013):	2011-12 number	2012-13 number
Public interest disclosures	0	0
Protected disclosures	0	0
The number of disclosures referred during the year by the public body to the Ombudsman for determination as to whether they are public interest disclosures	0	0
The number and types of disclosed matters referred to the public body by the Ombudsman for investigation	0	0
The number and types of disclosures referred by the public body to the Ombudsman for investigation	0	0
The number and types of investigations taken over from the public body by the Ombudsman	0	0
The number of requests made by a whistleblower to the Ombudsman to take over an investigation by the public body	0	0
The number and types of disclosed matters that the public body has declined to investigate	0	0
The number and types of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation	0	0
Any recommendations made by the Ombudsman that relate to the public body: Recommendation regarding file security and management	0	0

ADDITIONAL INFORMATION AVAILABLE ON REQUEST

Subject to the *Freedom of Information Act 1982*, the following information is available on request:

- 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 all publications produced by Western Water about itself, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by Western Water
- details of any major external reviews carried out on Western Water
- details of major research and development activities undertaken by Western Water
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations & marketing activities undertaken by Western Water to develop community awareness of Western 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 Western Water and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by Western Water, the purpose 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.

RISK MANAGEMENT ATTESTATION

Western Water continues to make improvements and embed risk management throughout the organisation. The corporation now has a dedicated risk team with a strong focus on emergency management, strategic and operational risk management and quality management systems.

Risk has been integrated into Western Water's strategic planning process and the development of Water Plan 2013-2018.

We certify that Western Water has risk management processes in place consistent with the international standard (ISO31000:2009) Risk Management - Principles and Guideline and has an internal control system in place that enables the executive to understand, manage and satisfactorily control risk exposures.

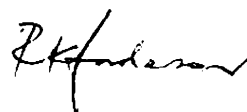
Western Water's Audit and Risk Committee verifies this assurance and that the risk profile of Western Water has been critically reviewed within the last 12 months.



Lucia Cade

CHAIR

Western Water



Russell Anderson

CHAIR, AUDIT AND RISK COMMITTEE

Western Water

29 August 2013

FINANCIAL REPORT

Financial summary

The following summary table and graphs illustrate that in 2012/13 Western Water made an overall surplus of \$4.1 million before tax, including developer assets and cash contributions of \$19.4 million.

Western Water invested \$22.5 million in capital works during the year which was financed from operating cash flows of \$5.3 million. The debt level increased to \$149 million.

Summary of financial results

Financial result \$'000	2008/09	2009/10	2010/11	2011/12	2012/13	% change	Plan
REVENUE							
Service charges	39,691	44,159	48,410	55,180	59,645	8.1%	57,574
New customer contributions	14,204	16,017	17,095	21,168	19,453	(8.1%)	19,884
Government contributions	140		1,270	142	1,227	764.1%	1,996
Interest	119	33	49	137	124	(9.5%)	95
Other	1,520	2,795	2,250	599	1,812	302.5%	1,990
TOTAL	55,674	63,004	69,074	77,226	82,261	6.5%	81,539
EXPENSES							
Operating expenses	33,216	38,024	41,496	45,736	52,026	13.8%	50,290
Corporate expenses	10,510	11,707	13,794	15,364	14,349	(6.6%)	16,210
Finance	3,847	5,706	7,893	9,326	10,142	8.7%	10,111
Environment contribution	1,615	1,615	1,615	1,615	1,615	0.0%	1,615
TOTAL	49,188	57,052	64,798	72,041	78,132	8.5%	78,226
NET PROFIT BEFORE TAX	6,486	5,952	4,276	5,185	4,129	(20.4%)	3,313

Summary of financial performance

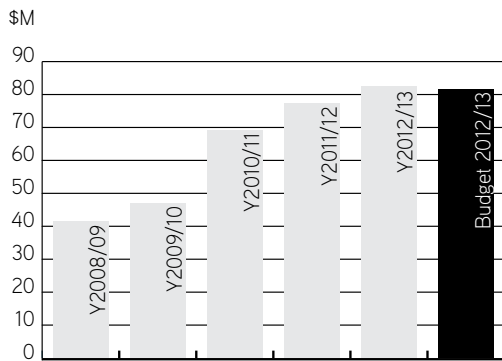
Financial result \$'000	2008/09	2009/10	2010/11	2011/12	2012/13	% change	Plan
Current assets	9,770	16,235	16,143	21,534	21,838	1.4%	15,953
Non-current assets	470,548	505,094	613,953	652,857	696,871	6.7%	676,156
Total assets	480,318	521,329	630,096	674,391	718,709	6.6%	692,109
Current liabilities	18,464	15,617	11,941	35,828	35,512	(0.9%)	38,373
Non-current liabilities	105,840	144,168	197,070	206,073	226,008	9.7%	219,342
Total liabilities	124,304	159,785	209,011	241,901	261,520	8.1%	257,715
Net cash flow from operations	7,312	7,853	5,448	14,132	7,289	(48.4%)	3,700
Payments for property plant & equipment	39,746	35,988	34,247	24,571	25,406	3.4%	26,078

Performance indicators

Performance indicator	2008/09	2009/10	2010/11	2011/12	2012/13	Plan
Internal financing ratio	18.4%	21.8%	15.9%	57.5%	28.7%	14.2%
Gearing ratio	14.4%	19.6%	20.5%	22.1%	23.5%	21.5%
Interest cover (EBIT)	2.74	2.05	1.55	1.56	1.41	2.00
Interest cover (cash)	3.05	2.21	1.64	1.60	1.44	1.60
Return on average assets	1.1%	1.0%	0.5%	0.6%	0.4%	2.3%
Return on average equity	1.4%	1.3%	0.7%	0.9%	0.7%	0.9%

Revenue

Chart F1: Revenue - 5 years

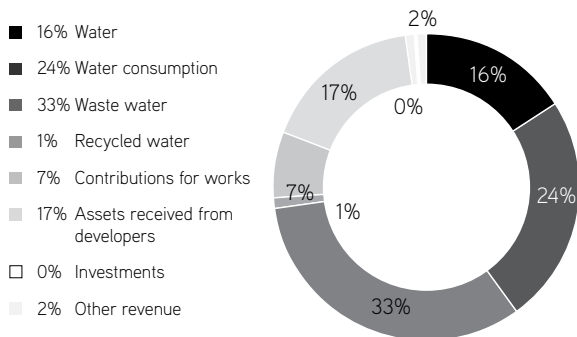


Prices for 2012/13 were frozen as a means of returning to customers the amount over collected by Melbourne Water in the cost of water purchased during 2011/12.

The total revenue forecast remained higher than 2011/12 due to anticipated continuation of strong developer activity. Whilst developer cash income was \$0.9 million under budget, consumption revenue was \$2.0 million over budget.

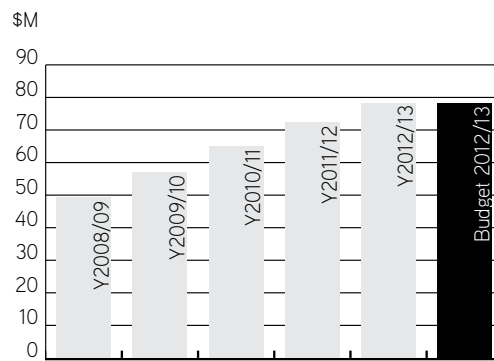
Chart F2: Revenue sources

The provision of water and sewer services, including water consumption, accounted for 73% of Western Water's income during 2012/13.



Expenditure

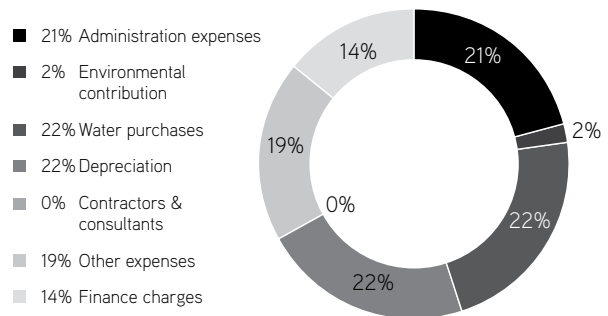
Chart F3: Expenses - 5 years



Overall expenses were on budget however there were some variations within categories. Depreciation expense was \$1.1 million under budget. However, extra water was purchased from the Melbourne system as a result of the move to Permanent Water Savings rules resulting in customers using more water. This resulted in the water purchases category being \$1.0 million over budget and electricity \$0.3 million over budget.

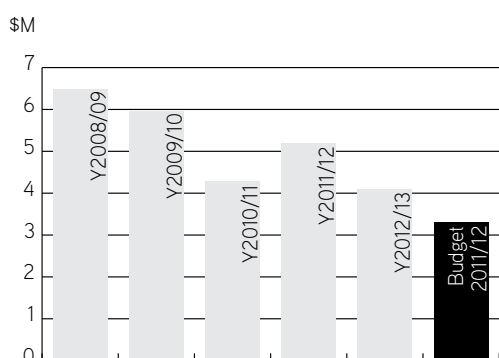
Chart F4: Expenses breakdown

Western Water's major expense areas in 2012/13 were water purchases, depreciation and administration.



Net profit before tax

Chart F5: Net profit before tax – 5 years



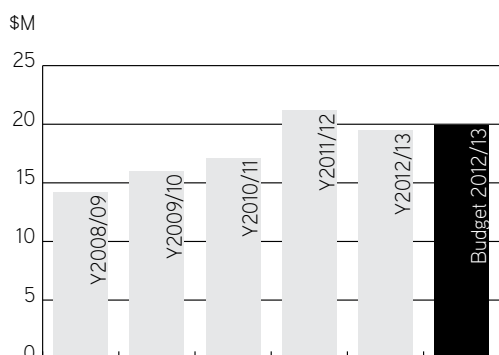
Western Water made an overall surplus before tax of \$4.1 million, including developer asset and cash contributions of \$19 million.

This was down on the net profit before tax in 2011/12 of \$5.2 million when developer asset and cash contributions totaled \$21 million.

New customer contributions

At \$19 million, new customer contributions continue to provide a great proportion of Western Water's revenue - received from both gifted assets and cash contributions.

Chart F6: New customer contributions – 5 years



Shareholder dividend

Western Water is required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the *Public Authorities (Dividend) Act 1983*. The dividend is 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.

No shareholder dividend was paid for the year 1 July 2012 to 30 June 2013.

Major changes or factors affecting performance

Long periods of water restrictions resulted in reduced water consumption income over the past five years. However, higher levels of water consumption and associated revenue were noted in 2012/13. Developer cash and contributions remain strong with a slight downturn in 2012/13 compared to the prior year.

Significant changes in financial position

There were no significant change in financial position for the year ending 30 June 2013.

Consultancies

During the reporting period, consultancies for Western Water in excess of \$10,000 expenditure numbered 31 at a combined cost of \$1,499,000. In addition, there were another 67 consultancies of less than \$10,000 engaged during the year, totalling \$248,916. Details of consultancies over \$10,000 are contained in Table 26 of this report.

Disclosure of major contracts

Western Water did not enter into any contracts greater than \$10 million during the year ended 30 June 2013.

Post balance date events

There are no post balance date events that materially affect Western Water's 2012/13 financial statements.

Access to information

Other information as required under the *Financial Management Act 1994* and FRD22B, but not specifically referred to, is available to the relevant Minister, Members of Parliament and the public upon request. Requests can be made to the General Manager, Corporate Services, Western Water, PO Box 2371, Sunbury DC Vic 3429.

Outlook 2013/14

Western Water's operating profit in 2013/14 will see considerable improvement due to the strategic nature of where water has been sourced over the past two years. Until June 2013, water was predominantly sourced from the Melbourne system. From July 2013, this situation will change as local supplies will become the region's main water source due to the significant increase in the cost to purchase from the Melbourne system.

Understanding the financial report

Statement of comprehensive income

The statement of comprehensive income measures Western Water's performance over the year and shows if a profit or loss has been made in delivering products and services.

The statement includes all sources of income less all expenses incurred in earning that income. For the year ending 30 June 2013, Western Water made a profit after tax of \$2.9 million.

Balance sheet

The balance sheet sets out Western Water's net accumulated financial worth at a point in time. It shows the assets Western Water holds as well as liabilities or claims against those assets. Both assets and liabilities are expressed as current or non-current. Current assets are those assets or liabilities which are expected to be converted into cash within the next 12 months. Non-current assets or liabilities are longer term. Equity is total capital and reserves plus profits that have been reinvested in the business over the years.

Statement of changes in equity

The statement of changes in equity shows the changes in equity between two financial periods reflecting the increase or decrease in net assets during the year. The total overall change in equity during a financial year represents the total amount of income and expenses through the operating statement, and items charged directly to the equity account from revaluation of assets.

Cash flow statement

The cash flow statement summarises Western Water's cash receipts and payments for the financial year and the net cash in hand position. It differs from the statement of comprehensive income in that it:

- excludes non-cash expenses such as depreciation
- excludes the accruals taken into account by the income statement
- includes payments or receipts in relation to capital items
- includes any financing activities such as movements in loans held by Western Water.

For the year ending 30 June 2013, Western Water had a net cash inflow of \$5.3 million from operating activities.

Notes to the accounts

The notes to the accounts provide further information in relation to the rules and assumptions used to prepare the Financial Report as well as additional information and detail about specific items within the statements.

The notes also advise the reader if there have been any changes to accounting standards, policy or legislation which may affect the way the statements are prepared. Information in the notes is particularly useful when there has been a significant change from the previous year's comparative figure.

Statutory certificate and Auditor General's report

These attachments provide the reader with a written undertaking in relation to the correctness and trustworthiness of the financial statements. In particular, the report from the Auditor General provides an independent view and will advise the reader if there are any issues of concern.

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Comprehensive operating statement

for the reporting period ended 30 June 2013

	Notes	2012/13 \$'000	2011/12 \$'000
REVENUE			
Service charges	1(b), 3(a)	40,464	39,340
Water usage charges	1(b), 3(a)	19,181	15,840
Government grants and contributions	1(b), 3(a)	1,227	142
Interest	1(b), 3(a)	124	137
Developers' contributions	1(b), 3(a)	19,453	21,168
		80,449	76,627
INCOME FROM NON-OPERATING ACTIVITIES			
Net gain/(loss) on disposal of infrastructure, property, plant and equipment	3 (b)	(73)	(173)
Other revenue	1(b), 3(c)	1,885	772
		1,812	599
TOTAL INCOME		82,261	77,226
EXPENSES			
Borrowing costs	1(c), 3(d)	10,142	9,326
Depreciation	1(e), 3(d)	14,614	14,351
Amortisation	1(e), 3(d)	1,167	917
Employee benefits	1(l), 3(d)	13,255	13,418
Repairs and maintenance expenses	1(d)	2,022	1,483
Environmental contributions	1(o), 18	1,615	1,615
Water purchases		15,613	10,894
Electricity		3,123	2,178
Other operating & administration		16,581	17,859
TOTAL EXPENSES		78,132	72,041
Net result before tax		4,129	5,185
INCOME TAX EXPENSE/(REVENUE)	4	1,267	1,499
NET RESULT FOR THE PERIOD	16	2,862	3,686
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to net result			
Asset revaluation increment (net of tax)		-	7,719
Items that may be reclassified to net result			
		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,862	11,405

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	1(f), 5	12,171	12,463
Receivables	1(g), 6	9,153	8,562
Prepayments		514	509
TOTAL CURRENT ASSETS		21,838	21,534
NON-CURRENT ASSETS			
Receivables	1(g), 6	191	216
Infrastructure assets, property, plant and equipment	1(d), 7	661,834	643,101
Intangible assets	1(h), 8	8,527	6,227
Deferred tax assets	9	4,481	3,313
TOTAL NON-CURRENT ASSETS		675,033	652,857
TOTAL ASSETS		696,871	674,391
LIABILITIES			
CURRENT LIABILITIES			
Payables	1(i), 10	12,520	15,746
Income in advance	1(b)	1,800	1,377
Interest bearing liabilities	11	18,000	15,500
Employee benefits	1(l), 12	3,191	3,205
TOTAL CURRENT LIABILITIES		35,511	35,828
NON-CURRENT LIABILITIES			
Interest bearing liabilities	11	151,000	133,500
Deferred tax liabilities	13	75,008	72,573
TOTAL NON-CURRENT LIABILITIES		226,008	206,073
TOTAL LIABILITIES		261,519	241,901
NET ASSETS		435,352	432,490
EQUITY			
Contributed capital	1(n), 14	160,413	160,413
Reserves	15	100,299	100,299
Accumulated funds	16	174,640	171,778
TOTAL EQUITY		435,352	432,490

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

Statement of changes in equity

for the period ended 30 June 2013

	Notes	Contributed capital \$'000	Reserves \$'000	Accumulated funds \$'000	Total \$'000
BALANCE AS AT 30 JUNE 2011		160,413	92,580	168,092	421,085
Net result for the year	16			3,686	3,686
Revaluation (net of tax)	15	-	7,719	-	7,719
BALANCE AS AT 30 JUNE 2012		160,413	100,299	171,778	432,490
Net result for the year	16			2,862	2,862
Revaluation net of tax	15	-	-	-	-
BALANCE AS AT 30 JUNE 2013		160,413	100,299	174,640	435,352

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

Cash flow statement

for the reporting period ended 30 June 2013

	Notes	2012/13 \$'000	2011/12 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
Tariffs and charges		66,844	62,904
GST received from ATO		4,527	4,342
Grants received from government		2,584	-
Interest		119	137
		74,074	67,383
PAYMENTS			
Employees		(14,972)	(11,068)
Suppliers		(41,958)	(31,256)
Interest and other costs of finance		(9,949)	(9,136)
Environmental contributions		(1,615)	(1,615)
Income tax		-	-
GST paid to the ATO		(236)	(176)
		(68,730)	(53,251)
Net cash (outflow)/inflow from operating activities	22	5,344	14,132
CASH FLOWS FROM INVESTING ACTIVITIES			
(Payments) for property, plant & equipment		(20,421)	(26,466)
Proceeds from sale of non-current assets		416	567
(Payment) for intangible assets		(5,631)	(334)
Net cash (outflow)/inflow from investing activities		(25,636)	(26,233)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		37,000	41,000
(Repayment) of borrowings		(17,000)	(21,000)
Proceeds from contributed capital by State Government		-	-
Net cash (outflow)/inflow from financing activities		20,000	20,000
NET INCREASE/(DECREASE) IN CASH HELD			
		(292)	7,899
Cash and cash equivalents at the beginning of the financial year		12,463	4,564
Cash and cash equivalents at end of the financial year	5 (a)	12,171	12,463

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

Notes to the financial report

for the year ended 30 June 2013

NOTE 1 Significant Accounting Policies

(A) BASIS OF ACCOUNTING

General

The financial report includes the separate financial statements for Western Region Water Corporation (Western Water, or the 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, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. Western Water is a not for profit entity for the purpose of preparing the financial statements.

The accrual basis of accounting has been applied in the preparation of this financial report 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 report was authorised for issue by Western Water's Board on 29 August 2013.

The principal address is:
Western Region Water Corporation
36 Macedon Street
SUNBURY VIC 3429

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 the current presentation and disclosure.

Functional and presentation currency

Items included in the financial report are measured using the currency of the primary economic environment in which Western Region Water Corporation operates ('the functional currency'). The financial report is presented in Australian dollars, which is Western Regional 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 realised or settled within the next twelve months, being Western Water's operating cycle. See 1(m) for a variation in relation to employee benefits.

Rounding

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

Historical cost convention

This financial report has been prepared under the historical cost convention, as modified by the revaluation of certain classes of property, plant and equipment.

Accounting estimates

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

The most significant accounting estimates undertaken in the preparation of this financial report relate to:

- unearned revenue. Refer Note 1(b)
- the impairment of assets. Refer Note 1(d)
- fair value assessment of assets. Refer Note 1(d), 2(D)
- estimation of useful lives. Refer Note 1(e)
- provisions. Refer Note 1(m)
- recognition of deferred tax assets and liabilities Refer Note 1(p)
- contingent assets and liabilities. Refer Note 1(r)

(B) REVENUE RECOGNITION

Water and sewerage charges

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

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 utilising the bulk meter reading at the end of the reporting period, is made at the end of each accounting period in respect of meters which have not been read at balance date.

Trade waste charges are recognised as revenue at the end of the service delivery period.

Amounts received from customers in advance of accounts being issued are recognised as a liability.

Developer contributions/fees paid by developers

Water infrastructure assets built by developers in new land subdivisions that on completion are provided to Western Water, or fees paid by developers to connect new developments to Western Water'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 Western Water obtains control of the contributions and meets certain other criteria as outlined by AASB 1004, whichever is the sooner, and disclosed in the comprehensive operating statement as government grants and contributions.

However, grants and contributions received from the Victorian 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 - contributed capital.

Sale of assets

The profit or loss on sale of an asset is determined when control has passed to the buyer.

Interest

Interest income is recognised as revenue using the effective interest rate method.

Lease or rental income

Income from operating leases (i.e. rentals) is recognised as income on a straight line basis over the lease term.

(C) BORROWING COSTS

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and short term and long term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and finance lease charges.

(D) RECOGNITION AND MEASUREMENT OF INFRASTRUCTURE ASSETS, PROPERTY, PLANT AND EQUIPMENT

Infrastructure assets, property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage and recycled water infrastructure, plant, equipment and motor vehicles, used by Western Water in its operations. Items with a cost or value in excess of \$1,000 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Acquisition

Where assets are constructed by Western Water, the cost at which they are recorded includes an appropriate share of fixed and variable overheads.

Assets acquired at no cost by Western Water are recognised at fair value at the date of acquisition.

Repairs and maintenance

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

Measurement of non-current physical assets

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

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 (usually the Valuer General of Victoria) to perform detailed assessment of the fair value. If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

Plant, equipment and motor vehicles are measured at fair value. 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 indicator) exists for these assets, depreciated replacement cost could represent a reasonable approximation of fair value.

Water infrastructure assets 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 recycled water systems.

The initial 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 Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructure. Further details of the valuation exercise are provided in Note 7.

Notes to the financial report

for the year ended 30 June 2013

Revaluation of non-current physical assets

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

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

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

Impairment of assets

Intangible assets with identifiable useful lives are tested annually as to whether their carrying values exceed their recoverable amount. All other assets are assessed annually for indicators for impairment except for deferred tax assets.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying values exceed 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 that 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. The recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

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

(E) DEPRECIATION AND AMORTISATION OF NON-CURRENT PHYSICAL 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 on non-current physical assets 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 where required, at each balance sheet date.

Intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight line), commencing from the time the asset is available for use. The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. However all intangible assets are assessed for impairment annually as outlined in Note 1(h).

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

	Depreciation periods
Buildings	50 years
<i>Infrastructure</i>	
Water & recycled water:	
- storage	50-100 years
- distribution network	60 years
- treatment plants	10-60 years
Sewerage:	
- storage	50-100 years
- distribution network	80 years
- treatment plants	10-60 years
<i>Plant & equipment</i>	
- equipment	5-20 years
- machinery	10-15 years
- furniture & computers	3-10 years
- motor vehicles	2 years
<i>Intangibles</i>	
- software	5 years
- water entitlement	infinite

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 10 year period

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the comprehensive operating statement on a straight line basis over the period of the lease, in periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(F) CASH AND CASH EQUIVALENT

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities on the balance sheet, but are included within cash and cash equivalents for cash flow statement presentation purposes.

(G) RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impaired receivables. Trade receivables are due for settlement no more than 28 days from the date of recognition for water utility debtors, and no more than 30 days for other debtors. Non-current debtors are private schemes, payable on terms of up to 20 years.

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 amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amounts credited to the allowance are recognised as an expense in the comprehensive operating statement.

Payments received from customers in advance have been separated out from debtors and disclosed as a liability.

From July 2008, Western Water commenced billing both existing customers and non-customers a Waterways and Drainage Charge on behalf of Melbourne Water for all properties within a designated boundary. The charge is not recognised as revenue by Western Water as the funds are collected on behalf of Melbourne Water and are therefore recognised as a corresponding liability. Western Water only remits funds once the account has been paid, and if the account is not paid, is not included in the mercantile agents collection procedures.

Fixed and variable service charges for water, sewer, recycled water (excluding classes B and C) and Melbourne Waterways charges are levied under the Water Act 1989 and therefore remain an outstanding charge on the property and collected at a future time when the property is sold.

(H) INTANGIBLES

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are 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 Western Water.

Western Water recognises computer software purchased for normal operations as an intangible asset along with any water entitlements paid for consideration.

A summary of the policies applied to the corporation's intangible assets follows:

	Computer software	Bulk entitlement
Useful lives	Infinite	Finite
Amortisation method used	Straight Line	Not applicable
Internally generated/ acquired	Acquired	Acquired
Impairment test/ recoverable amount testing	Amortisation method reviewed at each financial year end: Reviewed annually for indicators of impairment	Annually and where an indicator of impairment exists

(I) PAYABLES

Payables consist predominantly of trade and sundry creditors. These amounts represent liabilities for goods and services provided to Western Water prior to the end of the financial year, which are unpaid at financial year end. The amounts are unsecured and are usually paid within 30 days of recognition.

Payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured at amortised cost.

Under construction contracts, there is generally a requirement to withhold retention funds from payments during construction, and a requirement to hold a security deposit, being a percentage of the contract price, for up to 12 months after completion of construction. These funds are recognised as current liabilities (see Note 10).

Any Waterways and Drainage Charge that has both been collected in cash from customers and not paid to Melbourne Water, as well as amounts that remain outstanding from customers, is recognised as a current liability.

(J) 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 proceeds (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 non-current liabilities only if Western Water has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(K) FINANCIAL INSTRUMENTS

Recognition

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

Loans and receivables

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

Notes to the financial report

for the year ended 30 June 2013

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the corporation's management has the positive intention and ability to hold to maturity. If the corporation were to sell other than an insignificant amount of held to maturity financial assets, the whole category would be tainted and reclassified as available for sale.

Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets. Any held to maturity investments held by the corporation are stated at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument. All derivatives are classified as financial assets or financial liabilities at fair value through profit and loss.

Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the comprehensive operating statement.

Impairment of financial assets

At each reporting date, Western Water assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the comprehensive operating statement.

(L) EMPLOYEE BENEFITS

(i) 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 plus on-costs. Employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash flows to be made by Western Water, in respect of services rendered by employees up to the reporting date. Regardless of the expected timing of settlements, liabilities in respect of the 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 seven or more years of continuous service) 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; and
- nominal value – component that the corporation expects to settle within 12 months.

Non-current liability – conditional LSL (representing less than seven years of continuous service) is also disclosed as a current liability as staff have the ability to transfer accumulated long service leave to other water corporations under *Water (Long Service Leave) Regulations 2001 No. 79* should they transfer employment within the water sector. Western Water's policy is to recognise conditional long service leave as a current liability based on their portability and frequent staff movements. 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.

(ii) Superannuation

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

The Department of Treasury and Finance (DTF) in their annual financial statements disclose on behalf of the state as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to DTF's annual financial statements for more detailed disclosures in relation to these plans.

(iii) 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.

(iv) Performance payments

Performance payments for Western Water's executive officers are based on a percentage of the annual salary package provided under each of their contracts of employment. A liability is recognised and is measured as the aggregate of the amounts accrued under the term of the contracts to balance date.

(v) Employee benefits

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

(M) PROVISIONS

Provisions are recognised when Western Water, as a result of a past event, has a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

(N) CONTRIBUTIONS BY OWNERS

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

(O) ENVIRONMENTAL CONTRIBUTIONS

The corporation has a statutory authority to pay an environmental contribution to the Department of Environment and Primary Industries (DEPI). This contribution is recognised as an expense during the reporting period as incurred.

(P) TAXATION

Western Water is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office (ATO).

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 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 unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rate 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 profit 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.

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

(Q) COMMITMENTS

Commitments for future expenditure include operating commitments arising from contracts. These commitments are disclosed by way of a note (see Note 18) at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(R) 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 (see Note 19) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

(S) DIVIDEND POLICY

Western Water is required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the *Public Authorities (Dividend) Act 1983*, based on a prescribed percentage of the previous year's 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. Western Water's preliminary estimate for the reporting period is \$nil.

(T) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the 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 (i.e. inclusive of GST). The GST component of cash flows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.

(U) 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 financial year ending 30 June 2013. The corporation has not and does not intend to adopt these standards early.

Notes to the financial report

for the year ended 30 June 2013

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE.

Standard/ interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 <i>Financial Instruments</i> , AASB 2010-7 <i>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</i> .	AASB 9 <i>Financial Instruments</i> 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 <i>Financial Instruments: Recognition and Measurement</i> and have not been changed. Western Water has not yet decided when to adopt AASB 9.	1 January 2015	Western Water is yet to assess its full impact. However, initial indications are that it is unlikely to affect the Corporation materially.
AASB 10 <i>Consolidated Financial Statements</i> , AASB 11 <i>Joint Arrangements</i> , AASB 12 <i>Disclosure of Interests in Other Entities</i> , AASB 127 <i>Separate Financial Statements</i> , AASB 128 <i>Investments in Associates and Joint Ventures</i> and AASB 2011-7 <i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards</i> .	<p>AASB10 introduces a single definition of control that applies to all entities and focuses on the need to have both power and rights or exposure to variable returns.</p> <p>AASB 11 introduces a new approach for which the focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture.</p> <p>AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.</p> <p>These standards provide more reliable and relevant information for users to assess the composition of the group and the amounts, timing and uncertainty of future cash flows.</p>	1 January 2013	Western Water is yet to assess its full impact. Western Water will apply amended standard from 1 January 2013.

Standard/ interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
<p>AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>, AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>, AASB 2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements</i> and AASB 2011-6 <i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements</i></p>	<p>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.</p> <p>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.</p> <p>AASB 2011-6 extends the relief for intermediate parent entities from consolidation, equity accounting and proportionate consolidation to parent entities that report under tier 2, where the parent higher up the group is reporting either under tier 1 or tier 2.</p>	1 July 2013	<p>The impact of this standard will depend on instructions provided by DTF on its applicability to Western Water. Western Water will assess its impact once DTF has provided guidance on this standard.</p>
<p>AASB 13 <i>Fair Value Measurement</i>, AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i> and AASB 2012-1 <i>Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements</i></p>	<p>The standard explains how to measure fair value and aims to enhance fair value disclosures.</p>	1 July 2013	<p>Western Water is yet to assess its full impact.</p> <p>However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. 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.</p>
<p>AASB 119 <i>Employee Benefits</i>, AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119</i> and AASB 2011-11 <i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i>.</p>	<p>These standards require the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removed of the so called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.</p>	1 July 2013	<p>Western Water is yet to assess its full impact. Western Water will apply amended standard from 1 July 2013.</p>
<p>AASB 2011-4 <i>Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements</i>.</p>	<p>Removes the individual key management personnel disclosure requirements from AASB 124 <i>Related Party Disclosures</i>, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the <i>Corporation Act 2001</i>.</p> <p>The amendments cannot be adopted early.</p>	July 2013	<p>This amendment will have a limited impact on the financial statements of the corporation.</p>
<p>AASB 2013-1 <i>Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements</i>.</p>	<p>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 <i>Budgetary Reporting</i>.</p>	1 July 2014	<p>Western Water is yet to assess its full impact. Western Water will apply amended standard from 1 January 2014.</p>

Notes to the financial report

for the year ended 30 June 2013

Standard/ interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2012-11 <i>Amendments to Australian Accounting Standards - Reduced Disclosure Requirements and Other Amendments.</i>	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	Western Water is yet to assess its full impact. Western Water will apply amended standard from 1 July 2013.
AASB 2012-7 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.</i>	This standard adds to or amends the Australian Accounting Standards – Reduced Disclosure Requirements for AASB 7 <i>Financial Instruments: Disclosures</i> , AASB 12 <i>Disclosure of Interests in Other Entities</i> , AASB 101 <i>Presentation of Financial Statements</i> and AASB 127 <i>Separate Financial Statements</i> . AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i> provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	Western Water will apply amended standard from 1 July 2013.
AASB 2012-1 <i>Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 and AASB 141].</i>	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 <i>Application of Tiers of Australian Accounting Standards</i> ; (b) AASB 13 <i>Fair Value Measurement</i> ; and (c) AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i> .	1 July 2013	The Corporation does not plan to adopt these standards until their effective date.
AASB 2012-2 <i>Amendments to Australian Accounting Standard – Disclosures - Offsetting Financial Assets and Financial Liabilities.</i>	This standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 January 2013	Western Water will apply amended standard from 1 July 2013. Impact is likely to be minimal.
AASB 2012-3 <i>Amendments to Australian Accounting Standard – Offsetting Financial Assets and Financial Liabilities.</i>	This standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	Western Water will apply amended standard from 1 January 2014. Impact is likely to be minimal.

Standard/ interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2012-4 <i>Amendments to Australian Accounting Standard - Government Loans.</i>	<p>This standard adds an exception to the retrospective application of Australian Accounting Standards to require that first time adopters apply the requirements in AASB 139 <i>Financial Instruments: Recognition and Measurement</i> (or AASB 9 <i>Financial Instruments</i>) and AASB 120 <i>Accounting for Government Grants and Disclosure of Government Assistance</i> prospectively to government loans existing at the date of transition to Australian Accounting Standards.</p> <p>This means that first time adopters would not recognise the corresponding benefit of the government loan received at a below market rate of interest as a government grant. However, entities may choose to apply the requirements of AASB 139 (or AASB 9) and AASB 120 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. These amendments give first time adopters the same relief as existing preparers of Australian Accounting Standards financial statements.</p>	1 January 2013	Western Water is yet to assess its full impact. Impact is likely to be minimal.
AASB 2012-5 <i>Amendments to Australian Accounting Standard arising from Annual Improvements- 2009-2011 Cycle.</i>	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	Western Water is yet to assess its full impact.
AASB 2012-9 <i>Amendments to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.</i>	<p>This standard makes an amendment to AASB 1048 <i>Interpretation of Standards</i>.</p> <p>The amendment arises from the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.</p>	1 January 2013	Western Water is yet to assess its full impact.
AASB 127 <i>Separate Financial Statements</i>	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 January 2014	<p>Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 127 in a not-for-profit context.</p> <p>As such, the impact will be assessed after the AASB's deliberation.</p>
AASB 1055 <i>Budgetary Reporting</i>	AASB 1055 extends the scope of budgetary reporting that is currently applicable for the whole of government and general government sector (GGS) to NFP entities within the GGS, provided that these entities present separate budget to the parliament.	1 January 2014	This Standard is not applicable as no budget disclosure is required.

Notes to the financial report

for the year ended 30 June 2013

NOTE 2 Financial risk management objectives and policies

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

Western Water's Board has the overall responsibility for the establishment and oversight of Western Water's risk management framework. Western Water's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Western Water. Western Water 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 and foreign exchange.

Risk management is carried out by the Manager Risk 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, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The main risks Western Water 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 Western Water's financial instruments. Market risk comprises foreign exchange risk, interest rate risk and other price risk. Western Water's exposure to market

risk is primarily through interest rate risk. There is no exposure to foreign exchange risk and insignificant exposure to other price risks.

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

(i) Interest rate risk

Western Water's exposure to market interest rates relates primarily to Western Water's long term borrowings and funds invested on the money market.

Western Water has approval to enter into Forward Settling Loans (FSL) to hedge/protect the value of the corporation's assets and liabilities against adverse movements in interest rate in accordance with its Treasury Management Policies. As at 30 June 2013, no FSL arrangements were in place (2012: nil).

Western Water minimises its exposure to interest rate changes on its long term borrowings by holding a mix of fixed and floating 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.

Western Water has minimal exposure to interest rate risk through its holding of cash assets and other financial assets. Western Water manages its interest rate risk by maintaining a cash investment from time to time.

(ii) Foreign exchange risk

Western Water has no exposure to changes in the foreign exchange rate.

(iii) Other price risk

Western Water has no significant exposure to other price risk.

The sensitivity analysis below 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.

	30-Jun-13	Interest rate risk				
		Carrying amount \$'000	+1%		-1%	
			Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
FINANCIAL ASSETS						
Cash and cash equivalents	12,171	28	28	(28)	(28)	
Receivables	8,998					
FINANCIAL LIABILITIES						
Payables	12,520					
Interest bearing liabilities	169,000	(159)	(159)	159	159	
TOTAL INCREASE/(DECREASE)		(131)	(131)	131	131	

30-Jun-12

	Interest rate risk				
	Carrying amount \$'000	+1%		-1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
FINANCIAL ASSETS					
Cash and cash equivalents	12,463	18	18	(18)	(18)
Receivables	8,163				
FINANCIAL LIABILITIES					
Payables	15,746				
Interest bearing liabilities	149,000	(59)	(59)	59	59
TOTAL INCREASE/(DECREASE)		(41)	(41)	41	41

Sensitivity on cash balances is based on historical average cash balance during the year.

(B) CREDIT RISK

Credit risk is the risk of financial loss to Western Water as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from Western Water's receivables.

Western Water'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. Western Water has in place a policy and procedure for the collection of overdue receivables.

An analysis of the ageing of Western Water's receivables at reporting date has been provided in note 6.

(C) LIQUIDITY RISK

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

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

During the course of the financial year, Western Water relies on the Treasury Corporation of Victoria's ability to provide borrowings within the annual treasurer's approval limits. Treasurer's approvals are usually provided in June prior to the commencement of the subsequent financial year, based on Western Water's Corporate Plan submission. However, there is no guarantee approval will be received for the full amount sought.

Western Water's financial liability maturities have been disclosed in Note 17.

(D) FAIR VALUATION MEASUREMENTS

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by Western Water is the current bid price.

The fair value of financial instruments that are not traded in an active market (e.g. over the counter derivatives) is determined using valuation techniques. The entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short term nature of trade receivables. 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 Western Water for similar financial assets.

The carrying amounts and aggregate net fair values of financial assets and financial liabilities at balance date have been provided in Note 17.

Notes to the financial report

for the year ended 30 June 2013

NOTE 3 Comprehensive operating statement – disclosures

	2012/13 \$'000	2011/12 \$'000
(A) SIGNIFICANT REVENUES		
SERVICE CHARGES		
Water	13,112	12,806
Sewerage	26,179	25,548
Recycled water	1,173	986
	40,464	39,340
WATER USAGE CHARGES	19,181	15,840
TOTAL SERVICE CHARGES	59,645	55,180
GOVERNMENT GRANTS AND CONTRIBUTIONS		
- Operating	1,227	142
INTEREST		
Investments	124	137
DEVELOPERS' CONTRIBUTIONS		
Fees paid by developers	5,787	5,120
Assets received from developers	13,666	16,048
	19,453	21,168
	80,449	76,627
(B) NET GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS		
The surplus/(deficit) from ordinary activities includes the following specific net gains and expenses.		
NET GAIN (LOSS) ON DISPOSAL		
<i>Property, plant and equipment</i>		
Proceeds from sale of assets	416	567
Less Written down value of asset sold	(489)	(740)
	(73)	(173)
(C) OTHER REVENUE		
Information statements	300	268
Tapping and connection fees	762	891
Property rental	61	60
Other	762	(447)
	1,885	772
	1,812	599
TOTAL REVENUE	82,261	77,226

NOTE 3 Comprehensive operating statement
– disclosures (cont)

	2012/13 \$'000	2011/12 \$'000
(D) EXPENSES		
Borrowing costs	10,142	9,326
<i>Depreciation</i>		
- Buildings	228	222
- Infrastructure, plant and equipment	14,135	13,746
- Motor vehicles	251	383
Total depreciation	14,614	14,351
<i>Amortisation</i>		
- Intangible & leasehold assets	1,167	917
	1,167	917
<i>Employee benefits</i>		
- Salary & wages	11,043	9,424
- Long service leave provision	197	364
- Superannuation contributions	964	805
- Unfunded superannuation	-	1,998
- Other	1,051	827
	13,255	13,418
Bad and doubtful debts	341	340
Operating lease rental expense	619	522
<i>Auditors' remuneration</i>		
- Auditor-General for audit of annual financial statements	43	46
- Internal audit - Moore Stephens	76	109
- Deloitte - taxation reviews/regulatory audit	62	90
	181	245

Notes to the financial report

for the year ended 30 June 2013

NOTE 4 Income tax expense	2012/13 \$'000	2011/12 \$'000
The income tax expense for the financial year differs from the amount calculated on the net result. The differences are reconciled as follows:		
(A) COMPONENTS OF TAX EXPENSE		
Deferred tax relating to temporary differences	2,158	1,213
Deferred tax asset	(901)	345
(Over)/under provision on prior year tax return	10	(59)
	1,267	1,499
(B) RECONCILIATION OF INCOME TAX TO PRIMA FACIE TAX PAYABLE		
Net result before income tax expense	4,129	5,185
Tax at the Australian tax rate of 30% (2012: 30%)	1,239	1,556
<i>Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:</i>		
- Adjustment in respect of income tax of previous year	10	(59)
- Research and development concession	-	(7)
- Other	18	9
Income tax as reported in the comprehensive operating statement	1,267	1,499
(C) TAX EXPENSE (INCOME RELATING TO ITEMS OF OTHER COMPREHENSIVE INCOME)		
Gain/(loss) on revaluation of property, plant and equipment (note 13)	-	3,308
	-	3,308

NOTE 5 Cash & cash equivalent assets

	2012/13 \$'000	2011/12 \$'000
Cash on hand	2	2
Cash at bank	712	1,148
Deposit at call	10,300	10,000
Fixed deposit	1,157	1,313
	12,171	12,463

(A) RECONCILIATION TO CASH 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:

Cash assets as above	12,171	12,463
Balances as per cash flow statement	12,171	12,463

(B) CASH AT BANK AND ON HAND

These are non interest bearing

2	2
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(C) DEPOSITS AT CALL

The deposits are bearing floating interest rate currently 2.7% (2012: 3.45%.)

10,300	10,000
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Notes to the financial report

for the year ended 30 June 2013

NOTE 6 Receivables	2012/13 \$'000	2011/12 \$'000
<i>Current</i>		
Trade receivables	8,894	8,017
Provision for impaired receivables	(87)	(70)
GST receivable	346	615
Other receivables	-	-
	9,153	8,562
<i>Non-current</i>		
Other receivables	191	216
 (A) PROVISION FOR IMPAIRED RECEIVABLES		
As at 30 June 2013, current receivables of the Corporation with a nominal value of \$86,856 (2012: \$70,514) were impaired. The amount of the provision was \$86,856 (2012: \$70,514). The individually impaired receivables relate to provision of Recycled Water Service and cost recovery and 3rd party damage to Western Water assets.		
The ageing of these receivables is as follows:		
Over 6 months	87	70
	87	70
Movements in the provision for impaired receivables are as follows:		
At 1 July	(70)	(74)
Provision for impairment recognised during the year	(32)	(340)
Receivables written off during the year as uncollectible	15	344
Balance at the end of the year	(87)	(70)

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

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.

(B) PAST DUE BUT NOT IMPAIRED TRADE RECEIVABLES

As of 30 June 2013, trade receivables of \$4,096,951 (2012: \$3,836,000) 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	2,427	2,070
4 months	10	74
Over 4 months	1,660	1,692
	4,097	3,836

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 6 Receivables (cont)

	2012/13 \$'000	2011/12 \$'000
(C) FOREIGN EXCHANGE AND INTEREST RATE RISK FOR TRADE AND OTHER RECEIVABLES		
The carrying amounts of the Corporation's current and non-current receivables are denominated in the following currencies:		
Australian dollars	9,344	8,778
	9,344	8,778
Current receivables	9,153	8,562
Non current receivables	191	216
	9,344	8,778

(D) FAIR VALUE AND CREDIT RISK

Due to the short-term nature of the current receivables, their carrying value is assumed to approximate their fair value.

Non-current receivables

\$'000	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Private schemes	125	125	148	148
Bond paid	66	66	68	68
	191	191	216	216

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables mentioned above. The Corporation does not hold any collateral as security. Refer to note 2 for more information of the risk management policy of the Corporation.

Notes to the financial report

for the year ended 30 June 2013

NOTE 7 Infrastructure, property, plant & equipment	2013	2012
(A) CLASSES OF INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	\$'000	\$'000
<i>Land</i>		
At fair value (as at 30 June 2011)	20,909	20,909
	20,909	20,909
<i>Buildings</i>		
At fair value (as at 30 June 2011)	10,074	10,074
At cost	972	65
Less: accumulated depreciation	(451)	(223)
	10,595	9,916
<i>Infrastructure</i>		
At fair value (as at 30 June 2011)	562,054	562,054
At cost	69,236	30,154
Less: accumulated depreciation	(27,569)	(14,553)
	603,721	577,655
<i>Equipment</i>		
At cost#	12,020	12,069
Less: accumulated depreciation	(7,233)	(6,721)
	4,787	5,348
<i>Motor vehicles</i>		
At fair value	2,522	2,447
Less: accumulated depreciation	(809)	(770)
	1,713	1,677
<i>Leasehold assets</i>		
At cost	1,749	1,698
Less: accumulated depreciation	(868)	(663)
	881	1,035
Under construction	19,228	26,561
Total infrastructure, property, plant & equipment	661,834	643,101

Written down value approximates fair value

Land was valued at 30 June 2011 by Valuer-General Victoria after analysing GST free land sales in comparable proximity and other relevant factors together with making an allowance for Community Service Obligations for the risk associated with the removal of the public use restrictions of the various sites.

Non infrastructure buildings were valued at 30 June 2011 by Valuer-General Victoria at Fair Value by using depreciated replacement cost method. During the year the Corporation satisfied itself that the fair value of these assets had not moved by more than 10% with reference to relevant indices.

Infrastructure was valued at 30 June 2011 by Valuer-General Victoria at fair value using straight line depreciated replacement cost method after taking into consideration age, remaining useful life and the current replacement costs based on asset class and associated material types.

Due to the methodology of the infrastructure valuation, some previously disclosed infrastructure has been reclassified as plant & equipment.

No assets of Western Region Water Corporation have been pledged as security.

NOTE 7 Infrastructure, property, plant & equipment (cont)

(B) MOVEMENTS DURING THE REPORTING PERIOD 2012-2013

\$'000	Opening WDV 1 July 2012	Re-classification	Adjustment to revaluation	Transfers	Disposals	Additions/ capital expenditure	Depreciation	Closing WDV 30 June 2013
<i>Land</i>								
At fair value	20,909	-	-	-	-	-	-	20,909
<i>Building</i>								
At fair value	9,916	-	-	907	-	-	(228)	10,595
<i>Infrastructure</i>								
At cost/fair value	577,656	-	(52)	25,568	(73)	13,666	(13,044)	603,721
<i>Equipment</i>								
At fair value	5,348	-	-	-	(10)	540	(1,091)	4,787
<i>Motor vehicles</i>								
At fair value	1,677	-	-	-	(399)	686	(251)	1,713
<i>Leasehold assets</i>								
At cost	1,035	-	-	50	-	-	(204)	881
Under construction	26,560	-	-	(26,525)	-	19,193	-	19,228
Total infrastructure, property, plant and equipment	643,101	-	(52)	-	(482)	34,085	(14,818)	661,834
AT 1 JULY 2012								
Cost or fair value	666,031							
Accumulated depreciation and impairment	(22,930)							
Net carrying amount	643,101							
AT 30 JUNE 2013								
Cost or fair value	698,762							
Accumulated depreciation and impairment	(36,928)							
Net carrying amount	661,834							

Notes to the financial report

for the year ended 30 June 2013

NOTE 7 Infrastructure, property, plant & equipment (cont)

(B) MOVEMENTS DURING THE REPORTING PERIOD 2011-2012

\$'000	Opening WDV 1 July 2011	Re-classification	Adjustment to revaluation	Transfers	Disposals	Additions/ capital expenditure	Depreciation	Closing WDV 30 June 2012
<i>Land</i>								
At fair value	20,909	-	-	-	-	-	-	20,909
<i>Building</i>								
At fair value	11,142	-	(1,069)	65	-	-	(222)	9,916
<i>Infrastructure</i>								
At cost/fair value	548,914	(723)	12,098	14,108	(216)	16,046	(12,571)	577,656
<i>Equipment</i>								
At fair value	4,363	723	-	1,439	(2)	-	(1,175)	5,348
<i>Motor vehicles</i>								
At fair value	1,649	-	-	935	(522)	-	(385)	1,677
<i>Leasehold assets</i>								
At cost	889	-	-	287	-	-	(141)	1,035
Under construction	18,174	-	-	(16,834)	-	25,220	-	26,560
Total infrastructure, property, plant and equipment	606,040	-	11,029	-	(740)	41,266	(14,494)	643,101
AT 1 JULY 2011								
Cost or fair value	617,471							
Accumulated depreciation and impairment	(11,431)							
Net carrying amount	606,040							
AT 30 JUNE 2012								
Cost or fair value	666,031							
Accumulated depreciation and impairment	(22,930)							
Net carrying amount	643,101							

NOTE 8 Intangible assets	Computer software \$'000	Bulk Entitlements \$'000	Total \$'000
YEAR ENDED 30 JUNE 2013			
At 1 July 2012, net of accumulated amortisation	3,610	2,617	6,227
Additions acquired	3,289	-	3,289
Other	-	(26)	(26)
Amortisation	(963)		(963)
At 30 June 2013, net accumulated amortisation	5,936	2,591	8,527
YEAR ENDED 30 JUNE 2012			
At 1 July 2011, net of accumulated amortisation	4,052	-	4,052
Additions acquired	334	2,617	2,951
Amortisation	(776)	-	(776)
At 30 June 2012, net accumulated amortisation	3,610	2,617	6,227

NOTE 9 Deferred tax assets	2012/13 \$'000	2011/12 \$'000
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in comprehensive operating statement</i>		
Employee benefits	957	1,584
Tax losses	3,459	1,700
Other	65	29
Total deferred tax assets	4,481	3,313
MOVEMENTS		
Opening balance at 1 July	3,313	3,618
Credited/(debited) to the comprehensive operating statement	1,168	(305)
Closing balance at 30 June	4,481	3,313
Deferred tax asset to be recovered after more than 12 months	4,481	3,313

NOTE 10 Payables		
<i>Current/unsecured</i>		
Trade creditors	4,218	8,801
Payables - GST	-	22
Contractor deposits & retentions	1,253	1,302
Accrued expenses-interest	2,223	2,030
Accrued expenses-other	4,826	1,593
Unfunded superannuation call	-	1,998
	12,520	15,746

None of the Corporations payables are exposed to Foreign Exchange risk.
Refer to Note 2 for exposure to interest rate sensitivity

Notes to the financial report

for the year ended 30 June 2013

NOTE 11 Interest bearing liabilities	2012/13 \$'000	2011/12 \$'000
CURRENT		
<i>Secured</i>		
Bank overdraft (a)	-	-
Loans (b)	18,000	15,500
Total current interest bearing liabilities	18,000	15,500
NON-CURRENT		
<i>Secured</i>		
Loans (b)	151,000	133,500
Total non-current interest bearing liabilities	151,000	133,500
TOTAL INTEREST BEARING LIABILITIES	169,000	149,000
CREDIT STANDBY ARRANGEMENTS		
Total facilities		
Bank overdraft	500	500
Unused at balance date	500	500
Bank overdraft balance	-	-
BANK LOAN FACILITIES		
Total facilities	169,000	149,000
Used at balance date	169,000	149,000
Unused at balance date	-	-

(a) Overdraft limit - \$0.5 million secured by a mortgage over the general revenue of Western Region Water Corporation.

(b) Security for Loans is by way of Treasurer's guarantee in favour of the Treasury Corporation of Victoria dated 22nd June 2000.
Loan interest is payable every six months and loans have a maturity profile of up to 12 years (2012: 13 years).

All bank loans are with Treasury Corporation of Victoria under the Treasurer's approval. Any unused facilities are not automatically carried over into the next financial year with a fresh approval required for each financial year. Treasurer's approval was dated on 18 June 2013 to re-finance \$18.0 million of maturing loans and new loans of \$5 million between 1 July 2013 and 30 June 2014. (2012: Maturing loans of \$15.5 million and new loans of \$20.0 million)

NOTE 11 Interest bearing liabilities (cont)

	2012/13 \$'000	2011/12 \$'000
ON BALANCE SHEET		
<i>Non traded financial liabilities</i>		
Bank loans – carrying value	169,000	149,000
Bank loans – fair value	181,479	164,493
<i>Off balance sheet</i>		
Contingencies	-	-
	-	-

On balance sheet

The fair values of non-current borrowings are based on cash flows discounted using borrowing rates varying from 0% to 7.25%, depending on the type of the borrowing (2012- 0% to 7.25%).

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:

	2013 \$'000	2012 \$'000
6 months or less	15,000	2,500
6-12 months	3,000	13,000
1-5 years	50,000	45,000
Over 5 years	101,000	88,500
	169,000	149,000
Current borrowings	18,000	15,500
Non current borrowings	151,000	133,500
	169,000	149,000

Treasurer's approval was received on 18 June 2013 to refinance all loans maturing in 2013/14. In line with the 2013/14 Corporate Plan, all maturities will be refinanced.

The carrying amounts of the corporation's borrowings are denominated in the following currencies:

Australian dollar	169,000	149,000
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For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to Note 2.

Notes to the financial report

for the year ended 30 June 2013

NOTE 12 Employee benefits	2012/13 \$'000	2011/12 \$'000
CURRENT		
Annual leave and unconditional long service leave entitlements, representing 7 or more years of continuous service		
<i>Employee benefits</i>		
- Short term employee benefits that fall due within 12 months after the end of the period, measured at nominal value.	2,321	2,371
Other long term employee benefits that do not fall due within 12 months after the end of the period, measured at present value	455	394
<i>Provisions related to employee benefit on-costs</i>		
- Short term employee benefits that fall due within 12 months after the end of the period, measured at nominal value.	322	354
Other long term employee benefits that do not fall due within 12 months after the end of the period, measured at present value	93	86
<i>Total current</i>	3,191	3,205
MOVEMENT IN PROVISIONS		
<i>Annual leave</i>		
Carrying amount at start of year	823	848
Leave paid out to departing employees	(61)	(66)
Additional provision recognised	112	41
	874	823
<i>Long service leave</i>		
Carrying amount at start of year	2,382	2,116
Leave taken by employees	(294)	(172)
Additional provision recognised	229	438
	2,317	2,382
The number of full time equivalent employees at reporting date	153	151
The following assumptions were adopted in measuring the present value of long service leave and retirement gratuity entitlements:		
Weighted average increase in employee costs	4.50%	5.00%
Weighted average discount rates	2.72%	3.06%
Weighted average settlement period	10 Years	11 Years

The corporation made no ex-gratia payments.

NOTE 13 Deferred tax liabilities

	2012/13 \$'000	2011/12 \$'000
The balance sheet comprises temporary differences attributable to:		
<i>Amounts recognised in comprehensive operating statement</i>		
Depreciation	37,329	35,111
Labour costs in capital works	337	200
Accrued revenue	1,175	717
Other	-	381
	38,841	36,409
<i>Amounts recognised directly in equity</i>		
Revaluation of property, plant and equipment	36,167	36,164
	36,167	36,164
Net deferred tax liabilities	75,008	72,573
MOVEMENTS		
Opening balance at 1 July	72,573	68,070
Charged to the comprehensive operating statement	2,435	1,195
Charged to equity	-	3,308
Closing balance at 30 June	75,008	72,573
Deferred tax liabilities to be settled after more than 12 months	75,008	72,573
NOTE 14 Contributed capital		
<i>Opening balance at 1 July</i>	160,413	160,413
Capital transactions with the State in its capacity as owner arising from:		
- Capital contributions	-	-
Closing balance at 30 June	160,413	160,413
NOTE 15 Reserves		
<i>Composition of reserves</i>		
Asset revaluation-land	18,587	18,587
Asset revaluation-buildings	2,606	2,606
Asset revaluation-infrastructure	79,106	79,106
	100,299	100,299
<i>Movements in reserves</i>		
Asset revaluation surplus		
Balance 1 July	100,299	92,580
Revaluation increment/(decrement) on non-current assets, net of tax effect	-	7,719
Transfer to accumulated surplus	-	-
Balance 30 June	100,299	100,299
The asset revaluation surplus is used to record asset revaluation increments and decrements in the value of non-current physical assets.		
NOTE 16 Accumulated funds		
Opening balance at 1 July	171,778	168,092
Net result for the period	2,862	3,686
Closing balance at 30 June	174,640	171,778

Notes to the financial report

for the year ended 30 June 2013

NOTE 17 Financial instruments

INTEREST RATE RISK EXPOSURE

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

Exposures arise predominantly from liabilities bearing variable interest rates as the Corporation intends to hold fixed rate liabilities to maturity

2013	Non Interest bearing \$'000	Fixed Interest rate \$'000	Floating Interest rate \$'000	Contractual repricing or maturity periods						Total \$'000
				1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	
<i>Financial assets</i>										
Cash	2	1,157	11,012	-	-	-	-	-	-	12,171
Receivables	8,807	-	-	-	-	-	-	-	-	8,807
Other receivables	191	-	-	-	-	-	-	-	-	191
Total financial assets	9,000	1,157	11,012	-	-	-	-	-	-	21,169
<i>Financial liabilities</i>										
Payables	12,520	-	-	-	-	-	-	-	-	12,520
Interest bearing liabilities	-	169,000	-	18,000	8,500	15,000	10,000	16,500	101,000	169,000
Total financial liabilities	12,520	169,000	-	18,000	8,500	15,000	10,000	16,500	101,000	181,520
<i>Net financial liabilities</i>	<i>(3,520)</i>	<i>(167,843)</i>	<i>11,012</i>	<i>(18,000)</i>	<i>(8,500)</i>	<i>(15,000)</i>	<i>(10,000)</i>	<i>(16,500)</i>	<i>(101,000)</i>	<i>(160,351)</i>
Weighted average interest rate	-	5.42%	2.70%	5.10%	4.92%	4.94%	4.86%	6.62%	5.43%	

2012	Non Interest bearing \$'000	Fixed Interest rate \$'000	Floating Interest rate \$'000	Contractual repricing or maturity periods						Total \$'000
				1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	
<i>Financial assets</i>										
Cash	2	1,313	11,148	-	-	-	-	-	-	12,463
Receivables	7,947	-	-	-	-	-	-	-	-	7,947
Other receivables	216	-	-	-	-	-	-	-	-	216
Total financial assets	8,165	1,313	11,148	-	-	-	-	-	-	20,626
<i>Financial liabilities</i>										
Payables	15,746	-	-	-	-	-	-	-	-	15,746
Interest bearing liabilities	-	149,000	-	15,500	18,000	5,500	11,500	10,000	88,500	149,000
Total financial liabilities	15,746	149,000	-	15,500	18,000	5,500	11,500	10,000	88,500	164,746
<i>Net financial liabilities</i>	<i>(7,581)</i>	<i>(147,687)</i>	<i>11,148</i>	<i>(15,500)</i>	<i>(18,000)</i>	<i>(5,500)</i>	<i>(11,500)</i>	<i>(10,000)</i>	<i>(88,500)</i>	<i>(144,120)</i>
Weighted average interest rate	-	5.70%	3.45%	4.54%	5.10%	5.91%	5.48%	4.86%	6.09%	

NOTE 17 Financial instruments (cont)

FAIR VALUE

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

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>Financial assets</i>				
Cash	12,171	12,171	12,463	12,463
Other financial instrument	-	-	-	-
Receivables	8,998	8,998	8,163	8,163
Total financial assets	21,169	21,169	20,626	20,626
<i>Financial liabilities</i>				
Payables	12,520	12,520	15,746	15,746
Other loans	169,000	181,479	149,000	164,493
Total financial liabilities	181,520	193,999	164,746	180,239

None of the classes of interest bearing liabilities are readily traded on organised markets in standardised form. The fair value of borrowings is based upon market prices, where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles. Fair value is inclusive of costs which would be incurred on settlement of a liability.

Notes to the financial report

for the year ended 30 June 2013

NOTE 18 Commitments

The following commitments are inclusive of GST

	2012/13 \$'000	2011/12 \$'000
OPERATING LEASE COMMITMENTS PAYABLE		
- within one year	565	553
- one to five years	1,591	2,156
- greater than five years	-	-
Total minimum lease payment	2,156	2,709

The lease for the head office in Sunbury is for ten years, expiring May 2017. This lease is indexed to CPI and was subject to a five yearly market review in May 2012. The remainder of the leases are for photocopiers for a period of 60 months expiring in April 2016.

CAPITAL COMMITMENTS PAYABLE		
- within one year	5,503	5,732
- one to five years	427	-
Total capital commitments	5,930	5,732

OPERATING COMMITMENTS PAYABLE		
- within one year	2,814	4,177
- one to five years	3,524	2,257
- greater than five years	-	-
Total operating commitments	6,338	6,434

ENVIRONMENT CONTRIBUTION		
- within one year	2,410	1,615
- one to five years	4,820	7,230
Total Environment Contribution payable	7,230	8,845
Total commitments inclusive of GST	21,654	23,720

OPERATING LEASE RECEIVABLES		
- within one year	171	166
- one to five years	525	667
Total minimum future lease receivables	695	833

Operating leases for land are mostly for ten years.

Building leases are generally for a twelve month period with an option to cancel within 28 days notice.

Total Net Commitments inclusive of GST	20,959	22,888
Less GST recoverable from the Australian Taxation Office	1,248	1,277
Total net commitments exclusive of GST	19,711	21,611

NOTE 19 Contingent liabilities and contingent assets	2012/13 \$'000	2011/12 \$'000
CONTINGENT LIABILITIES		
Western Water is currently in a legal dispute over intellectual property with a previous contractor. The dispute is subject to an independent audit which has not yet been completed. Western Water believes that no liability will result in relation to the dispute other than audit and legal expenses for continuing services provided.		
Western Water has entered into a contract with Honeywell under the Victorian Government's Greener Government Buildings scheme. Contracted expenditure is \$262,000. If the scheme does not go ahead Western Water is liable for these costs.		
Total estimated contingent liabilities	262	-
CONTINGENT ASSETS		
Western Water enters into agreements with land developers whereby assets are transferred to Western Water at no cost. These assets are brought to account as revenue and capitalised on completion of the project. At the reporting date, land developers had commenced construction of assets that would eventually be transferred to Western Water contingent upon the release of Statements of Compliance by Western Water. This amount has been calculated as the sum of the estimate of the project costs by their percentage complete at 30 June.		
Total estimated contingent assets	5,534	2,175

NOTE 20 Superannuation

Western Water makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently.

The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Western Water and Western Water's legal or constructive obligation is limited to these contributions.

The obligations for contributions are recognised as an expense in the comprehensive operating statement when they are incurred.

Accumulation

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2013, this was 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 is a multi-employer sponsored plan. As the Fund'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, Western Water does not use defined benefit accounting for these defined benefit obligations.

Western 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, Western Water makes employer contributions to the Fund's defined benefit category at rates determined by the Fund's trustee. This rate is currently 9.25% of members' salaries (9.25% in 2011/12).

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

Western Water is also required to make additional contributions to cover the contribution tax payable on the contributions referred to above.

Employees are also required to make member contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the trust deed, as they accrue.

The Local Authorities Superannuation Fund (Vision Super) latest 31 December 2011 actuarial investigation identified an unfunded liability of \$406 million excluding the contributions tax in the defined benefit fund of which Western Water is a member. Western Water was made aware of the expected short fall through the year and was informed formally of their share of the shortfall on 2 August 2012 which amounted to \$2,147,821 including contributions tax payable on 1 July 2013. Western Water has not been advised of any further adjustments.

Notes to the financial report

for the year ended 30 June 2013

NOTE 20 Superannuation (cont)

Defined benefit plan (cont)

Western Water has accounted an amount of \$1,998,000 (adjusted for interest and inclusive of contribution tax) for this shortfall in the statement of comprehensive income in employee benefits and in the balance sheet in employee benefits in 2011/12 (see Note 10). Western Water has settled its share of the shortfall by paying \$2,016,667 in 2012/13. With the settlement of \$2,016,667, Western Water has received an early payment discount of \$131,154 and an amount of \$18,667 has been accounted for in the 2012/13 comprehensive operating statement within employee benefits (see Note 3 (c)).

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions) and for the calculation of accrued benefits as required in AAS25 to provide the values needed for the AASB119 disclosure in Western Water's financial statements. AAS25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

The amount of the unpaid shortfall at 30 June 2013 is \$nil (\$1,998,000 2011/12). This unpaid amount is included in the balance sheet in current liabilities provisions (see Note 10).

Accounting standard disclosure

The Fund's liability for accrued benefits was determined by the Actuary at 31 December 2011 pursuant to the requirements of Australian Accounting Standard AAS25 as follows:

	31-Dec-11 \$'000
Net market value of assets	4,315,324
Accrued benefits (per accounting standards)	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.

Western Water contributes in respect of its employees to the following superannuation schemes:

	Type of scheme	Contribution Rate	2012/13 \$'000	2011/12 \$'000
Vision Super	Defined benefit	9.25%	153	159
Vision Super	Defined benefit	Shortfall	2,017	-
Vision Super	Defined contribution	9.00%	778	731
Vision Super Clearing House	Defined contribution	9.00%	103	10
BT Classic	Defined contribution	9.00%	-	2
UniSuper	Defined contribution	9.00%	-	2
Total contributions to all funds			3,051	904

As at the reporting date, there was \$85,090 (2012: \$83,730) payable to Vision Super for payments in the normal course of business.

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

NOTE 21 Responsible persons
and executive officer disclosures

	2012/13 \$'000	2011/12 \$'000
(A) RESPONSIBLE PERSONS		
The names of persons who were responsible persons at any time during the financial year were:		
Peter Walsh MLA, Minister for Water (1 July 2012 to 30 June 2013)		
T Larkins (Chairman) (1 July 2012 to 30 September 2012)		
L Cade (Chairman) (1 October 2012 to 30 June 2013)		
R Anderson (1 July 2012 to 30 June 2013. Appointed Deputy Chair 1 October 2012)		
M Anastassiou (1 July 2012 to 30 September 2012)		
D Bell (1 July 2012 to 30 September 2012)		
R Johns (1 July 2012 to 30 June 2013)		
T Mollenkopf (1 July 2012 to 30 June 2013)		
A Osborne (1 July 2012 to 30 June 2013)		
R Cooper (1 October 2012 to 30 June 2013)		
M Douglas-Crane (1 October 2012 to 30 June 2013)		
J Wilkinson (Managing Director) (1 July 2012 to 6 July 2012)		
N Brennan (9 July 2012 to 30 June 2013)		
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.		
Remuneration received, or due and receivable from Western Water in connection with the management of Western Water (includes termination payments and bonuses paid at the end of contracts).		
	589	504

Notes to the financial report

for the year ended 30 June 2013

NOTE 21 Responsible persons and executive officer disclosures (cont)

(A) RESPONSIBLE PERSONS (CONT)

The number of responsible persons whose remuneration from Western Water was within the specified bands are as follows:

Income band (\$)	No.	No.
0 - 9,999	2	2
10,000 - 19,999	4	3
20,000 - 29,999	3	3
30,000 - 39,999	1	-
50,000 - 59,999	-	1
130,000 - 139,999	1	-
270,000 - 279,999	1	-
330,000 - 339,999	-	1
	12	10

Retirement benefits of responsible persons	\$'000	\$'000
The retirement benefits paid by the corporation in connection with the retirement of responsible persons for the corporation amounted to:	129	39
	2012/13 \$'000	2011/12 \$'000

Other related party transactions

(i) Western Water transacted business of water purchase from Melbourne Water and development and management of the Waterways Charge throughout the financial year to the value of \$21,427,000 (2011/12: \$13,111,000). T Larkins was a director of Melbourne Water until August 2012. These transactions were undertaken in the ordinary course of business, are at arms length and carry normal commercial terms.

Transactions with Melbourne Water:

Purchase of water	14,072	9,343
Remittance of waterways charge on behalf of customers	2,879	3,645
Receipt of waterways charge administration fee	115	123
Desalination return of funds returned to customers	4,361	-
Aggregate amounts recognised.	21,427	13,111

NOTE 21 Responsible persons and executive officer disclosures (cont)	2012/13 \$'000	2011/12 \$'000
(A) RESPONSIBLE PERSONS (CONT)		
<i>Other related party transactions (cont)</i>		
(ii) Lucia Cade is Director - Strategy & Development, Water & Infrastructure Services, AECOM. During the reporting period, AECOM provided the Victorian Water Corporations a report on water infrastructure indexation.		
(iii) Western Water engaged the services of Osborne Management Pty Ltd in the 2011/12 year to provide advice on the Growth Strategy. Osborne Management was engaged prior to Andrew Osborne being appointed as a Board member in October 2011 and completed the work in early 2012. These transactions were undertaken in the ordinary course of business, are at arms length and carry normal commercial terms.		
<i>Transactions with Osborne Management during period of board appointment:</i>		
Consulting advice on growth impact	-	63
	-	63
Amounts receivable from and (payable) to responsible persons or their responsible person related parties at 30 June:		
Current-payable	(774)	(328)
Non current	-	-

(B) EXECUTIVE OFFICERS' REMUNERATION

The numbers of executive officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period

Income band (\$)	Total remuneration		Base remuneration	
	2013 No.	2012 No.	2013 No.	2012 No.
20,000 - 29,999	1	-	1	-
160,000 - 169,999	-	-	-	1
170,000 - 179,999	-	-	2	2
180,000 - 189,999	-	1	-	-
190,000 - 199,999	2	2	1	-
200,000 - 209,999	1	-	-	1
230,000 - 239,999	-	1	1	-
250,000 - 259,999	1	-	-	-
Total numbers	5	4	5	4
Total annualised employee equivalent	4.3	3.4	4.3	3.4
Total amount \$'000	884	794	794	725

(C) PAYMENT TO OTHER PERSONNEL

Western Water has not engaged any personnel as a contractor during the reporting period that has significant management responsibilities. (2012: Nil)

Notes to the financial report

for the year ended 30 June 2013

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

	2012/13 \$'000	2011/12 \$'000
<i>Net results for the year after income tax</i>	2,862	3,686
Add/(less) non cash flows in net result		
(Profit)/loss on disposal of non-current assets	73	173
Depreciation and amortisation	15,781	15,268
Gifted assets	(13,666)	(16,048)
Fair Value adjustment	45	-
Provision for impaired receivables	17	340
Change in assets and liabilities		
Decrease / (increase) in receivables	(583)	1,704
Decrease / (increase) in prepayments	(5)	116
Decrease / (increase) in deferred tax asset	(1,168)	305
Increase / (decrease) in trade creditors	(856)	3,691
Increase / (decrease) in income in advance	423	147
Increase / (decrease) in deferred income	-	7
Increase / (decrease) in deferred tax liabilities	2,435	4,502
Increase / (decrease) in provisions	(14)	241
Net Cash (Outflow) / Inflow from Operating Activities	5,344	14,132

NOTE 23 Dividends

The process to determine the 2013 dividend has not yet been completed at the reporting date. The Board's preliminary dividend estimate for this period is nil.

NOTE 24 Events occurring after the balance sheet date

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

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

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 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 29 August 2013.



Lucia Cade

CHAIR

WESTERN REGION WATER CORPORATION



Robert Franklin

ACTING MANAGING DIRECTOR

WESTERN REGION WATER CORPORATION



David Anderson

CHIEF FINANCE & ACCOUNTING OFFICER

WESTERN REGION WATER CORPORATION

29 August 2013

Auditor-General's report

VAGO

Victorian Auditor-General's Office

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Melbourne VIC 3000
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Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Western Region Water Corporation

The Financial Report

The accompanying financial report for the year ended 30 June 2013 of the Western Region Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of the Western 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

Auditor-General's report

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 Western 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 Western Region Water Corporation for the year ended 30 June 2013 included both in the Western Region Water Corporation's annual report and on the website. The Board Members of the Western Region Water Corporation are responsible for the integrity of the Western Region Water Corporation's website. I have not been engaged to report on the integrity of the Western 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
30 August 2013

Per 
John Doyle
Auditor-General

APPENDICES

APPENDIX 1

Disclosure index

Western Water's annual report is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of compliance with all statutory disclosure requirements.

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Report of operations – FRD guidance		
Charter and purpose		
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FRD 22D	Objectives, functions, powers and duties	Page 2
FRD 22D	Nature and range of services provided	Page 2
Management and structure		
FRD 22D	Organisational structure	Page 22
Financial and other information		
FRD 10	Disclosure index	Page 80
FRD 12A	Disclosure of major contracts	Page 35
FRD 15B	Executive officer disclosures	Page 73
FRD 22D, SD 4.2(k)	Operational and budgetary objectives and performance against objectives	Page 33
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FRD 22D	Occupational health and safety policy	Page 26
FRD 22D	Summary of the financial results for the year	Page 32
FRD 22D	Significant changes in financial position during the year	Page 35
FRD 22D	Major changes or factors affecting performance	Page 35
FRD 22D	Subsequent events	Page 35
FRD 22D	Application and operation of <i>Freedom of Information Act 1982</i>	Page 30
FRD 22D	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	Page 28
FRD 22D	Statement on National Competition Policy	Page 28
FRD 22D	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	Page 31
FRD 22D	Details of consultancies over \$10,000	Page 29
FRD 22D	Details of consultancies under \$10,000	Page 29
FRD 22D	Statement of availability of other information	Page 31
FRD 24C	Reporting of office-based environmental impacts	Page 14
FRD 25	Victorian Industry Participation Policy disclosures	Page 28
FRD 29	Workforce Data disclosures	Page 26
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SD 4.2(g)	General information requirements	All
SD 4.2(j)	Sign off requirements	Page 3
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MRD04	Bulk entitlements	Page 14
MRD05	Major non-residential water users	Page 14

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SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	Page 77
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FRD 11	Disclosure of ex gratia payments	N/A
FRD 13	Disclosure of parliamentary appropriations	N/A
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FRD 103D	Non current physical assets	Page 43
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FRD 106	Impairment of assets	Page 44
FRD 109	Intangible assets	Page 45
FRD 107	Investment properties	N/A
FRD 110	Cash flow statements	Page 41
FRD 112A	Defined benefit superannuation obligations	Page 46
FRD 113	Investments in subsidiaries, jointly controlled entities and associates	N/A
FRD 114A	Financial instruments – general government entities and public non financial corporations	Page 45
FRD 119	Contributions by owners	Page 47
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	<i>Building Act 1983</i>	Page 28
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	<i>Whistleblowers Protection Act 2001</i>	Page 31
	<i>Victorian Industry Participation Policy Act 2003</i>	Page 28
	<i>Financial Management Act 1994</i>	Page 42

APPENDIX 2

Bulk entitlements report

Key to table abbreviations

ML = Megalitres	WW = Western Water component
N/A = Not applicable	SRW = Aspect managed by Southern Rural Water
	MW = Aspect managed by Melbourne Water

Under bulk entitlement (BE) compliance requirements, Western Water is required to report the following 2012/13 data on the 10 BEs currently held by the corporation. Note references to the relevant BE clause are stated in brackets, in lowercase and explained in detail after the table.

Reporting for <i>Under BE clause</i>	Barringo <i>11.1</i>	Lancefield <i>14.1</i>	Macedon <i>14.1</i>	Maribyrnong <i>19.1</i>
Water source(s) and storage(s)	Barringo Creek and Pierce Reservoir	Garden Hut Creek (G), Monument Creek (M) and Garden Hut Reservoir	Railway Creek, Turitable Creek, Willimigongong Creek and Reservoir (W), Kitty English (K), Frank Mann (F), Andersons (A), McDonalds (MC) and Orde Hill (O) Reservoirs	Slatey Creek, Jacksons Creek, Salty Creek, Gisborne Creek and Rosslynne Reservoir
Total capacity of storage(s) (ML)	41	46	473	25,400
Annual bulk entitlement (ML)	525 in a year 1,600 over 5 years	315	873 in a year 3,225 over 5 years	6,100
Western Water's entitlement in storage at the start of the financial year (ML), and % full for the storage(s)	19.9 49%	46 100% (d)	461 95% (d)	15,739 72.5% (a,iii)
Inflows to storages from this BE water source(s) (ML)	0	2123	650	5864
Extra inflows (e.g. diversions into the storages) or local catchment runoff	5.48	0	0	0 from Melbourne Headworks System BE 420 from Macedon BE
Volume taken from the storage(s) (ML)	0 (e)	95 (e)	250 for Woodend supply 443 for Rosslynne supply (332 O, MC, A, W & 111 K, F) (e)	250 (a,i)
Maximum extraction rate from storage or water source (ML/day)	0 from Barringo Creek (c)	0.66 from Garden Hut Reservoir (c)	5.6 from Macedon storages (c)	10 from Rosslynne Reservoir
Estimated evaporation (ML)	4.0	6.8	22	SRW See Note 3 (a,iv)
Other losses (e.g. seepage, plant losses) (ML)	4.4	Included in passing flows balance	28.3	1,054
Environmental releases (ML)	N/A	N/A	0	1,744
Volume of environmental and passing flows (ML)	935 (b)	2058 (G) and all Monument Creek flows (b)	727	SRW (a,v)
Passing/environmental requirements met	Yes	Yes	See note 1	N/A
Amendments to the bulk entitlement	No (h)	No (i)	No (f)	No (d)
Failure to comply with the BE, or compliance difficulties experienced or anticipated in the future	No	No	See note 1	No
Western Water's entitlement unused or remaining in storage at end of financial year (ML) and % full for the storage	14.9 37%	8.7 19%	360 76%	18,596 85.5%

	Myrning 12.1	Riddells Creek 11.1	Romsey 12.1	Werribee 13.1	Woodend 14.1	Melbourne H/works System 16.1
	Pykes Creek and Pykes Creek Reservoir	Main Creek, Forster and Wright Reservoirs	Bolinda Creek and Kerrie Reservoir	Lerderberg River, Goodmans Creek, Coimadai Creek, Lake Merrimu (M) Djerriwarrh Creek, and Djerriwarrh Reservoir (DJ)	Campaspe River, Falls and Smokers Creeks, Barbour and Kavanagh Springs, Straws Lane Bore, Campaspe (CR) Graham Brock (GB) Reservoirs and Reservoirs C (C)	Various Catchments via Melbourne Water's supply system including Desalinated water
	22,119	76	297	32,516 (M) 1,014 (DJ)	366	1,812,175
	58	300	460	8,500 (M) 1,486 (DJ)	470	18,250
	58 100%	71 93%	297 100%	16,278 77.4% (M) 965 97% (DJ) (a,ii)	356 97% (d)	18,250 100%
	SRW	37	244	3,198 (M) (a,iii) 497 (DJ) (a,iv)	4279 CR (e) 88 Local catchment & Springs o Falls Creek & Bore	N/A
	o	64	96	o (M) o (DJ)	o from Melbourne Headworks System BE 250 from Macedon	N/A
	39 (b)	96 (e)	371 (e)	1,634 (M) (a, i) 73.4 (DJ)	142 (CR) (e) 83 (GB, C) (e)	10,284 (a)
	0.2 from Pykes Reservoir	1.9 from Main Creek	7.5 from Bolinda Creek (c)	20.4 from (M) 2 from (DJ)	1.7 (c)	45
	SRW See Note 3	10.2	39	SRW (M) See note 3 129.8 (DJ)	57	MW
	SRW	22.9	155	824 (M) o (DJ)	Included in passing flows balance	MW
	SRW	o	o	226 (M) (a,v) 15.2 (DJ)	o	MW
	SRW	418 (a)	1359 (b)	SRW (M) 15.2 (DJ)	4176 (b)	MW
	SRW	See Note 4	Yes	SRW (M) See note 5 (DJ)	See note 6	MW
	No (i)	No (h)	No (i)	No (d)	No (i)	No (e)
	No	No	No	See note 5	See note 6	No
	19 33&	43 57%	72 24%	16,824 76.3% (M) 817 81% (DJ)	275 75%	7,966 56% of BE used

GENERAL INFORMATION FOR BULK ENTITLEMENTS (BEs)

Barringo

Pierce Reservoir is an emergency off stream storage supplied by Barringo Creek and was not used for supply during the year. Review of storage data indicated a smaller reservoir capacity than noted in previous years.

Lancefield

The Lancefield bores and Garden Hut Creek are used together as the sources of water for this town after being treated at the Lancefield Water Filtration Plant.

Macedon

(See table for sources). Storages are closely monitored to ensure adequate levels are maintained for fire fighting (i.e. > 60%). This was achieved at all times during the year. Total capacity was reduced due to Andersons Reservoir being operated at a lower level. The Macedon system storages are grouped together where they exist on the same waterway and records of the total volume taken from these groups of storages has been provided in the table. These groups of storages are Kitty English and Frank Mann reservoirs (Railway Creek), Anderson and McDonalds reservoirs (Turitable Creek) and Orde Hill and Willimigongon reservoirs (Willimigongon Creek).

Maribyrnong

Minimal use of water from Rosslynne Reservoir occurred during the year due to upgrade works at the Rosslynne Water Filtration Plant. Storage levels increased as a result of greater inflow.

Myrning

Pykes Creek Reservoir remained steady in volume. No changes to security of supply were made during 2012/13.

Riddells Creek

A small volume of Melbourne Headworks BE was transferred to Riddells Creek and combined with Riddells Creek BE was transferred to Kerrie Reservoir to supplement water security in Romsey. Review of storage data indicated a smaller reservoir capacity than noted in previous years.

Romsey

An amount of 88.2 ML for 2012/13 was added to the drought reserve for this BE. Extra inflows were sent to this BE from Riddells Creek and Melbourne Headworks BEs. Other losses associated with this BE are high, the majority of these is attributed to filter backwashes at the Romsey Water Filtration Plant (~ 79ML).

Werribee

Djerriwarrh Reservoir can supply an additional volume if needed for Melton and Bacchus Marsh, supplied via Merrimu Water Filtration Plant, and as a small raw water supply used for local properties. Review of storage capacity indicated a larger reservoir capacity than noted in previous years.

Woodend

0 ML of Melbourne Headworks BE and 250ML of Macedon BE were diverted to supplement the Woodend supply.

Melbourne Headworks

No changes to either reliability of supply or system restriction to the total Melbourne Headworks BE volume was required. Western Water applied the same restrictions as Melbourne to all customers in towns receiving any Melbourne Headworks BE water, as required under clause 8.1(a) of the BE. The total taken shown in the table can be split into 5,349 ML taken via the Hillside interface point to Melton and Bacchus Marsh and 4,935 ML taken via the Loemans Rd interface point to Sunbury and the Macedon region.

There were no bulk entitlements transfers to any of Western Water's BEs during 2012/13. Western Water has worked with DEPI, SRW and Melbourne Water in the operation of its bulk entitlements during the year, and has largely complied with the provisions and requirements they contain, except as noted below. The transition from extreme drought to average rainfall, and then to hot dry conditions has presented different challenges in water resources management and planning. Any reference to SRW or MW in the above table indicates that the item is managed by SRW or MW and the information can be sourced from their Annual Report.

Western Water has submitted a metering plan to DEPI which has been approved by the Minister. Implementation of the metering plan commenced during 2011/12 with improvements made to monitoring and measuring stations in conjunction with the Bureau of Meteorology program. These upgrades have improved both accuracy and coverage of bulk entitlement data, enhancing compliance.

Western Water has previously submitted an Environmental Management Program associated with its bulk entitlements. However, DEPI have indicated that guidelines will be provided giving further advice on this program.

Notes

- 1 Volumes transferred to Rosslynne Reservoir for one week in July 2012 averaged to 5.6 ML per day following a high rainfall period. This exceeded the maximum amount of 5 ML per day via the pipeline. Adjustments were made in the following weeks to compensate and achieve average compliance. Additionally, passing flow requirements on Willimigongon Creek fell short of daily BE requirements by a total of 4.8ML over the year. However, analysis has indicated that passing flows for the year were 520ML above what was required under BE rules. This demonstrates Western Water's current approach to ensure broad BE compliance in this catchment by allowing greater passing flows than the BE requires.
- 2 An upgrade of monitoring equipment and stations, in conjunction with Bureau of Meteorology, took place in 2011/12 and has improved the accuracy of monitoring and reporting requirements in 2012/13.
- 3 SRW provides net inflows which include adjustments for Merrimu, Rosslynne and Pykes Creek reservoirs. The estimated evaporation for Merrimu and Rosslynne reservoirs is included in 'other losses'.
- 4 New monitoring infrastructure has allowed Western Water to obtain diversion data in greater detail and accuracy. This indicated an extraction rate greater than allowed under the BE totalling 4.8 ML. This data was not available until after the event occurred. Analysis of data indicates a total of 126 ML of available entitlement was not taken from this BE and allowed to pass the off-take.
- 5 Environmental releases were required during 2012/13. Due to the small volume of release required, and the timing of the year, the release would have only reached a small part of Djerriwarrh Creek downstream of the reservoir. Western Water has held back the required release (10 ML) to be included in a future large release which will provide greater benefits to Djerriwarrh Creek.
- 6 Currently there is no effective capability to release water for passing flows from Campaspe Reservoir. Western Water has investigated measures to enable these flows to be released and monitored in accordance with the relevant BE obligations. Due to the costs of installation release infrastructure, Western Water will install the new infrastructure in 2013/14. Campaspe Reservoir spilt several times during 2012/13.

Glossary

Biodiversity The variety of plants, animals and other living things in a particular region. In practice, biodiversity suggests sustaining the diversity of species in each ecosystem as we plan human activities that affect the use of land and natural resources.

Biosolids A solid organic by-product of the treatment of recycled water that can be managed and used safely for nutrient, soil conditioning, energy or other value.

Biogas A mixture of methane and carbon dioxide, produced by anaerobic digestion of organic waste matter.

Bore water Bore water is water which builds up in underground aquifers as a result of seepage of rain and rivers through layers of soil and rock. It can be treated for use as drinking water.

Bulk entitlement The right to water held by water corporations defined in the Water Act 1989. A bulk entitlement defines the amount of water that a corporation is entitled to from a river or storage, and may include the rate of extraction and its reliability.

Capital works The development and ongoing maintenance and replacement of infrastructure including water, sewer and recycled water systems.

Carbon neutral Also referred to as having a net zero carbon footprint, it refers to achieving net zero carbon emissions by balancing the amount of carbon released with an equivalent amount of sequestered or offset carbon, or by buying enough carbon credits to make up the difference.

Catchment Area in which water is caught including water sources such as rivers, streams, groundwater and reservoirs.

Climate variability Changes in climate such as temperature and rainfall that differ significantly from previous average conditions

Community engagement The process by which organisations and individuals build ongoing, permanent relationships for the purpose of applying a collective vision that will benefit the community.

Corporate social responsibility A corporation's sense of responsibility towards the community and environment (both ecological and social) in which it operates.

Customer advisory network Representatives from the community which meet to consider, discuss and provide feedback on service issues affecting their region.

E.coli A strain of the bacterium Escherichia coli, used as an indicator of faecal contamination.

Integrated water cycle management The coordinated management of water supply, sewerage, recycled water, drainage and stormwater systems. It optimises the use of all alternative water sources, minimises impact on the natural environment, and ultimately, reduces consumption of treated drinking water.

Megalitres (ML) One million litres or 1,000 cubic metres.

Meter A device for measuring the quantity and flow rate of water.

New customer contributions The fees charged to developers or property owners to assist in recovering the costs of extending and improving water supply and sewer networks servicing new developments.

Recycled water Recycled water originates from wastewater, collected from homes and businesses and diverted to a recycled water plant where it passes through a series of purification processes, in accordance with recycled water quality standards. The process includes treatment to reduce undesirable substances such as coliforms and brings the recycled water up to a standard that makes it suitable for a wide range of uses, but unsuitable for drinking purposes.

Risk management A process to identify, assess, manage, and control potential events or situations, to provide reasonable assurance regarding the achievement of the organisation's objectives.

Sewage Liquid and solid waste disposed from domestic uses of water, such as toilets, bathrooms and kitchens and similar uses in trade and industry.

Sewerage A system of pipes and infrastructure for the collection and transportation of domestic and industrial sewage.

Stormwater Rainfall that runs off roofs, roads and other surfaces where it flows into gutters, streams, rivers and creeks, and eventually into the bays.

Sustainable Capable of being continued with minimum long term effects on the environment.

Trade waste Waste produced by trade and industry.

Water losses This is water that is "lost" before it reaches the customer. Losses can be real losses (e.g. through leaks) or apparent losses (e.g. through theft or metering inaccuracies).

Water quality Water quality refers to the physical, chemical and biological characteristics of water. For Western Water, water quality refers to compliance with requirements set out in the Australian Drinking Water Regulations.

WaterTight Western Water's residential home audit and retrofitting program targeting households who report higher than average water use

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FEEDBACK

Western Water welcomes your feedback on our performance and the content of this report.

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accredited



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chlorine
free