



annual report 2007-08







GIPPSLAND WATER

AT A GLANCE - AS AT 30 JUNE 2008

Water

Gippsland Water operates 17 water treatment plants and obtains its water from a variety of sources including reservoirs, surface water and groundwater.

Water services include:

- 59,822 customers serviced (connected)
- 60,201 megalitres of water supplied
- 2,009 kilometres of water mains

Waste

Gippsland Water operates 14 wastewater treatment plants, two ocean outfalls and one prescribed waste management facility.

Wastewater services include:

- 51,239 customers serviced (connected)
- 27,156 megalitres of treated wastewater
- 1,496 kilometres of sewer mains

Waste materials

Gippsland Water operates a prescribed waste management facility known as the Soil and Organic Recycling Facility (SORF) at Dutson Downs which was originally established in 1985 and operates under an approved EPA licence.

The wastes managed at the SORF include:

- 26,254 tonnes of liquid waste
- 2,700 tonnes of solid waste
- 4,097 tonnes of biosolids produced from wastewater treatment activities

Agribusiness

Gippsland Water operates an agribusiness at a range of broad-acre holdings across the region, the largest being an 8,000ha property at Dutson Downs, of which 3,000ha is currently farmed.

Operations on the Dutson Downs site include:

- 2,637 cattle
- 3,092 sheep
- 1,401 cattle sold

Staff

At 30 June 2008, Gippsland Water employed 238 people in 208 full time equivalent roles, which encompassed a variety of management, technical, professional, and operational streams.

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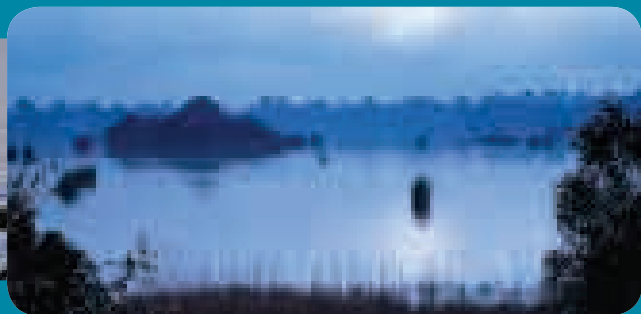
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GIPPSLAND WATER OPERATING AREA



PART I

INTRODUCTION AND OVERVIEW



OUR MISSION

To manage the resources in our care in a manner that ensures Gippsland's sustainability and secures social, environmental and economic benefits to our customers, stakeholders and region.

OUR VISION

In an increasingly challenging operating environment, Gippsland Water will strive for best practice sustainable water and waste management within central Gippsland.

WHAT WE VALUE

Our strategic and operational decisions must reflect our attitude to the community, our products and service delivery, our business and to each other.

Our values guide us as we strive to fulfill our mission and vision. We value and are committed to:

- open, ethical and fair conduct;
- community engagement and trust;
- safety as our first priority in going about our business;
- teamwork;
- employee knowledge and capability;
- innovative solutions;
- sustainability; and
- the highest levels of customer satisfaction.

PROFILE OF GIPPSLAND WATER

The Central Gippsland Region Water Corporation, trading as Gippsland Water, was constituted on 21 December 1994 under the *Water Act 1989*.

During the reporting period the responsible Ministers were:

- the Honorable John Thwaites, Minister for Water, Environment and Climate Change from 1 July 2007 to 29 July 2007;
- the Honorable John Brumby, Minister for Water, Environment and Climate Change from 30 July 2007 to 2 August 2007; and
- the Honorable Tim Holding, Minister for Water from 3 August 2007 to 30 June 2008.

Gippsland Water provides water and wastewater services to customers in the central Gippsland region of Victoria. Its geographic region stretches from Drouin in the west, to Stratford in the east, and from Mirboo North in the south to Rawson and Briagolong in the north.

The region supports a population base of approximately 133,500 people and services over 59,000 water customers and over 51,000 wastewater customers. Gippsland Water's customers also include local major industries, seven of which are of state and national significance.

Gippsland Water is the second largest regional water corporation in Victoria in terms of revenue earned and is the largest in terms of the total volume of water supplied and wastewater collected. It manages 17 water treatment plants, 14 wastewater treatment plants and two ocean outfalls.

Gippsland Water provides prescribed solid and liquid waste recovery services at its Soil and Organic Recycling Facility located at Dutson Downs.

Gippsland Water is also responsible for an agribusiness enterprise, producing quality beef, wool, feed crops and plantation timber on land primarily utilised for water and wastewater management. Gippsland Water's statutory functions of water and sewerage are detailed under Parts 8 and 9 of the *Water Act 1989*. Additional functions relating to acceptance, treatment and disposal of prescribed industrial waste are detailed in Section 122F Division 5, of the Act.

GIPPSLAND WATER'S STRATEGIC PLAN

Gippsland Water is a key player in the management of natural resources within the region.

We acknowledge that the challenges for organisations and individuals involved in sustainable natural resource management are substantial and increasing in complexity and we recognise that our stakeholders and the wider community expect that we will manage our natural resources in the interests of future generations. Accordingly, stakeholders are seeking greater transparency and accountability in our stewardship of these resources.

In meeting these challenges Gippsland Water has recognised that:

- a sufficient supply of high-quality water is a prerequisite for a developing and sustainable region;
- deterioration of our rivers, wetlands, estuaries, bays, oceans, lakes and floodplains also damages our economy and our society; and
- the path towards sustainable water and natural resource management means change. Our challenge is to achieve the necessary change, including the way we supply, use and re-use water, through innovation, leadership and collaboration.

The Board of Gippsland Water has led the development of a five-year strategic plan that provides the business with clear direction to deliver on a range of objectives that responds to these challenges and meets the needs of customers, stakeholders and the community.

Our strategic plan has a strong focus on:

1. Resource Sustainability: Water is a vital element of our natural environment. It sustains all forms of life. Our slogan 'Our Water, Our Future' signals our intention to protect and preserve this most precious resource.

2. Customers, Stakeholders and Community: Gippsland Water's whole of business approach to customer relations reflects the changing needs and expectations of our customers and stakeholders. We recognise the need to strengthen our engagement with the community so that together we can find new solutions to the region's challenges.

3. Governance: The Board and our staff are committed to ensuring/achieving a robust corporate governance regime to enable Gippsland Water to satisfy the requirements of all applicable legislation.

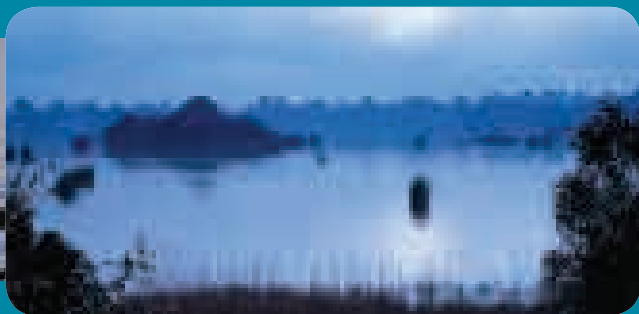
4. Organisational Sustainability: Gippsland Water is committed to ensuring the ongoing sustainability of our organisation through continuing investment in our people, our systems and our physical assets.



WATERWORKS

PART I

INTRODUCTION AND OVERVIEW



JOINT MESSAGE FROM THE CHAIRPERSON AND MANAGING DIRECTOR

The Board and staff at Gippsland Water are pleased to present this year's annual report to our customers, stakeholders and the community.

We are happy to report Gippsland Water received a bronze award for its 2006-07 annual report from the Australasian Reporting Awards (ARA). These awards give Australian and New Zealand organisations the chance to benchmark their annual reports against the ARA's criteria and also recognise excellence in annual reporting.

A significant and very public event for Gippsland Water this year has been the finalisation of our 2008-2013 Water Plan and the customer tariffs for the next five year period. This approval came following an extensive review process conducted by the Victorian government independent economic regulator, the Essential Services Commission (ESC).

This process commenced in July 2007 with the public release of Gippsland Water's five-year water plan, which was followed by the ESC's draft decision in March 2008 and concluded with the ESC's final determination in mid-June 2008. The review process allowed our customers and stakeholders to make comments and submissions to the ESC about the proposed water plan.

After completion of the review, the ESC confirmed residential customer tariffs will increase by 71% over the five-year period (excluding CPI increases).

The tariff increases and schedule of works contained in the plan are a result of significant unprecedented capital investment and other major operational increases to improve service reliability, water supply security, and ensure the delivery of water and wastewater services to a population base of over 133,500.


Following the 2006 drought, the Victorian water industry has been required to adopt a long-term view to water supply management and has been working to introduce infrastructure to secure water supplies into the future. This has resulted in a period of intensive capital investment to introduce the necessary infrastructure.

The 2007-08 year brought the delivery of two major projects for Gippsland Water; the Soil and Organic Recycling Facility - located at Dutson Downs, and the new Seaspray Sewerage Scheme which connects 330 properties in this popular coastal holiday town to wastewater services for the first time.

The Soil and Organic Recycling Facility will introduce a new waste management ethic for Gippsland Water by reducing the amount of waste sent to landfill. It will also create a reduction in greenhouse gases emitted from liquid waste and soil treatment processes.

The facility has received the internationally-recognised ISO:14001 accreditation standard which will provide an environmental management system to identify, manage and reduce the facility's impact on the environment and enable us to closely monitor its environmental performance.

The Seaspray Sewerage Scheme is the first wastewater project Gippsland Water has delivered under the Victorian Government's Small Town Water and Sewerage Scheme Program. The system was commissioned in December 2007 following an extensive 10-year planning and development journey which commenced in 1998.



An innovative dual-powered lagoon system was used for this project because of its ability to comply with the Environmental Protection Authority's requirements, and its flexibility to accommodate seasonal variations in the wastewater flows from future population growth in the Seaspray area. The lagoon and pressure sewer systems were both firsts for Gippsland Water.

Construction on the Gippsland Water Factory also made significant progress throughout the 2007-08 year. As of 30 June 2008, approximately 60% of the construction was complete with final commissioning expected in early 2009.

The Gippsland Water Factory project, which includes the 35 million litre a day wastewater treatment plant located at Maryvale and a significant upgrade of the Sale and Fulham wastewater treatment systems, will treat waste from industrial customers including Australian Paper and will service the wastewater needs of a population base of over 48,000 people in the towns of Traralgon, the eastern part of Morwell, Yallourn North, Boolarra, Toongabbie, Glengarry, Rosedale, Yinnar, Churchill, Sale and Fulham.

This project is a much-needed upgrade replacing the existing 50-year-old Regional Outfall Sewer that has been deemed environmentally unsuitable against today's wastewater treatment standards.

We are also pleased to report that our Coongulla Glenmaggie Water Treatment Plant began operating fully again this financial year for the first time since February 2007. Following the floods, significant amounts of debris entered Lake Glenmaggie which is the raw water source that serves the lakeside townships of Coongulla and Glenmaggie. This made the water impossible to treat and Gippsland Water had no option but to shut the plant down and truck in water from Heyfield to service these towns. After months of perseverance and upgrades to the plant, our water treatment team successfully brought the treatment plant back online.

The impacts on the treatment process resulted in water restrictions being placed on Coongulla and Glenmaggie for 15 months overall. We would like to extend our thanks to the very patient Coongulla and Glenmaggie communities and recognise the sustained effort of Gippsland Water's operations and water treatment teams in keeping those two towns supplied with water throughout these adverse conditions.

Fire and flood impacts were not the only contributors to our water quality dilemmas in the 2007-08 year; our Neerim South Water Treatment Plant was put to test in February 2008 when

a blue green algae outbreak struck Melbourne Water's Tarago Reservoir. The Neerim South plant sources water from the Tarago Reservoir and supplies customers in Neerim, Neerim South, Neerim Junction and Noojee. Gippsland Water worked closely with the Department of Human Services and Melbourne Water in an ongoing monitoring program to ensure the drinking water continued to be safe throughout the course of the event. We adjusted our treatment processes to manage the removal of the algae until the issue subsided in May 2008.

Gippsland Water is once again extremely appreciative of the involvement and support of the Board who provide strategic direction and guidance to the organisation. The 2007-08 year brought a series of reviews and long-term planning opportunities, which the Board embraced, shaping the future of the corporation.

The 2007-08 year brought significant change for Gippsland Water's Board. Long-serving Managing Director John Mitchell announced his retirement following a 10-year term as the organisation's head. Incoming Managing Director David Mawer assumed the post in April 2008 after serving as Westernport Water's Managing Director.

Gippsland Water also farewelled four Board members throughout the year; retiring chairperson Richard Elkington, Keith Hamilton, Pam Keating and Tony Flynn. We would like to thank these directors for their contributions to Gippsland Water's direction and operations during the time they served the organisation.

The Board would like to sincerely thank the hard working Gippsland Water staff for their ongoing dedication and commitment to delivering the organisation's key performance indicators. The organisation and its people performed to a high standard in the face of a series of operational events including drought, fires and floods that have impacted the organisation since early 2006 and will continue to for many more to come. These challenges were overcome by the perseverance and adaptability of our employees who ensured that services continued to our customers – despite adverse conditions.

Richard McDowell

Chairperson



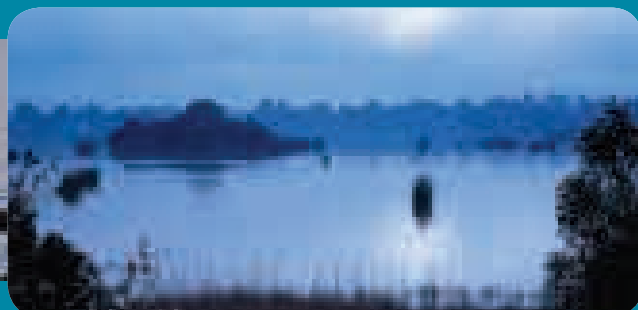
David Mawer

Managing Director



PART I

INTRODUCTION AND OVERVIEW



HIGHLIGHTS OF THE YEAR

The 2007-08 financial year has been one of significant strategic change for Gippsland Water. In addition to the development and approval of the cornerstone of the organisation's long-term planning – 2008-2013 Water Plan, the corporation welcomed both a new Chairperson and Managing Director, delivered two significant capital projects, and again delivered excellent services for its customers and continued to maintain high standards of compliance.

Key highlights of the 2007-08 year included:

Area of strategic focus	Business achievement
Resource Sustainability	<p>Gippsland Water commenced the waterMAPS program to work with its top 52 water users to develop and implement water management plans to encourage water and resource conservation.</p> <p>The corporation assisted local education provider GippsTAFE to save almost two million litres of water at its Morwell and Yallourn campuses through the Savewater Efficiency Service program.</p> <p>The Soil and Organic Recycling Facility (SORF) was commissioned and began accepting prescribed wastes.</p> <p>The SORF obtained ISO:14001 accreditation.</p> <p>Gippsland Water announced that local schools saved more than six thousand kilolitres of water from January 2006 to January 2007 under the statewide pilot program for the Victorian Government's Schools Water Efficiency Program.</p> <p>Gippsland Water announced a cultural shift in attitudes to water consumption with a 15 per cent reduction in residential water use over the past five years.</p> <p>Gippsland Water assisted Monash University's Gippsland Campus to reduce its water consumption by 23 per cent following the implementation of a water savings plan as part of the Savewater Efficiency Service program.</p> <p>Several significant water saving initiatives were developed in partnership with Australian Paper, Energy Brix and Regional Development Victoria. These save more than four gegalitres of water per annum.</p> <p>Gippsland Water continued to work with the Department of Sustainability and Environment (DSE) to convert historical water rights in the Warragul/Drouin area into a bulk entitlement for the Tarago water supply system, in accordance with the provisions of the <i>Water Act 1989</i>. This process will provide legal certainty for Gippsland Water, and provide environmental flows for the Tarago River downstream of the corporation's Pederson Weir infrastructure.</p> <p>The corporation, with cooperation from the DSE, Southern Rural Water and West Gippsland Catchment Management Authority, has sought an amendment to the Seaspray bulk entitlement as a first step in the strategy to improve water supply security at Seaspray. When approved, this amendment will allow Gippsland Water to access additional water from Merrimans Creek, but also introduce environmental flows during the winter period.</p> <p>Work continues on key elements of the Water Supply Demand Strategy, first released in June 2007. Gippsland Water has undertaken investigative work at Thorpdale to determine the availability of groundwater to supplement or replace the existing surface water supply for the town. In addition, the corporation has continued to work with the DSE to understand and plan for the long term supply and demand issues in the Latrobe system.</p>

Customers, Stakeholders and Community

The Seaspray Sewerage Scheme was commissioned with 330 properties connected to the system.

Gippsland Water brought the Coongulla Glenmaggie Water Treatment Plant back online in September 2007 after being offline since February 2007 following poor quality water caused by bushfires and floods within the catchment.

Gippsland Water worked to manage water treatment at the Neerim South Water Treatment Plant following a blue green algae outbreak in the Tarago Reservoir.

Gippsland Water completed more than \$750,000 in capital improvement works along its main wastewater transfer system – the Regional Outfall Sewer – to help improve the longevity of this critical infrastructure.

The organisation adopted a five-year corporate social responsibility (CSR) action plan to guide its CSR activities.

Construction of the Gippsland Water Factory project continued with approximately 60% of construction complete as of 30 June 2008.

Gippsland Water conducted its 18-monthly major client survey which measures the satisfaction levels of Gippsland Water's large industrial customers. An overall satisfaction level of 8.2 out of 10 was achieved.

Gippsland Water worked with several local agencies to manage the impacts on its infrastructure caused by the 2007 Gippsland floods.

A successful family open day was held at the Traralgon Water Treatment Plant to celebrate National Water Week. Over 150 members of the community attended.

Governance

Following a six week period of public consultation, Gippsland Water submitted its final Water Plan in October 2007. The Essential Services Commission completed its review of the plan in June 2008 and announced Gippsland Water's prices would increase by 71% (excluding CPI) over the next five years.

Coongulla and Glenmaggie residents reverted to Permanent Water Savings Rules following 15 months of being on water restrictions due to water quality issues caused by fires and floods in the catchment.

Gippsland Water received a bronze award for its 2006-07 annual report from the Australasian Reporting Awards.

The corporation successfully integrated risk management decision making into its corporate culture, supported by the introduction of a new computer based tool for documenting, assessing and managing risk. Independent verification by the Victorian Managed Insurance Authority has confirmed Gippsland Water has a mature approach to risk management and was rated as 'very good' (76 to 89 out of 100).

Organisational Sustainability

Former Managing Director John Mitchell announced his retirement from Gippsland Water following a ten-year term in the role.

Gippsland Water welcomed new Chairperson, Richard McDowell, and farewellled long-serving Board Chairperson Richard Elkington.

Gippsland Water welcomed new Managing Director David Mawer who assumed the role as the organisation's new head in April 2008.

The entire organisation participated in customer focus training to assist staff with delivering exceptional customer service.

The organisation successfully completed the fourth enterprise bargaining process with significant productivity commitments achieved.

Gippsland Water was recognised for its work life balance policies and practices in several industry publications.

The organisation entered the second year of its leadership development program, now with over 80 past and present participants gaining skills in adaptive leadership, change management and frontline management.

PART I

INTRODUCTION AND OVERVIEW



OVERVIEW OF FINANCIALS

	2007 -2008 \$'M	2006 -2007 \$'M	2005 -2006 \$'M	2004 -2005 \$'M	2003 -2004 \$'M
Core Business Revenue	62.6	58.7	56.1	53.2	45.8
Interest Revenue	0.9	1.8	0.7	1.0	1.0
Government Contributions	-	1.5	1.3	-	-
Non Government Contributions	5.3	4.9	6.1	9.4	6.4
Other Revenue (Farm & Gross Proceeds)	1.9	1.9	2.1	0.8	1.5
	70.6	68.8	66.3	64.4	54.7
Operations & Maintenance & Administration	46.8	45.2	40.7	38.4	32.8
Depreciation Expenses	20.3	19.1	17.8	17.1	16.2
Finance Expenses	3.9	1.0	0.1	-	-
	70.9	65.3	58.6	55.5	49.0
Net Operating Result	(0.3)	3.5	7.7	8.9	5.7

Note Gross Proceeds have been netted off between revenue and expense
Changes made to 2004-05 for AIFRS adjustments

Key results for the financial year

The full year result for the corporation was a net loss of \$0.3M. The total revenue increased \$1.8M mainly from wastewater service fees which rose by \$2.9M from higher fees and a 2.1% growth in connections. Offsetting this increase interest revenue declined despite higher interest rates due to lower cash reserves as borrowings increased. Also the corporation did not receive any government contributions during the year.

Expenditure for the year increased by \$5.6M mainly due to interest expense which rose by \$2.9M reflecting both the new borrowings and the higher cost of interest. Depreciation increased by \$1.2M due to the ongoing commitment to maintain the high quality water and wastewater infrastructure to serve our customer base. Major projects completed during the year include Seaspray Sewerage Scheme and Soil and Organic Recycling Facility. Operations, maintenance and administration expenses increased by \$1.6M mainly from one off feasibility costs which had previously been held in the balance sheet for projects which will not proceed.



PART 2

RESOURCE SUSTAINABILITY



Resource Sustainability:

Water is a vital element of our natural environment. It sustains all forms of life. Our slogan 'Our Water, Our Future' signals our intention to protect and preserve this most precious resource.

WORKING WITH MAJOR CUSTOMERS

Gippsland Water has the largest water and trade waste customers within the state of Victoria. These industrial customers together account for approximately 70% of the total water supplied by the corporation (which is mostly distributed as untreated water), and account for about 24% of Victoria's trade waste discharges.

The largest industrial customers include Australian Paper, the Latrobe Valley brown coal power generation companies and Esso Australia. These customers are supplied via dedicated water supply and wastewater systems which are separate from urban reticulation systems.

Gippsland Water works with all of its major customers to encourage resource efficiency through programs such as the Savewater Efficiency Service, Environmental Resource Efficiency Program and waterMAPS. All significant clients with a demand in excess of 10 megalitres per annum have water conservation programs in place and actions underway as a result of waterMAPS.

During 2007-08 Gippsland Water assisted two industrial clients, Australian Paper and Energy Brix, implement water saving projects that save approximately 12 million litres per day. This equates to four billion litres of water per annum or 12% of Moondarra Reservoir's capacity. This is comparable with the average annual amount of water used by a town with 20,000 residents.

MAJOR CUSTOMER CONSUMPTION

Commencing in October 2006, amendments to the *Water Act 1989* required water corporations to annually publish the water consumption of their major non-residential water users. The number of Gippsland Water customers who consume more than 50MI per annum are shown below:

Volume range – MI per year	No customers 2007-08	No customers 2006-07
Equal to or greater than 50MI and less than 100MI	4	4
Equal to or greater than 100MI and less than 200MI	1	2
Equal to or greater than 200MI and less than 300MI	1	2
Equal to or greater than 300MI and less than 400MI	3	Nil
Equal to or greater than 400MI and less than 500MI	Nil	Nil
Equal to or greater than 500MI and less than 750MI	Nil	1
Equal to or greater than 750MI and less than 1000MI	Nil	Nil
Greater than 1,000MI	5	5
Total customers	14	14

WATER CONSERVATION PROGRAM PARTICIPATION

Commencing in October 2006, amendments to the *Water Act 1989* required water corporations to annually publish the water conservation programs their major non-residential water users have undertaken. The following table details the water conservation programs completed by Gippsland Water's major customers who consume over 50MI per annum:

Name of customer	Water conservation initiatives
1 Australian Paper (Maryvale Mill)	Commissioned two major water saving projects saving up to 12% of annual consumption. Submitted and commenced progressing a water management action plan (waterMAP) with short, medium and long term actions. Developing a detailed Environment Resource Efficiency Program (EREP) submission.
2 Carter Holt Harvey Wood Products Australia Morwell Sawmill	Completed audit and implemented recommendations as part of Gippsland Water's Savewater Efficiency Service. Submitted a waterMAP.
3 Energy Brix Australia	Completed three major water recycling initiatives during the 2007-08 year. Combined, these initiatives reduce water use by 15% per annum.
4 Fonterra Australia Pty Ltd (Darnum)	Completed waterMAP and submitted action plan.
5 Gippsland Base Hospital (Sale)	Completed waterMAP and submitted action plan. Retrofitted water efficient appliances.
6 Warragul Linen Services	Continuing to implement a range of initiatives identified in its water conservation plan. Completed waterMAP and submitted action plan.
7 TRUenergy Yallourn Pty Ltd	Implementing water saving initiatives as a result of its most recent water audit. Audit outcomes are continually revised to ensure ongoing asset improvements and water savings.
8 Murray Goulburn (Maffra)	Implemented a range of water conservation projects which has seen the potable water consumption for the site reduced by 33% for 2007-08 compared to 2006-07.
9 National Foods Limited (Morwell)	Completed evaluation of water usage as part of waterMAP and submitted action plan.
10 ITC Timber Heyfield Pty Ltd	Undertaken audit as part of Gippsland Water's Savewater Efficiency Service. Submitted a waterMAP.
11 International Power Hazelwood	Initiatives resulted in a short term reduction in water consumption of around 22%. All water will be covered in their Environment Protection Authority (EPA) EREP action plan. Potable water will also be covered in their waterMAP. Limited by EPA license conditions.
12 IPM Operation & Maintenance (Loy Yang B)	Initiatives have delivered 2GL/year savings in low quality water drawn from the Latrobe River and catchments, based on 1997-98 baseline. Also completed a water audit with Gippsland Water's Savewater Efficiency Service.
13 Loy Yang Power (Loy Yang A)	Implemented water saving initiatives. Working with Gippsland Water and the EPA to evaluate a potential water saving project.
14 The Geo Group Australia P/L (Fulham Correctional Centre)	Implemented retrofit of water efficient appliances as part of Gippsland Water's Savewater Efficiency Service. Completed waterMAP and submitted action plan.

PART 2

RESOURCE SUSTAINABILITY



ENVIRONMENTAL MANAGEMENT SYSTEMS

The Soil and Organic Recycling Facility (SORF) located at Dutson Downs, achieved the requirements of the international standard for environmental management, ISO:14001, providing certification of its environmental management system (EMS).

The development of the SORF EMS began in 2006 and incorporates a number of activities including:

- identifying aspects and impacts associated with the SORF;
- reviewing and developing procedures including standard operating procedures and EMS procedures;
- a review of Gippsland Water's legal register;
- establishing improved reporting processes; and
- improving procedures for document control.

Improvements introduced to achieve accreditation have also been used to improve the Gippsland Water-wide EMS.

Additional activities associated with the Gippsland Water EMS included:

- training an internal self assessment team to assist in the auditing of compliance with EMS elements;
- improved contractor induction processes;
- establishing an intranet-based incident and non-conformance/opportunity for improvement reporting process; and
- greater integration of environmental and OH&S management systems.

ENVIRONMENTAL INCIDENTS

Gippsland Water managed two environmental incidents during the reporting year:

Saline Wastewater Outfall Pipeline (SWOP), Giffard

On 15 January 2008 approximately five megalitres of saline wastewater leaked from the SWOP at Giffard, approximately five kilometres from the ocean outfall. The pipeline was repaired and reinstated within three days, with the cause of the spill determined as internal corrosion of the pipeline. The leak occurred in a tree plantation owned by a private company. Gippsland Water, with the company concerned is investigating the area of the spill to determine whether there are any long term impacts on the plantation as a result of this saline wastewater discharge.

Regional Outfall Sewer (ROS) air vent, Eastern Road, Traralgon

In February 2008 Gippsland Water received complaints from a nearby industrial estate of odours from the air vent located on the ROS near Eastern Road, Traralgon.

The odour was found to be due to low wastewater flows in the ROS resulting in pockets of odourous air being released in surges through the air vents. Carbon canisters were installed, however were not successful in mitigating the odour. Gippsland Water now manages the odour by supplementing flows in the ROS with low quality flushing water from Australian Paper. This has been successful in addressing the fugitive odours reported at this location. The commissioning of the Gippsland Water Factory in early 2009 will resolve this issue in the future.

GREENHOUSE GAS MANAGEMENT

Gippsland Water primarily has an indirect contribution to greenhouse gas emissions, through its demand for electricity for the pumping and treatment of water and wastewater, and office-based services. Direct sources of greenhouse gas emissions include methane and nitrous oxide emissions from wastewater treatment, carbon dioxide from the combustion of petroleum fuels in vehicles and methane from the gastric processes of livestock. Sources of greenhouse gas emissions from Gippsland Water's operations are detailed in the table below:

Activity	CO ₂ -equivalent (tonnes/year)	
	2007 -2008	2006 -2007
Waste treatment ¹	58,216	54,338
Water treatment ²	10,488	11,087
Traralgon office operations ³	1,386	1,421
Fuel use ⁴	1,357	1,594
Livestock ⁵	5,150	5,420
Total	76,597	73,860

¹Methane and nitrous oxide gas emissions.

²Electricity, soda ash consumption.

³Electricity.

⁴Fuel - Petrol, diesel, gas.

⁵Methane from cattle and sheep.

The calculated total greenhouse gas emissions have increased from the previous reporting year, mainly due to increased loads of organic material undergoing treatment at the wastewater treatment plants. This results in higher methane emissions and energy consumption in the reticulation and treatment of wastewater and biodegradable solid wastes.

It is likely that the greenhouse gas emissions from the services provided by Gippsland Water will increase in 2008-09 due to additional activities including the Seaspray Wastewater Treatment Plant, Soil and Organic Recycling Facility and the Gippsland Water Factory. Greenhouse gas emissions due to electricity demands will be greater than the greenhouse gas abatements achieved due to the improved treatment processes for these activities.

Gippsland Water will continue to identify and implement projects that conserve energy and reduce greenhouse gas emissions over the longer term. As many projects have long pay-back periods at current energy costs (10+ years), the water industry will continue to engage regulators and customers to more explicitly define the demand for such projects.

Gippsland Water has an internal working group, the 'Green Team', to further its understanding of the sources and extent of greenhouse gas emissions and opportunities for abatement. The 'Green Team' is preparing a Greenhouse Improvement Plan to be finalised in 2008-09.

External reporting on greenhouse emissions is currently provided to external stakeholders including the Essential Services Commission, Environment Protection Authority, VicWater and Department of Sustainability and Environment. While the Federal Government is introducing mandatory greenhouse gas reporting in 2008 in accordance with the *National Greenhouse and Energy Reporting Act*, Gippsland Water is forecast to not trigger the reporting threshold of 87,500 tonnes of CO₂ equivalent greenhouse gases until 2009. In the interim Gippsland Water will continue to improve its understanding of the National Greenhouse and Energy Reporting System and the impacts on the business of the proposed emissions trading scheme.

Gippsland Water continues to be active in water industry forums hosted by VicWater and Water Services Association of Australia, to share information on greenhouse gas abatement strategies, set industry targets for greenhouse gas emission reductions and standardise emission estimation and reporting procedures.

PART 2

RESOURCE SUSTAINABILITY



PERFORMANCE OF OCEAN OUTFALLS

Gippsland Water operates two ocean outfalls, the Regional Outfall Sewer (ROS) at Delray Beach and the Saline Wastewater Outfall Pipeline (SWOP) at McGaurans Beach.

The operational performance of the SWOP and ROS ocean outfalls continued to meet Environment Protection Authority licence compliance requirements, with no reportable incidents of below-compliance water quality occurring in the reporting period.

ENVIRONMENTAL IMPROVEMENT PLAN

Gippsland Water seeks to continuously improve environmental performance at each of its 14 wastewater treatment facilities and the Soil and Organic Recycling Facility (SORF) at Dutson Downs. The actions identified for improvements are outlined in each site's environment improvement plan (EIP). These plans were developed in accordance with requirements of the licences issued by the Environment Protection Authority (EPA) and provide an overview of each facility as well as actions to improve each site's overall environmental performance.

Each EIP has been reviewed and restated in a revised format produced for the 2008-09 reporting year. The improvements were identified from internal environmental audits and discussions with key operational staff.

The EIP for the SORF has been reviewed and a new five-year plan developed aligning the requirements of the environment management system and the EPA licence.

BENEFICIAL REUSE OF TREATED WASTEWATER AND BIOSOLIDS

During 2007-08 Gippsland Water recycled 1,354ML equivalent to 29.2% of treated non-saline wastewater produced in its service area.

Gippsland Water manages the use of reclaimed water for irrigation purposes based on its quality, the suitability of the site and climatic conditions. This includes factors such as seasonality of rainfall and temperature, discharge rate, storage capacity and quality of treated wastewater.

The region's climate ranges from high rainfall in the west, to the Macalister Irrigation District 'rain shadow' in the east. Annual average irrigation demand varies - in addition to rainfall - from 200mm to 400mm across the Gippsland region. Thus irrigation demand is low when compared with typical values of 500mm to 1,000mm for irrigation demand north of the Great Dividing Range.

Gippsland Water uses reclaimed water for pasture irrigation on Gippsland Water owned land at Maffra, Heyfield, Stratford, Mirboo North and Drouin. When irrigation is not occurring the reclaimed water is stored in lagoons. Excess volumes of reclaimed water at Drouin may be discharged to Shillinglaw Creek during wetter months to ensure adequate storage capacity is maintained.

In 2009 pasture irrigation is due to commence at the Seaspray Wastewater Treatment Plant. This site has been designed to enable 100% use of reclaimed water, with adequate storage for water during the wet months.

Gippsland Water supplies reclaimed water for irrigation of private land subject to Environment Protection Authority (EPA) guidelines, at the Maffra Recreational Reserve, Mirboo North Golf Course, Mirboo North Recreation Reserve and a private farm in Willow Grove. Formal agreements and an environment improvement plan is held at each site for the acceptance of reclaimed water.

The State Environment Protection Policy (Waters of Victoria) allows reclaimed water to be used for the environment or beneficial uses other than irrigation. An example is the Morwell River Wetlands, where 632ML of treated water from the Morwell Wastewater Treatment Plant is used to sustain a permanent wetland system.

The use of high quality reclaimed water for industrial, environmental or other purposes is likely to become more attractive in the future. Water scarcity, subsequent increase in water value, competing land uses and urban expansion provide additional opportunities for the beneficial reuse of water. This can only take place following the implementation of stringent controls on recycled water quality required by both the EPA and the Department of Human Services by water corporations.

The following table shows the proportion of wastewater treated in 2007-08, compared with 2006-07, and specifies volumes of reclaimed water beneficially reused, and volumes discharged to external waterways. Gippsland Water's ocean outfalls, the Regional Outfall Sewer (ROS) and the Saline Wastewater Outfall Pipeline (SWOP), dispose of large volumes of highly saline treated wastewater which is unsuitable for beneficial reuse. The proportion of reclaimed water that is beneficially reused is therefore expressed as a percentage both exclusive and inclusive of the ocean outfall flows.

Proportion of treated wastewater reused, excluding saline water to ocean outfalls are detailed as follows:

Final fate of treated water		Volume reused (ML)		Volume discharged (ML)		Compliance with EPA water quality limits	
		2007 –2008	2006 –2007	2007 –2008	2006 –2007	2007 –2008	2006 –2007
Drouin	Irrigation to pasture or discharge to Shillinglaw Creek	109	255	126	143	89%	100%
Heyfield	Irrigation to pasture	87	59	0	0	100%	100%
Maffra	Irrigation to pasture and sporting field	324	166	0	0	100%	100%
Mirboo North	Irrigation to pasture and sporting field	69	96	0	0	100%	100%
Morwell	Supplement flow to wetlands	632	556	0	0	100%	100%
Stratford	Irrigation to pasture	43	70	0	0	100%	100%
Willow Grove	Irrigation to pasture	9	8	0	0	100%	100%
Neerim South	Discharge to Red Hill Creek	0	0	50	46	97%	100%
Rawson	Discharge to Coopers Creek	0	0	42	37	100%	100%
Warragul	Discharge to Hazel Creek	0	0	1,345	1,193	100%	100%
Moe	Discharge to Moe River	0	0	1,713	1,550	100%	100%
Sub-total		1,354	1,210	3,276	2,969		
% reuse¹		29.2%	29.0%				

Treated wastewater reused, as a proportion of total wastewater managed

ROS²	Discharge to Bass Strait (Delray Beach)	0	0	9,813	9,498	100%	100%
SWOP²	Discharge to Bass Strait (McGaurans Beach)	0	0	8,697	7,957	100%	100%
Total		1,354	1,210	21,786	20,424		
% reuse³		5.8%	6.1%				

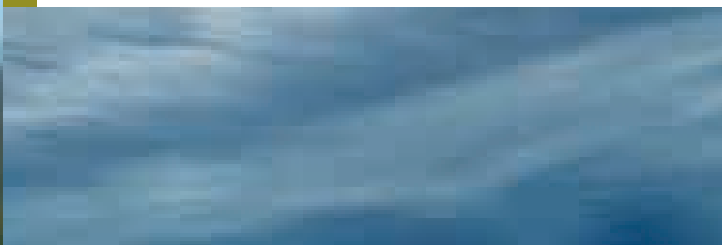
¹Percentage of non-saline treated wastewater.

²Ocean disposal of treated highly saline wastewater, unsuitable for reuse.

³Percentage of total volume of treated wastewater.

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RESOURCE SUSTAINABILITY



BIOSOLIDS MANAGEMENT

A by-product of wastewater treatment is the generation of biosolids and sewage sludge that is sourced from both domestic and industrial wastewater. Sewage sludge consists of all the solid material that has been removed from the treatment process. This sludge may contain some of the micro-organisms that were used to carry out biological purification.

At most of the wastewater treatment plants sewage sludge is stabilised in dedicated treatment lagoons. Biosolids are therefore only produced when the lagoons require sludge removal which is expected to occur every 10 to 20 years. Exceptions to this are the Neerim South and Erica Rawson wastewater treatment plants. The sludge from the Erica Rawson Wastewater Treatment Plant is disposed of in the Morwell sludge lagoon where it is combined with the sludge produced at Morwell. The sludge from the Neerim South Wastewater Treatment Plant is transported to the Warragul Wastewater Treatment Plant and combined with its sludge, prior to partial dewatering and transportation to the Soil and Organic Recycling Facility (SORF), located at Dutson Downs for further processing.

Biosolids have the potential to be a valuable resource for soil reconditioning, fertiliser or energy production.

The biosolids transported to the SORF are stabilised using an in-vessel composting technology and are beneficially used at Dutson Downs as a soil reconditioner in agribusiness activities.

During the reporting period, 4097 tonnes of dewatered sludge (equivalent to approximately 820 dry tonnes) from the two wastewater treatment plants was transported to Dutson Downs and stabilised. This is representative of all biosolids Gippsland Water produces per year.

WATER CONSERVATION

Australia and Gippsland Water's region have experienced severe drought in recent years. This has increased the community's interest in water conservation.

Gippsland Water promotes water saving initiatives including water saving tips, water efficient products, and new technologies. It also provides guest speakers on a regular basis to community groups to talk about the water situation and promote water saving initiatives.

Gippsland Water has hosted information sessions for business, community groups and individuals on the Smart Water Fund, which detailed how to apply for funding and allowed attendees to discuss their water saving project with a representative of the fund. The corporation also promotes other potential sources of grants or funding to the community.

Gippsland Water continues to participate in the Victorian Government's Showerhead Exchange Program, distributing more than 1,600 three-star water efficient showerheads since the first round in December 2006. The program has been extended, with the corporation receiving a further 2,000 showerheads in June 2008.

Gippsland Water is assisting five schools in our region participating in the five-year Waste Wise Schools Program, as the program focus for 2008 is water.

Gippsland Water continued to work with industrial customers on implementing water saving initiatives. Australian Paper and Energy Brix implemented water saving projects during 2007-08 that will save four billion litres of water per annum.

DROUGHT RESPONSE MANAGEMENT PLAN

Gippsland Water's Drought Response Management Plan assists in the management of our response to drought to sustain the availability of water during these periods.

The plan provides a list of actions for managing through a drought, including pre and post drought activities. This includes the operational response and communication strategy. A key component of the plan is the water restriction regime, which is covered by Gippsland Water's By-Law No. 15. This by-law was enacted in 2006 as part of the statewide change to uniform water restrictions, and sets out four stages of restrictions on water use.

In 2006-07 the Drought Response Management Plan was invoked for all Gippsland Water's supply systems. With the failure of winter and spring rain, restrictions were imposed across all systems from an initial level of Permanent Water Saving Rules to the maximum Stage Four Water Restrictions in the smaller Thorpdale, Boolarra and Seaspray systems, and Stage Three Water Restrictions in all other systems. Stage Four Water Restrictions were also imposed in the Thomson Macalister system (excluding Heyfield) due to water quality issues associated with bushfires in the catchment during January 2007.

During 2007-08, water restrictions in most areas were lifted and towns returned to Permanent Water Savings Rules, except the Maffra, Stratford, Coongulla and Glenmaggie communities which faced continuing poor raw water quality issues arising from bushfires and flood. Water restrictions were lifted in Maffra and Stratford in October 2007 and in Coongulla and Glenmaggie in January 2008.

Drought mitigation activities for the worst affected towns of Thorpdale, Boolarra and Seaspray were included in Gippsland Water's Water Supply Demand Strategy. These activities include sourcing groundwater at Thorpdale, constructing a new raw water storage basin in Seaspray, and connecting Boolarra to the Moondarra water supply system. Funding for these activities has been included in the capital works program for the 2008-2013 period.

WATER SUPPLY DEMAND STRATEGY

Gippsland Water released its final Water Supply Demand Strategy on 15 June 2007, following an 18-month development and community consultation period. The strategy presented a series of actions to sustainably manage and meet the water needs of the region serviced by Gippsland Water over the next 50 years.

The Water Supply Demand Strategy sought to achieve five key aims:

- build on actions identified in the Central Region Sustainable Water Strategy;
- determine the expected available water supply to meet water demand, based on a medium climate change scenario and also a step change reduction in water supplies;
- forecast the expected long-term water demand for the Gippsland Water region;

- identify the range of potential water supply-demand options and assess these against economic, environmental and social criteria; and
- recommend a series of actions to sustainably manage and meet the region's water needs over the next 50 years.

Gippsland Water included many of the key actions from the Water Supply Demand Strategy in the capital program proposed during the 2008-2013 Water Plan. With the Essential Services Commission recently announcing a final decision, Gippsland Water is well placed to begin undertaking actions to ensure the future security of water supplies in the region.

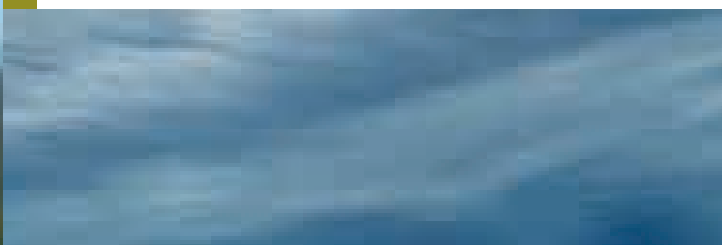
WATER FOR THE FUTURE

The Victorian Government's Water for the Future initiative was outlined in the White Paper, 'Securing Our Water Future Together', released in June 2004. During 2007-08 Gippsland Water undertook a number of activities to support the initiative including:

- progressing the Tarago System Bulk Entitlement with other key stakeholders;
- implementing water conservation targets from the Water Supply Demand Strategy in the Essential Services Commission water pricing review;
- improving communication with the community to provide details of water conservation measures and targets;
- continued construction of the Gippsland Water Factory;
- seeking safe and sustainable opportunities to expand recycled water use; and
- implementing leakage control programs to reduce loss of water from pipes.

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WATER CONSUMPTION TARGETS

The Central Region Sustainable Water Strategy (CRSWS) is a government initiative to secure water supplies for homes, farms, businesses, industry and the environment in Victoria's central region for the next 50 years. As a result Gippsland Water has set targets for reductions in water consumption. The targets adopted by Gippsland Water are summarised in the table below. Targets for residential consumption are based on the mid 1990s consumption of 244 litres per person per day, with a 25% reduction by 2015 and a 30% reduction by 2020. Total consumption targets (excluding major industry) are consistent with targets for Melbourne water consumers.

During 2007-08, Gippsland Water's own water consumption was 3,902KI (19.8l per full time equivalent employee). These figures are based on consumption at Gippsland Water's Traralgon office and Traralgon depot. This is a reduction in consumption of 44KI compared to the 2006-07 reporting period.

Gippsland Water has a range of community and school education programs designed to encourage water conserving behavior across its customer base. There are also other mechanisms, including Permanent Water Saving Rules, in place to assist Gippsland Water's customers to achieve these water conservation targets.

A reduction on current consumption by 15% by 2020 has been adopted for major industry after consultation with these customers.

SYSTEM	CRSWS Action	Current (l/p/d ¹)	2015 (l/p/d)	2020 (l/p/d)
Residential consumption	N/A	233	183	171
Total consumption (non-major industry)	4.42	344	317	296
Major industry consumption	4.43	985	N/A	836

¹(litres per person per day)

BULK WATER ENTITLEMENT REPORTING

Bulk entitlement	Source of supply	Bulk entitlement volume (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with bulk entitlement clauses
Boolarra	Walkleys Creek/ O'Grady's Creek	145	85	► IIMI/a temporary transfer to corporation (2006-07 - 2010-11); OML used in 2007-08 ► Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>
Blue Rock ¹	Tanjil River	15,150	9,239 (5,933)	► Location and volume of water taken pursuant to clause 10: <i>None</i> ► Implementation of programs under sub-clauses 12.3: <i>Implemented</i>
Erica - Rawson	Trigger Creek	340	111	► Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>
Mirboo North	Little Morwell River (North Arm)	270	203	► Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>
Moe - Narracan Creek	Narracan Creek	3,884	1,864	► Approval, amendment and implementation of programs under clauses 8, 9 & 10: <i>Implemented</i>
Moondarra ²	Tyers River	62,000	49,727 (49,004)	► Approval, amendment and implementation of programs under clauses 12 & 13: <i>Implemented</i>
Noojee ³	Deep Creek/ Loch River	73	0	► Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>
Seaspray	Merrimans Creek	61	47	► Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>
Thomson - Macalister	Thomson River/ Macalister River	2,335	1,924	► Change to reliability of supply under Schedule 2 of BE (Thomson/ Macalister - Southern Rural Water) Conversion Order 2001: <i>None</i> ► Credits granted under clause 11: <i>None</i> ► Approval, amendment and implementation of programs under clause 12: <i>Implemented</i>
Thorpdale	Easterbrook Creek	80	17	► Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>

¹Bulk entitlement volume calculated as three year rolling average (figure in brackets is volume for 2007-08).

²Bulk entitlement volume calculated as two year rolling average (figure in brackets is volume for 2007-08).

³Noojee Bulk Entitlement not currently utilised.

GENERAL REPORTING REQUIREMENTS

Temporary or permanent transfer of corporation entitlements

No transfer of corporation entitlements

Temporary or permanent transfers of licences or entitlements to corporation

Boolarra: IIMI temporary transfer (2006-07 - 2010-11); OML used in 2007-08

Amendments to bulk entitlements

No amendments to bulk entitlements in 2007-08

New bulk entitlements

No new bulk entitlements in 2007-08

Failure by corporation to comply with provisions of bulk entitlements

No failures to comply in 2007-08

Difficulties experienced in complying with entitlement and remedial actions

No difficulties experienced in complying with entitlements

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RESOURCE SUSTAINABILITY



RESEARCH

Odours

Investigations continue with chemical dosing for odour control along the Regional Outfall Sewer (ROS), with a focus on improving magnesium hydroxide liquid dosing control systems, based on online monitoring of hydrogen sulphide concentrations downstream. During the 2007-08 period, Gippsland Water removed oxygen dosing facilities along the ROS. This removal enabled for ongoing improvements along the ROS by creating an additional chemical dosing facility at Longford and significantly reducing energy usage at the site.

Chemical dosing facilities continue to operate along the ROS producing a stable environment within the wastewater streams and reducing the build up of hydrogen sulphide.

Oily sludges

Currently, oily sludges are immobilised and disposed of in landfill. Investigations have been undertaken by the Australian Sustainable Industry Research Centre (ASIRC) to determine if these oily sludges can be bioremediated to reduce or eliminate the oil content.

Wastewater treatment

ASIRC has established a pilot plant at the Warragul Wastewater Treatment Plant to develop treatment technologies for a variety of trade waste compositions.

Composting of leather wastes

The success of trials held by the Environment Protection Authority and Department of Primary Industries at Dutson Downs confirmed leather shavings and trimmings could be composted at the Soil and Organic Recycling Facility to produce a reusable product. Currently, leather shavings and trimmings are disposed to landfill as a prescribed industrial waste.

Further investigations will continue to improve the composting process.

Cooperative Research Centre (CRC) for Water Quality and Treatment

Gippsland Water supports the CRC for Water Quality and Treatment. The CRC has undertaken a number of research projects into a range of topics relating to the collection, treatment and supply of safe drinking water in Australia. Gippsland Water also contributed to the wastewater research program administered by the CRC. This program investigated topics relating to biosolids management, recycled water, and the fate of micro-pollutants in the environment.



GIPPSLAND WATER FACTORY

The Gippsland Water Factory (GWF) is on target to be operational in 2009. Construction of the wastewater treatment and recycling system began in February 2007 and is due for completion at the end of 2008.

Earthworks took place at the Maryvale site for much of 2007, construction of above ground structures in late 2007 and early 2008, to mechanical and electrical installation in mid-2008.

Construction of the pipelines and pump stations on the transfer systems also moved ahead. More than 72km of the 78km pipeline was installed during 2007-08 and upgrades commenced on the Traralgon and Churchill pump stations.

Key new elements were added to the project's scope, including renewable energy and the Vortex Centre, a combined operations/public education/visitors area.

The key drivers for the project relate to the Regional Outfall Sewer (ROS) which flows for 87km from Morwell to Dutson Downs. While the first 46km of this sewer is in a pipe, it becomes an open channel east of Rosedale for another 41km before discharge into treatment lagoons at Dutson Downs. This open channel has carried raw, untreated sewage from the Latrobe Valley, Rosedale, Sale and Fulham for more than 50 years and generates significant odour.

When operational, the GWF will treat up to 35 million litres of Gippsland's domestic and industrial wastewater each day. This wastewater will come from more than 15,000 households and businesses in Traralgon, Morwell, Yallourn North, Boolarra, Toongabbie, Glengarry, Rosedale, Yinnar Churchill, and Australian Paper's Maryvale mill.

Eight million litres a day will be treated to an extra high standard and recycled to Australian Paper, which is contracted to purchase the water. This will then free up about three billion litres (1,200 Olympic-size swimming pools) or 10% of Moondarra's capacity of fresh water each year in the Moondarra/Latrobe system for use in Gippsland.

The remaining highly treated wastewater will be sent down the ROS for ocean discharge, while Sale and Fulham's wastewater will be piped separately and directly to Dutson Downs where it will be treated and then re-used on-site for agricultural purposes (5 million litres of water per day). This ensures Sale and Fulham's raw sewage does not mix with the highly treated saline wastewater within the ROS.

The entire GWF system will directly benefit a population in excess of 65,000. The technology used to treat Australian Paper's pulp and paper wastewater is a world first and has set a new standard for treating this type of waste. The project is also the first of its kind in Australia in that recycling has been incorporated into the wastewater treatment plant from the start, rather than added to existing infrastructure.

The GWF is being built using an alliance procurement model with the commercial participants being Gippsland Water, Transfield Services, CH2M HILL and Parsons Brinckerhoff. Gippsland Water will take possession of the GWF in early 2010 after a proving and optimisation period of two years managed by the alliance.

More information on the Gippsland Water Factory is available at www.gippslandwaterfactory.com.au or by telephoning 1800 066 401.

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RESOURCE SUSTAINABILITY



NATIONAL POLLUTANT INVENTORY REPORTING

The National Pollutant Inventory is an internet database designed to provide the community, industry and government with information on the types and amounts of certain chemicals being emitted to the environment throughout Australia.

Emissions of specific chemicals are reported for inclusion on the database if the total concentration over a year is greater than a pre-established threshold value, per facility.

Data for reporting was determined for the emissions from our 14 wastewater treatment plants (WWTP) in 2007-08.

Chemical loads to the environment above the threshold limits are reported in the table below:

Facility	Sulphide to air (kg-S/yr)		Ammonia to air (kg-N/yr)		Ammonium to water (kg-N/yr)		Total nitrogen to water (kg-N/yr)		Total phosphorus to water (kg-P/yr)	
Reporting threshold	10,000		10,000 ¹		10,000 ¹		15,000		3,000	
Period	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Drouin WWTP	-	-	10,775	10,121	104	35	-	-	-	-
Moe WWTP	-	-	745	601	876	1,324	-	-	-	-
Morwell WWTP	-	-	1,868	1,834	377	218	-	-	-	-
Warragul WWTP	-	-	4,259	3,639	338	180	-	-	-	-
Dutson Downs	288,453	205,604	58,418	45,761	56,841	64,106	123,129	101,546	30,270	24,001

¹As ammonia is a volatile substance, reporting is required if influent loads are greater than 10,000 kg-N/yr.

Chemical loads to the environment generally increased in 2007-08, reflecting an increase in volume of wastewater received compared to 2006-07. Whilst the loss of sulphide and ammonia to air at Dutson Downs increased from the previous reporting year, this is the preferred fate for each of these chemicals, and reflects effective wastewater treatment at this site.

CUSTOMER COMMITTEES

Gippsland Water has four permanent community based consultative committees comprising a range of community and industry representatives.

These are the Environment and Customer Consultative Committee, Dutson Downs Advisory Committee, Coastal Advisory Committee and Dutson Downs Biodiversity Technical Reference Committee.

The work of the committees is supported by a range of other community consultation initiatives used by Gippsland Water including focus groups, market research, and presentations to community groups.

The committees share similar charters: to provide the Gippsland Water Board with a range of customer viewpoints; facilitate communication between the corporation and the community; and give advice on policies and strategies from a community viewpoint.

Each committee is independently chaired by a member elected from within the committee. Each committee chairperson has appropriate communication channels to both the Board and management of Gippsland Water.

ENVIRONMENT AND CUSTOMER CONSULTATIVE COMMITTEE

The Environment and Customer Consultative Committee provides a representative consultative forum for liaison with our customers. It assists with the development of policies and strategies to address specific issues and provides advice to Gippsland Water about community concerns, expectations and needs on environmental issues related to Gippsland Water's operations.

The committee met four times throughout the year and focused on items including the review of Gippsland Water's 2008-2013 Water Plan, Gippsland Water's environmental footprint, water quality, water resources and water restrictions.

As at 30 June 2008, the Environment and Customer Consultative Committee comprised:

Des Sinnott (Chairperson) – Boisdale
Don Blackley – Drouin
Malcolm Boyce – Drouin
Jane Gurling – Nambrok
Peter Smolenaars – Sale
Simon Vanderzalm – Warragul
Peter Kostos – Warragul
Tom Wallace – Kilmany
Henry O'Clery – Inverloch

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DUTSON DOWNS ADVISORY COMMITTEE

The Dutson Downs Advisory Committee was established to respond to community concerns about the facility by providing an opportunity for community advice. The committee participated in the development of an Environment Improvement Plan for Dutson Downs and assists with monitoring the performance of the facility against the performance criteria developed in the statutory planning process.

The committee met four times throughout the reporting year and focused on items including the construction of the Soil and Organic Recycling Facility, groundwater studies at the Dutson Downs site, the new prescribed waste licence from the Environment Protection Authority and the Dutson Downs environment improvement plan for Dutson Downs.

As at 30 June 2008, the Dutson Downs Advisory Committee comprised:

Cr Peter Garlick (Chairperson) – Wellington Shire Council
Steven Dickson – Wellington Shire Council
Mark Duthie – Esso BHP Billiton
Wally Evans – Watermark Inc
John Hirt – Sale Field and Game Association
Neville Hirth – Rosedale Leather
Dieter Melzer – Environment Protection Authority
Cr Darren McCubbin – Wellington Shire Council
Dr Jo McCubbin – Wellington Residents Against Toxic Hazards
John Steel – Loch Sport

COASTAL ADVISORY COMMITTEE

The Coastal Advisory Committee provides a forum for Gippsland Water to consult with the community on environmental issues related to the operation of both the McGaurans Beach and Delray Beach ocean outfalls and associated treatment and transfer systems.

The committee met four times throughout the year and focused on issues such as trends in the monitoring results for the two outfalls, development of the Seaspray sewerage reticulation system and the Gippsland Water Factory, investigation of the Saline Wastewater Outfall Pipeline leak at Giffard and odour control within the Regional Outfall Sewer.

As at 30 June 2008, the Coastal Advisory Committee comprised:

Neil Terrill (Chairperson) – Churchill
Cr Peter Garlick (Deputy Chairperson) – Wellington Shire Council
Mark Duthie – Esso
Alan Eagle – Jeeralang Junction
Frank Johns – Golden Beach
Susan Lloyd – Environment Protection Authority
Peter Marwood – Traralgon
Natasha Vasey-Ellis – Gippsland Coastal Board
Russell Pentland – Loy Yang Power
Cr Bob Wenger – Wellington Shire Council

DUTSON DOWNS BIODIVERSITY TECHNICAL REFERENCE COMMITTEE

The Dutson Downs Biodiversity Technical Reference Committee provides a forum for Gippsland Water to consult with stakeholders to ensure that we utilise the best technical advice available and innovation to assist the establishment of adaptive biodiversity management frameworks at the Dutson Downs property.

The group assists with reviewing information pertaining to rare and threatened flora and fauna, and maintains a list of eminent experts and/or organisations specialising in their conservation. Through these connections, the committee seeks interest in establishing ongoing programs of research partnerships with appropriate academic institutions and to identify and explore external funding opportunities to assist in the implementation of management initiatives.

The committee met twice during the reporting period and provided advice on the findings of the fauna surveys undertaken in 2006-07. The committee has focused on management of the Wellington Mint-bush and the New Holland Mouse and also commented on the surveys undertaken to determine native vegetation offsets at the Delray Block at Dutson Downs. The committee provided guidance on the development of a biodiversity conservation plan for Dutson Downs and recommended the development of a conservation action plan in conjunction with Greening Australia, which will be completed in 2008-09.

As at 30 June 2008, the Dutson Downs Biodiversity Technical Reference Committee comprised:

Dr Denis Saunders (Chairperson) – CSIRO

John Topp – Sale Field Naturalists Club

Susan Taylor – Department of Sustainability and Environment

Don Ripper – Clydebank

Melissa Ainsworth – Parks Victoria

Matthew Bowler – West Gippsland Catchment
Management Authority

Michael Bannon – Gippsland Water

Rebecca Robie – Gippsland Water

ENVIRONMENTAL PROTECTION AND BIODIVERSITY CONSERVATION ACT 1999

No referral was made during the reporting period to the Commonwealth Department of the Environment and Heritage for consideration under the Commonwealth *Environmental Protection and Biodiversity Conservation Act 1999*.

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CATCHMENT MANAGEMENT ACTIVITIES

Gippsland Water participates in catchment management activities as part of the sustainable management of water resources identified in our strategic plan, and as required under the *Safe Drinking Water Act 2003*. The Act requires water corporations to prepare and implement risk management plans in a 'catchment to customer tap' perspective. The plans include actions to address hazards existing within catchments that could potentially impact drinking water supply.

Catchment management projects during the reporting period included:

- ongoing support for the Mountain Rivers Landcare Group;
- identifying potential risks to potable water quality in catchments;
- improving knowledge of the use of agricultural and veterinary chemicals in potable water catchments;
- monitoring the water quality impacts of blue green algae blooms;
- ongoing support for the Tarago Reservoir Catchment Management Plan (released in 2003 and facilitated by Melbourne Water), with involvement in a project to review and report on the condition of domestic wastewater systems within the catchment;
- preparation of a cost benefit analysis of catchment improvement activities in the Narracan Creek catchment to assist in the prioritisation of management options listed in the Narracan Creek Catchment Plan (prepared 2007);
- involvement in the Strzelecki Multiple Outcomes Project facilitated by the West Gippsland Catchment Management Authority; and
- monitoring the impact on water quality of Macalister River catchment areas affected by fire and flood.

VICTORIAN BIODIVERSITY STRATEGY

The Victorian Biodiversity Strategy was adopted in 1997 to prevent or reduce the loss of biodiversity across the state, and to correct past errors in management practices when the opportunity arises.

The following activities were undertaken during this reporting period:

Protection of flora and fauna

Gippsland Water worked with the Department of Sustainability and Environment and local government to ensure activities were managed in accordance with the (Victorian Native Vegetation Framework, *Flora and Fauna Guarantee Act 1988*) and other relevant policies and regulations. Gippsland Water aims to avoid disturbing flora and fauna where possible. Where disturbance is unavoidable, agreements are reached to establish and maintain biodiversity offsets of similar ecosystems locally.

Management activities for the Wellington Mint-bush (*Prostanthera galbraithiae*)

The Wellington Mint-bush is a threatened species that is listed as a vulnerable species under the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999*. There are two known populations of Wellington Mint-bush at Dutson Downs that Gippsland Water protects. Activities undertaken in this reporting period include fencing one population, ongoing surveys of population health and determining ecological burning requirements to aid regeneration.

Management activities for the New Holland Mouse (*Pseudomys novaehollandiae*)

The New Holland Mouse is listed as threatened under the *Flora and Fauna Guarantee Act 1988*. There are two known populations of New Holland Mouse located at Dutson Downs. Activities undertaken to protect the mouse during this reporting period include planning to determine ecological burning requirements to support and improve populations.



PART 2

RESOURCE SUSTAINABILITY



Flora surveys

Flora surveys were conducted at Dutson Downs to determine the quality and extent of vegetation classes present. The surveys included aerial photography of the site and ground-truthing of the vegetation. This has enabled extensive vegetation mapping throughout the site and an improved understanding of the environmental vegetation classes.

The flora surveys also included surveys for threatened orchids. This was undertaken in conjunction with the Bairnsdale District and Latrobe field naturalists clubs. From these surveys a new threatened species, Dwarf Kerrawang (*Rulingia prostrata*), was identified.

Flora and fauna surveys were conducted at Dutson Downs, Sunny Creek (Trafalgar), Drouin Nature Reserve, Bowmans Basin (Maffra), Rawson Water Treatment Plant and Moe Wastewater Treatment Plant to determine the potential opportunities for these sites to be nominated for future environmental offsets.

The information obtained from the flora and fauna surveys will be used to develop conservation action plans in 2008-09, in conjunction with Greening Australia. These plans will provide the framework for managing biodiversity on Gippsland Water sites.

Wetland surveys

Of the 41 wetlands identified by the Department of Sustainability and Environment at Dutson Downs, 35 were surveyed by Gippsland Water. The wetlands that were excluded were difficult to access due to undisturbed native vegetation. The objective of the survey was to determine the status of the wetland and identify any potential threats to the health of the wetlands.

During the survey period all of the wetlands surveyed were dry. A wetland management plan has been developed which included recommendations to undertake further surveys during wet periods to determine water quality and provide further information on the health of the wetlands.

Pest plants and animal control

Gippsland Water undertakes an active eradication program for removal and control of pest plants and animals on its land.

At Dutson Downs, 60 hectares of Spiny Rush (*Juncus acutus*) was mechanically removed. A regular eradication program exists for rabbits and foxes.

Regular application of herbicide was also applied to noxious weeds present on sites managed by Gippsland Water's Agribusiness team. These weeds include blackberry, ragwort, serrated tussock, and scotch thistle.

West Gippsland Threatened Flora Network

Gippsland Water maintained its membership of the West Gippsland Threatened Flora Network, which assisted in coordinating biodiversity management activities. Gippsland Water now reports on two of its threatened flora species to the network: the Wellington Mint-bush and the Dwarf Kerrawang.

Dutson Downs Integrated Development of Environmental Actions and Strategies

The Dutson Downs Integrated Development of Environmental Actions and Strategies (DD IDEAS), established during 2007-08, provides a framework within which Gippsland Water's vision of best practice waste treatment and resource recovery technologies, whilst improving biodiversity values within the diverse landscape of Dutson Downs can be implemented. These activities are managed to ensure the principles of habitat protection and restoration are adopted and land rehabilitation and sustainable agriculture is undertaken.

A key objective of DD IDEAS is the enhancement of local biodiversity and for Gippsland Water to provide best practice in natural resource management. Many of the proposed activities include an objective to protect and enhance biodiversity onsite.

VICTORIAN RIVER HEALTH STRATEGY

Gippsland Water was an active stakeholder in the development of the West Gippsland River Health Strategy 2005. One item for Gippsland Water to action was the provision of a wastewater management system for Seaspray. The works on this system were completed in 2007 and the Seaspray Wastewater Treatment Plant is now operational.

Gippsland Water also sponsors the activities of Waterwatch, with \$20,000 provided to the community volunteer group this reporting period.

CASE STUDY: SOIL AND ORGANIC RECYCLING FACILITY

Construction of the Soil and Organic Recycling Facility (SORF) was recently completed. The project path and development addressed two drivers:

1. In 2004 the Victorian Government sought applications to develop a soil recycling facility to treat soils on the premise that recycling soils could reduce the amount placed in landfills.
2. At the same time, the Environment Protection Authority advised Gippsland Water that its Bioremediation Pond at Dutson Downs was not a sustainable technology and an alternative treatment process was needed. (This pond treated a range of liquid wastes). A Works Approval was issued in November 2005 to construct the SORF and construction commenced in October 2006.

The SORF includes a composting facility that provides a commercially and environmentally sustainable solution to the management of solid and liquid organic wastes and hydrocarbon contaminated soil, servicing the Gippsland region and wider Victorian community. The facility consists of best practice composting technologies including composting vessels, waste and liquid waste delivery areas, a maturation pad and environmental controls for air and water management.

The key to the SORF is its in-vessel composting units. These units are enclosed and kept under negative pressure during the composting process. This provides a fully integrated and controlled aerobic (oxygen-rich) environment for microbes to action the organic matter. The system maintains air and moisture at optimum levels which increases the rate of microbiological activity enabling improved and consistent composting process.

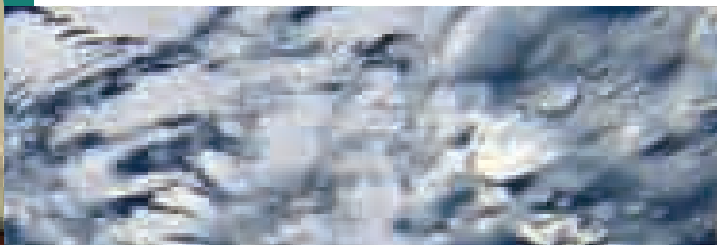
The SORF also provides an integrated liquid processing area for the delivery of liquid wastes. This provides a three-phase separation process; the removal of solids for composting in the vessels; removal of tallow and oil for recycling, and water removal for treatment in the nearby wastewater treatment lagoons.

The SORF has been specifically designed to ensure the best available technologies are used with a focus on minimising the potential for negative impacts on the environment. This is supported by the environment management system recently accredited to ISO:14001 standards.



PART 3

CUSTOMERS, STAKEHOLDERS AND COMMUNITY



Customers, Stakeholders and Community:

Gippsland Water's 'whole of business' approach to customer relations reflects the changing needs and expectations of our customers and stakeholders. We recognise the need to strengthen our engagement with the community so that together we can find new solutions to the region's challenges.

OUR COMMUNITY

Gippsland Water strives to understand the diverse needs of our multi-cultural community, providing support and relationship management to the socio-economic nature of the region.

It encourages open communication to understand the needs and expectations of our customers. Information is distributed using a variety of media to build stronger relations across the community including a free of charge, interpreter service available for our non-English speaking and a service for hearing impaired customers.

CUSTOMER CHARTER

Gippsland Water's Customer Charter reflects specific commitments made to its customers and outlines associated services and standards that will be maintained. The charter is available at www.gippswater.com.au or a copy can be provided upon request by telephoning 1800 066 401.

SOCIAL AND ECONOMIC MANAGEMENT

Gippsland Water appreciates it serves a complex socio-economic community and strives to provide support and understanding for its customers who may experience financial hardship.

A wide range of social and financial services such as the water and sewerage concession, Utility Relief Grant Scheme and not for profit organisation rebates are offered through partnerships with government organisations.

Gippsland Water's Hardship Policy is based on Victorian water industry guidelines to maintain a high level of assistance with respect to customers who experience financial difficulties. As a crucial aspect of our customer service, this policy continues to evolve with the current economic climate.

CUSTOMER RELATIONSHIP MANAGEMENT

Gippsland Water strives to provide the highest level of customer service that not only meets but exceeds customer expectations. A continual improvement process is driven by feedback obtained through externally conducted residential and major customer satisfaction surveys.

A residential customer satisfaction survey is conducted every 18 months by an external market research contractor for Gippsland Water. The respondents are asked a series of questions on their satisfaction levels with water quality, wastewater services, interruptions, environmental management and billing and customer service. The average overall level of satisfaction from Gippsland Water's residential customers was 8.2 (out a maximum of 10), remaining consistent with the previous survey.

A customer satisfaction survey is also conducted for major customers every 18 months by an external market research contractor. A total of 13 of Gippsland Water's major customers were interviewed during 2007-08 on various aspects of their interaction with Gippsland Water including security of supply, operational, technical and administrative services, and value for money. The average overall level of satisfaction was 8.2 (out of a maximum of 10), an improvement on the 8.1 rating recorded in the previous survey. Similar to the previous survey, all except four customer ratings had either improved or remained consistent.

The information gathered helps identify and drive continual improvement across the organisation.

The results of each survey are summarised in the graphs to the right.

The Gippsland Water Customer Service Centre provides integrated support to the management and co-ordination essential to office and field activities. This centre continues to improve emergency and fault response times.

Operational issues are actively communicated to provide up-to-date information and customer service education and training across the organisation.

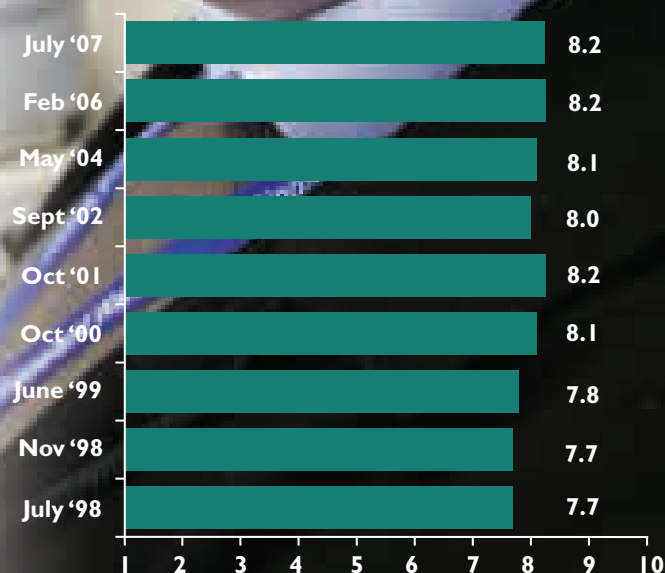
Over the past 12 months the Customer Service team has also promoted:

- proactive consultation in relation to 2008-2013 Water Plan;
- understanding of forthcoming tariff increases; and
- assisting customers with a variety of bill payment options.

In addition, website www.gippswater.com.au provides customers with access to a range of information and services, including bill payment and account history. Customers may register to pay their account online and view their account history. Resources relevant to students, developers, plumbers, commercial trade waste customers, major customers and residential customers is also available on the website.



Satisfaction with the way Gippsland Water meets residential customers' needs analysed by year



Satisfaction with the way Gippsland Water meets major customers' needs analysed by year



PART 3

CUSTOMERS, STAKEHOLDERS AND COMMUNITY



COMMUNITY SERVICE OBLIGATIONS

Gippsland Water commits to providing the highest possible level of service to not only meet the needs of our customers but exceed their expectations.

A number of the services actively promoted to the community and payments made are summarised below:

	2007-08	2006-07	2005-06
Concessions to pensioners	\$2,702,885	\$2,711,700	\$2,422,200
Rebates paid to non-profit organisations ¹	\$162,600	\$221,600	\$238,000
Utility Relief Grant Scheme	\$12,635	\$12,600	\$6,400
WaterSmart	\$102,080	\$55,100	\$42,700
Water concession on life support machines - Haemodialysis	\$1,176	\$1,000	\$1,000
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	\$0	\$0	\$0
Total	\$2,981,376	\$3,002,000	\$2,710,300

¹Gippsland Water, in conjunction with the State Revenue Office reviewed the methodology in applying rebates to not for profit organisations to ensure consistency across the region, which has resulted in a decrease in the number of applications processed during 2007-08.

COMMUNITY SPONSORSHIP

Gippsland Water provides support for events, activities, and organisations such as schools and community groups through merchandise, financial, and in-kind donations in line with its sponsorship policy.

Annual sponsorship is provided to the West Gippsland Catchment Management Authority's Waterwatch program, and I-GAIN for the Gippsland Community Leadership Program.

Other sponsorships Gippsland Water provided in 2007-08 included:

- Gippsland Business Awards
- Gippsland Sustainability Festival
- Sale Elderly Citizens Village
- Marlay Point Overnight Yacht Race
- Loch Sport Boat Club Inc.
- Baw Baw Festival of Gardens
- Great Victorian Camp Oven Festival
- Gateway to Gippsland Rally
- Mirboo North and District Christmas Treat
- Anglicare Gippsland

Gippsland Water's mobile water fountain is also provided to local events upon request as part of its sponsorship program. The mobile water fountain is loaned free of charge and is equivalent to Gippsland Water providing \$350 in sponsorship.

The Gippsland Water mobile water fountain has been featured at a number of events through 2007-08 including:

- Go For Your Life
- Relay For Life
- Drouin Ficafoia Festival
- Boolarra Folk Festival
- Neerim South Music Festival
- Great Victorian Bike Ride
- Rugby Union Victoria Gala Day

COMMUNITY EDUCATION

Gippsland Water staff conduct school visits, presentations and site tours of its water and wastewater treatment plants, water storages, and the Soil and Organic Recycling Facility as part of its community education program. Gippsland Water also undertook a number of community consultation sessions for the proposed changes in tariffs across the region.

Throughout the year, Gippsland Water provided presentations to members of the Moe View Club, Moe Probus Club, and Wurruk Community House.

The Gippsland Water Factory (GWF) Alliance communications team's aim is to raise awareness and understanding of this Australian-first project. During the reporting year staff undertook approximately 45 presentations to community and business groups.

Some of these groups included the Probus Club of Traralgon, Drouin Rotary Club, Moe Historical Society, and the Maffra Rotary Club.

The GWF Alliance also has promotional displays during the school holidays at the Gippsland Centre Sale, Stockland Traralgon and Midvalley Morwell shopping centres to publicise the new facility.

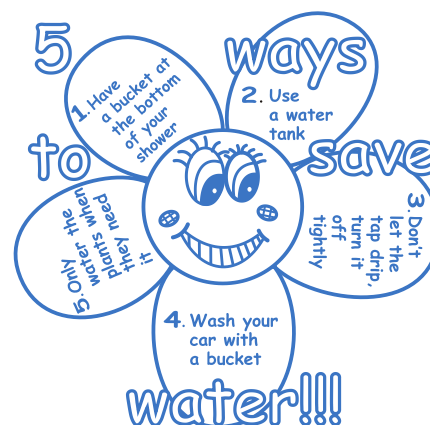
Gippsland Water and the GWF Alliance communications staff have developed a comprehensive school education program in partnership with other regional water corporations, providing lessons and activities to primary schools that comply with the Victorian Essential Learning Standards. The focus of the education program is to raise awareness of Gippsland Water's services, and provide information on water conservation, catchments, the water cycle, waste minimisation, and the GWF project.

Gippsland Water provided a number of presentations to schools in 2007-08 including Seaspray Primary, Stratford Primary, St Joseph's Primary Trafalgar, Drouin South Primary, Baringa Specialist School, and St Gabriel's Primary Traralgon.

Gippsland Water and the GWF Alliance also developed a school newsletter, Water Wonders, which is distributed to all primary schools across the Gippsland Water service area each term.

To celebrate National Water Week Gippsland Water held open days at the Traralgon Water Treatment Plant. More than 50 students from Lumen Christi Primary School, Churchill, and Kurnai College, Morwell, took part in a round robin of activities, which included a site tour of the treatment plant. The public were also invited to attend a community open day which included an information stand on the GWF, a free barbeque, fairy floss, face painting, jumping castle, and show bags for the children. Gippsland Water also conducted a drink bottle competition inviting primary school students to design an image for Gippsland Water's drink bottles for National Water Week. The drink bottles are used as merchandise to provide to schools, community groups, and other organisations as part of Gippsland Water's sponsorship program.

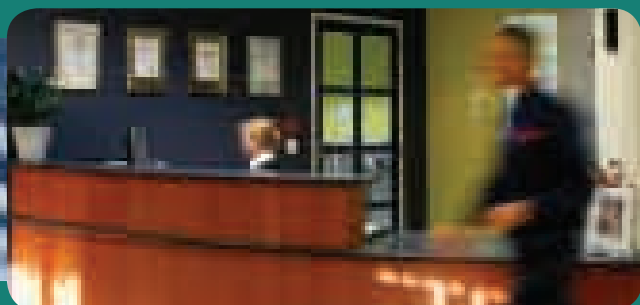
Grade six Churchill North Primary School student Darcie Jongerius was announced as the winner of the competition.



Darcie Jongerius' winning design.

PART 3

CUSTOMERS, STAKEHOLDERS AND COMMUNITY



Annual water consumption and number of assessments

Supply System	Residential		Non-Residential		Major Industry	Non-revenue	Total supplied	4 Year Average Annual Demand	Consumption Variation
	Billed connections ⁵	Billed volume (MI)	Billed connections	Billed volume (MI)	Billed volume ⁶ (MI)	(MI)	(MI)	(MI)	
Boolarra	313	40.6	27	2.5	0	42.1	85.3	70.7	21%
Briagolong	340	54.4	21	5.4	0	2.1	61.9	79.7	-22%
Coongulla - Glenmaggie	479	31.5	9	5.1	0	10	46.6	55.4	-16%
Erica Rawson	302	41.4	41	18.7	0	50.6	110.6	106.7	4%
Heyfield	854	169.8	111	79.1	0	19.2	268.1	272.5	-2%
Maffra - Stratford ¹	2,863	551.2	306	95	362.7	178.1	1,186.9	1,439.1	-18%
Mirboo North	712	112.4	82	33.1	0	10.8	156.2	174.1	-10%
Moe - Newborough ²	10,364	1,687.8	832	258.1	1,474.6	452.8	3,873.3	4,166.9	-7%
Moondarra ³	23,284	4,539.9	2,277	935.3	40,841.5	2,687.2	49,004	51,418.9	-5%
Neerim South - Noojee	649	133.6	65	30.9	0	42.7	207.2	222	-7%
Sale Wurruk	6,428	1,168.9	782	338	213.7	251.1	1,971.7	2,051.3	-4%
Seaspray	345	20.6	11	3.4	0	23.3	47.3	45.3	4%
Thorpdale	77	9.9	19	2.2	0	5.2	17.3	21.9	-21%
Warragul - Drouin ⁴	10,034	1,639.6	1,102	416	464.5	483.1	3,003.1	3,041.7	-1%
Willow Grove	143	37.4	10	1	0	12.4	50.8	53.9	-6%
Total	57,187	10,239.0	5,695	2,223.7	43,357.0	4,270.6	60,090.3	63,219.9	-5%

¹Includes Boisdale.

²Supplies Moe, Newborough, Trafalgar, Yarragon, Yallourn and Yallourn North.

³Supplies Churchill, Cowwarr, Glengarry, Hazelwood North, Morwell, Rosedale, Toongabbie, Traralgon, Traralgon South, Tyers and Yinnar.

⁴Supplies Buln Buln, Darnum, Drouin, Nilma, Rokeby and Warragul.

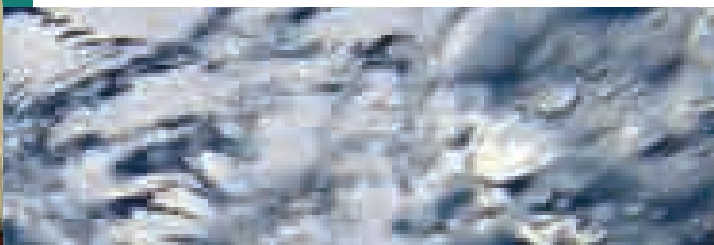
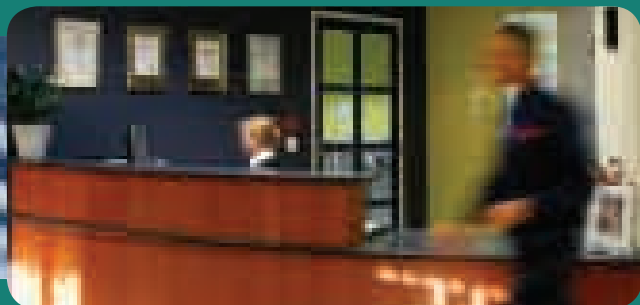
⁵Number of assessments include connected and non connected residential customers.

⁶Includes untreated water supplied to major customers from the Moondarra system.



PART 3

CUSTOMERS, STAKEHOLDERS AND COMMUNITY



PERMANENT WATER SAVING RULES

Gippsland Water's Permanent Water Saving Plan (PWSP) promotes water conservation and encourages customers to adopt permanent water saving habits. The plan was developed with the help of key stakeholders and incorporated feedback from community information sessions. As part of the plan, Permanent Water Saving Rules were introduced across Gippsland Water's service area in 2005 affecting both residential and commercial water users.

Permanent Water Saving Rules cover a number of areas including the construction industry, residential and commercial gardening, water fountains, vehicle cleaning, swimming pools and spas, cleaning of paved areas, and water cartage.

The key rules include:

Gardens and lawns

- Automatic and manual watering systems can only be used between 8pm and 10am daily.
- All hand-held hoses must be fitted with a trigger nozzle. Watering with a hand-held hose can occur at any time.

Paved areas

- The use of water to hose down paved areas or hard surfaces such as courtyards, decks, footpaths or driveways is not permitted (unless for health or safety reasons).

Pools and spas

- To fill a new or existing pool or spa with a capacity of 2,000 litres or more needs approval from Gippsland Water.

Other areas addressed in the PWSP include the installation of recirculating water fountains, use of high pressure trigger nozzle hoses to clean vehicles, and the operation of watering systems for sporting grounds.

Gippsland Water conducted a water conservation campaign on Permanent Water Saving Rules throughout the summer period (December 2007 – March 2008), integrating numerous advertisements within the local media, including:

- display advertisements of the new-look Permanent Water Saving Rules – *Reduce your use!* campaign were placed in all major local newspapers over a four-week period;
- key messages were broadcast on local commercial radio 3TRFM and GOLD1242 every day throughout the summer months;
- a community announcement was broadcast on the Southern Cross television network's community switchboard inviting customers to contact Gippsland Water for a free Permanent Water Saving Rules fridge magnet; and
- a 15-second advertisement was also produced and aired on the WIN television network throughout March.

Promotion and further information regarding the PWSP and Permanent Water Saving Rules has been made available on www.gippswater.com.au through customer mail outs, and from the Gippsland Water Service Centre on 1800 066 401.

DRINKING WATER QUALITY COMPLIANCE

Gippsland Water's Drinking Water Quality Compliance Monitoring Program was established to meet the requirements of the Victorian Government's *Safe Drinking Water Act 2003* and the *Safe Drinking Water Regulations 2005*. The water quality parameters monitored and the frequency of sampling are listed below:

Microbiological

- E. coli (weekly)

Physico-chemical

- Turbidity (weekly)
- Aluminium (monthly)

Disinfection by-products

- Trihalomethanes (THMs) (monthly)
- Chloroacetic Acid (monthly)
- Dichloroacetic Acid (monthly)
- Trichloroacetic Acid (monthly)

Full details of drinking water quality for each reticulation system is available in the *Safe Drinking Water Act Annual Report* which is submitted to the Department of Human Services by the end of October each year and can be viewed at www.gippswater.com.au.

Percentage of drinking water samples compliant with Safe Drinking Water Regulations

	2007 –2008	2006 –2007
E. coli (<1 E. coli in 98% of samples taken)	100%	100%
Turbidity (95% upper confidence limit of the mean 5 NTU)	100%	100%
Aluminium (≤ 0.2 mg/L)	99.29% ^{1, 2, 3}	100%
Trihalomethanes (≤ 250 µg/L)	99.29% ⁴	99.82% ⁵
Chloroacetic Acid (≤ 150 µg/L)	100%	100%
Dichloroacetic Acid (≤ 100 µg/L)	100% ⁵	100%
Trichloroacetic Acid (≤ 100 µg/L)	100%	100%

¹Erica – One sample of elevated aluminium (acid soluble) concentration was recorded in Erica during August 2007. Gippsland Water investigated the exceedance and could not identify a cause. Follow up monitoring samples met the aluminium concentration standard.

²Traralgon - One sample of elevated aluminium (acid soluble) level was recorded in Traralgon during January 2008, due to the water treatment plant experiencing a malfunction caused by a faulty power supply on the chemical dosing system.

³Rawson – One sample of elevated aluminium (acid soluble) was recorded in Rawson during May 2008. Gippsland Water investigated the exceedance and could not identify a cause. Follow up monitoring samples met the aluminium concentration standard.

⁴Seaspray – Three samples of elevated Trihalomethanes (THMs) were recorded from March to May 2008 in Seaspray. Changes experienced in raw water quality and increased chlorine disinfection levels as a result of decreased raw water quality at the water treatment site resulted in the formation of high levels of THMs. Appropriate corrective action has been taken to mitigate against this undesirable treatment risk.

⁵Rawson - One incident of elevated THMs was recorded during October 2006. Investigations indicate chlorine dosing concentrations were at expected levels, but higher than normal levels of organic material were experienced, resulting in higher THM levels. The commissioning of the Rawson Water Treatment Plant has significantly reduced the organic load currently experienced in the reticulation water supply and also reduced the chlorine demand and potential for high concentrations of disinfection by-products.

PART 3

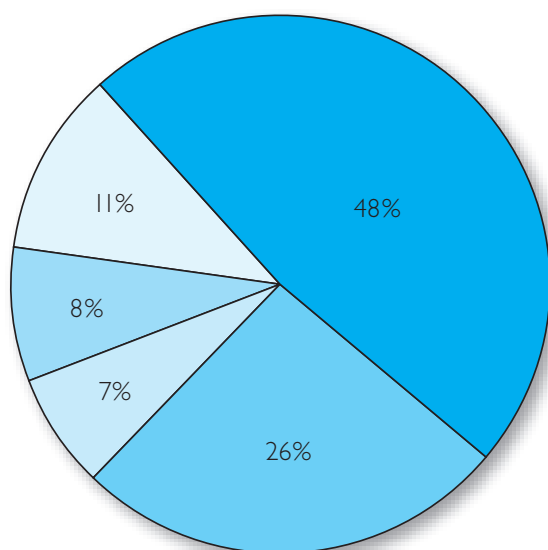
CUSTOMERS, STAKEHOLDERS AND COMMUNITY



WASTE DELIVERIES TO THE SOIL AND ORGANIC RECYCLING FACILITY (SORF)

Of the total prescribed waste accepted at the SORF located at Dutson Downs, 57% was generated in the Gippsland region.

Below shows the waste type the SORF received in the 2007-08 year.



- Prescribed liquid wastes 48% ¹
- Non prescribed liquid wastes 26% ²
- Prescribed solid wastes 8% ³
- Non prescribed solid wastes 7% ⁴
- Solid & liquid waste from Gippsland Water's activities 11% ⁵

¹Prescribed liquid waste is organic wastes consisting of food and vegetable effluents and some oil residue waters.

²Non prescribed liquid waste is predominantly septic tank waste.

³Prescribed solid waste consists of contaminated soils and asbestos.

⁴Non prescribed solids waste is drill mud and green waste.

⁵Gippsland Water wastes include biosolids and sludges from water and waste treatment.



CASE STUDY: SEASPRAY SEWERAGE SCHEME

The Seaspray Sewerage Scheme completed in March 2008 provides more than 330 properties in this popular coastal holiday township with important sewerage services. The scheme was delivered by Gippsland Water as part of the Victorian Government's New Town Water and Sewerage Scheme Program, and features a wastewater treatment plant and a transfer system that links each household within the declared sewerage district to the overall scheme.

About the scheme

The Seaspray Sewerage Scheme project is comprised of two main components, a pressure transfer system and the wastewater treatment plant. The transfer system links each household to the overall system by use of a small collection tank (slightly smaller than a standard septic tank), which is located on each property. This collection tank transfers the sewage (using a pumping unit) into a reticulation system that conveys the sewerage to the Seaspray Wastewater Treatment Plant.

The Seaspray Wastewater Treatment Plant treats an average of up to 50 kilolitres of wastewater daily throughout the year, and up to 670 kilolitres daily in peak holiday periods. The plant consists of a series of lagoons which treat the wastewater to an acceptable environmental standard to be reused for pasture irrigation.

The town's sewage had previously been managed using septic tank systems, which caused drainage problems, adverse public health issues and impacted on natural water ways and aquifers.

The Victorian Government contributed \$2.5 million to assist with the delivery of this project.

Environmental benefits

The pressure sewerage system was installed with minimal disruption to groundwater sources and the local environment. It also has positive impacts on the environment by eliminating septic tank effluent discharge and minimising the risk of potential sewage contamination of the highly charged groundwater aquifers in the area.



CASE STUDY:

YINNAR SEWER RISING MAIN EMERGENCY RECONSTRUCTION — SWITCHBACK ROAD, CHURCHILL

In early December 2007, Gippsland Water staff and its sewer maintenance contractor were undertaking sewer cleaning works in Switchback Road, Churchill. The work was in preparation for a condition assessment conducted via closed circuit television of the 300mm AC gravity sewer main that intersects with the discharge of the Yinnar sewer rising main.

During the cleaning phase, the sewer cutter hit a collapsed section of main and was deflected away from the pipe alignment only to lodge between the sewer pipe and the road base.

Flows from the Yinnar and Boolarra sewer systems were as a consequence required to be managed at the Yinnar Sewer Pump Station by Transfield Services, with education trucks carrying the backlog of sewage to the Churchill grit chamber. Emergency field option assessments, including reviewing the Yinnar rising main's hydraulics and design drawings, showed that the only solution to reinstate sewer services was to extend the rising main from its blocked discharge point to a downstream maintenance manhole located some 70 metres away.

The task of installing the pipe was split into two, with Gippsland Water Field Operations multi-skilled operators to conduct the installation of 60 metres of rising main on private property, and a local pipelaying contractor constructing the road crossing section. Gippsland Water staff and contractors acted immediately with the 150mm PVC extension installation works starting at 4:30pm.

Adverse weather conditions did not assist but crews pushed through to have the 70 metres of rising main installed by 9:30pm the same day. Although installed in an emergency situation, the works removed the need to recondition the damaged gravity section and is now a permanent asset solution.

The return to service of this asset, having managed the sewer flow from Boolarra and Yinnar through a peak flow period, was another successful emergency response during the 2007-08 financial year by the Field Operations team.



PART 4

GOVERNANCE



Governance:

The Board and our staff are committed to ensuring/achieving a robust corporate governance regime to enable Gippsland Water to satisfy the requirements of all applicable legislation.



Gippsland Water's Board of Directors (back) Leah Young (Deputy Chairperson), Brendan Jenkins, Janice van Reyk, (front) Peter Wilson, Richard McDowell (Chairperson), and Alan Seale.

PROFILE OF THE BOARD

In accordance with Section 95 of the *Water Act 1989*, each water corporation is required to have a Board of Directors consisting of not less than two and not more than eight Directors and the Managing Director of the water corporation. The composition of the Board requires that the members have an appropriate mix of expertise, experience and a range of perspectives with consideration given to gender balance and cultural diversity. Board members are appointed by the Minister for Water for a period of up to four years, and are responsible for the strategic planning of the corporation.

Richard McDowell (Chairperson)

DBus. (Accounting), FCA, FTIA, Reg. Tax Agent and Reg. Company Auditor

For the past 31 years Richard McDowell has been a Director of Duesbury's Gippsland Accountants and also holds directorships and is involved with financial management in a number of private companies.

Richard has over 12 years' experience in the water industry through his previous role as Deputy Chair of East Gippsland Region Water Corporation and his membership of the audit committees of both East Gippsland Water and Gippsland Water. He has also been involved with local government, hospitals, and the Gippsland Ports Authority.

Richard lives in Maffra, has two adult daughters and is an active member of many Gippsland community groups.

Richard was appointed as Chairman of the Board in October 2007.

Leah Young (Deputy Chairperson)

BBus, GradDipBus, FAICD, AIMM

Business management and strategic planning are Leah Young's key areas of contribution to the Board. Leah has held the position of Business Manager at St Paul's Anglican Grammar School since 1996. Prior to her position at St Paul's she had over 12 years' experience in local government, holding senior positions in key areas such as financial and corporate planning, capital works development, administration and human resource management. Leah is a keen traveller and mother of two young children. Leah is currently Director of the Westernport Region Water Corporation and has lived in Gippsland all of her life.

Leah was appointed as a member of the Board in October 2000 and reappointed consecutively in October 2003 and 2006.

Peter Wilson

BAM, BCom (Hons), MA, FCPA, FAICD, FAHRI

Peter Wilson is the National President and Chairman of the Australian Human Resources Institute.

Peter was previously the Executive General Manager of Human Resources and Operating Risk Management with AMCOR, a position he held for seven years. Before this role, Peter was a member of the ANZ Banking Group Executive for 10 years, reporting to CEO Don Mercer in a number of portfolio areas. He was also CEO and MD of the Energy 21 Group for two years, before it was acquired by Origin Energy. Peter has held senior positions with the Commonwealth and Victorian public services, including Director General of the Department of Industry, Technology and Resources.

In 2003, Peter became a Member of the Order of Australia (AM) for services to workplace safety and community service.

Peter is also a member of the Board of Yarra Valley Water Limited, and was the Deputy Chairman of the Inquiry into the Rural Rail System within Victoria.

Peter was appointed as a member of the Board in October 2006.

Alan Seale

Eng (Chem), FIEA, MAICD

Alan Seale brings to the Board skills in manufacturing, technology, environment, health and safety management. He worked in the chemical industry for 38 years, 13 of those in general management. Alan worked for several years in the United States and Hong Kong. Since leaving the chemical industry, Alan has been a consultant to the CSIRO, Environment Protection Authority Victoria and several universities and chemical companies. He was an Honorary Professor at Monash University for six years, teaching in the Department of Chemical Engineering at Clayton.

Alan is currently Chairman of City West Water Limited and a director of both the Australian Sustainable Industries Research Centre Pty Ltd and has his own consultancy business.

Alan was appointed as a member of the Board in October 2003 and reappointed in October 2006.

Brendan Jenkins

Brendan Jenkins has been a committed contributor to the Gippsland community for many years and brings a wealth of knowledge about local issues and local people to the Gippsland Water Board.

Brendan is the immediate past Member for the State Seat of Morwell District in the Legislative Assembly of the Parliament of Victoria. He served in this seat for four years representing the rights and interests of local people in the Latrobe Valley.

Brendan commenced his career with the State Electricity Commission of Victoria (SECV) and worked as a treatment plant operator from 1981 until 1985. He then took on the role of Secretary of the Gippsland Trades and Labour Council throughout the late 1980s and 1990s and later became a member and deputy chair of the inaugural Gippsland Water Board from 1990 until 1992.

He served as a councillor in the former City of Moe from 1994 until 1995, prior to the amalgamation of Victorian councils. Post amalgamation he served as a councillor on the City of Latrobe until 2002. Brendan was elected as the Mayor of the City of Latrobe three times between 1998 and 2002 and was instrumental in introducing major benefits for the City and its residents.

Brendan was a founding member of the Gippsland Community Leadership Program from 1995 until 1998 and worked with a number of Gippsland leaders to create the region's most prominent leadership program.

He has been Chair of the Gippsland Local Government Network, and a member of Gippsland Development Ltd., the Coal Corporation of Victoria, Latrobe Regional Hospital, and a number of other local and regional organisations.

Brendan was appointed as a member of the Board in October 2007.

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Janice van Reyk

M Comm, LLB (Hons), BA, MAICD

Janice van Reyk has broad based senior executive experience in industrial companies including BHP Billiton, CSR, Macquarie Bank, National Foods, and Orica.

She now works as a sustainability consultant and is completing a Master of Environment at the University of Melbourne.

Janice is a Leadership Victoria Fellow and her former directorships include Victorian Arts Centre Trust and Australian Pork Limited.

Janice was appointed as a member of the Board in October 2007.

Tony Flynn

Tony Flynn was raised in Gippsland and for many years has been an active member of the local community. Having spent 20 years in the manufacturing industry, Tony has extensive knowledge in the areas of human resource and financial management. The experience in working in this field has also enabled Tony to gain invaluable expertise in dealing with organisations confronted with significant change and business pressures.

He is President of the Moe Development Group and is committed to working with local youth through his long-term involvement with Scouts Victoria. He was previously is a member on the Mount Baw Baw Alpine Resort Board of Management and the Trafalgar Reserve Committee, and has also been involved in the Latrobe First campaign by acting as a local ambassador.

Tony was appointed as a member of the Board in October 2003, reappointed in October 2006 and resigned on 6 February 2008.

Keith Hamilton

MSc, DipEd

Keith Hamilton served as the state Member for Morwell for 14 years from 1988 until 2002, with the last three years of his term as Minister for Agriculture and Minister for Aboriginal Affairs. Keith spent 20 years as a senior lecturer in physics at the Gippsland Institute of Advanced Education, which later became Monash University Gippsland.

Keith is also a member of the Latrobe Regional Hospital Board and the hospital's Quality Committee. He is Chair of the Commonwealth Government's Chilean Needlegrass Taskforce and was recently appointed Chair of the Victorian Government's Walhalla Tourist Railway Committee of Management.

Keith was appointed as a member of the Board in October 2004 and served until 30 September 2007.

Richard Elkington (former Chairperson)

Eng (Mech)

Richard Elkington has worked for more than 30 years in the Latrobe Valley power generation industry. In this time he has held a number of senior operational management positions. His commitment to his community can be seen from his involvement in organisations such as the Mid-Gippsland Football League, the Latrobe Theatre Company and Gippsland community radio.

Richard is currently General Manager, Power and Environment with Loy Yang Power and is on the Executive Council of the Victorian Employers' Chamber of Commerce and Industry (VECCI). He is also on the Board of Powerworks; is a member of the Victorian Government Regional Development Advisory Committee; and represents Loy Yang Power and the Latrobe Valley power industry on a host of committees at state and national level.

Richard was appointed as Chairman of the Board on 1 October 2000, reappointed consecutively October 2003 and 2006 and resigned from the Board on 6 July 2007.

Pam Keating (acting Chairperson 7 July 2007 to 30 September 2007)

FAICD

Pam Keating has more than 20 years of experience in the waste management industry, particularly in the development and implementation of practical waste minimisation strategies for a broad range of industry sectors. Pam is passionately committed to social, economic and environmental decision making to ensure the ongoing success of an organisation, its people and the environment. She believes strongly in 'giving back' to industry and community.

Currently Pam is on the Keep Australia Beautiful Victoria Board, the Environment Victoria Board and the Metropolitan Waste Management Group Board. Pam is an executive member of the Waste Management Association of Australia (Victorian branch), and is the Australian representative for the International Solid Waste Association Healthcare Waste Working Group. Pam is joint Managing Director of Waste Audit and Consultancy Services, a well-respected waste and environment management consultancy, and Sustainable Learning Australasia, an innovative education and training company.

Pam was appointed as a member of the Board in October 2001, reappointed in October 2004 and served as a member until 30 September 2007.

DIRECTOR ATTENDANCES AT BOARD AND COMMITTEE MEETINGS

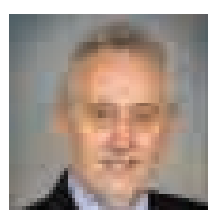
Director	Board Meetings Eligible	Attendance	SHE Committee Eligible	Attendance	Audit Committee Eligible	Attendance	Executive Remuneration Committee Eligible	Attendance
Richard McDowell	8	8	0	1	1	2	0	0
Leah Young	11	8	0	0	3	2	0	0
Peter Wilson	11	9	3	3	0	0	0	0
Alan Seale	11	10	3	3	0	0	0	0
Brendan Jenkins	8	6	2	2	2	2	0	0
Janice van Reyk	8	8	2	2	0	0	0	0
Tony Flynn	6	6	0	0	0	0	0	0
Keith Hamilton	3	3	1	1	0	0	0	0
Richard Elkington	3	2	0	0	0	0	0	0
Pam Keating	3	3	1	1	0	0	0	0
David Mawer	3	3	1	1	1	1	0	0
John Mitchell	6	6	1	1	2	1	0	0
David Evans (Acting MD)	2	2	0	0	1	1	0	0



David Mawer



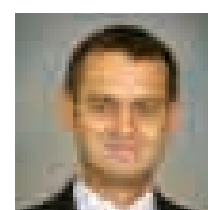
John Mitchell



David Evans



Peter Skeels



Tony Staley



Jim Somerville

PROFILE OF THE EXECUTIVE TEAM

Managing Director - David Mawer (April 2008)

Dip. M. MBA, MSM, MAICD

David has extensive national and international experience in senior management roles in electricity, gas and water utilities, in both the public and private sectors.

He is a metallurgist with a Master of Sustainable Management (MSM) (U.Syd) and a MBA (Henley). He was a director of the Gas Marketing Company of NSW for four years from 2002 and is a former Managing Director of Westernport Water. David is a member of the Australian Water Association and the Australian Institute of Company Directors (AICD).

Managing Director - John Mitchell (July 2007 - January 2008)

FLGMA, Member of AIM, IWA and AICD

John has a strong business/governance background in local government, water industry and resource management. Formerly CEO of large local government authorities for 26 years John was appointed as CEO of Gippsland Water in September 1997 and retired in January 2008.

John has extensive experience in dealing with large industries (oil/gas/power generation, and timber/paper sectors), small/medium enterprises, community groups, environmental and education organisations, and regulatory authorities. John has a strong track record in strategic planning, organisational development, and partnership development.

John is presently a Director of the Australian Sustainable Industry Research Centre, a Member of the Australian Company Directors (MACD), and Fellow Local Government Professionals Inc.

General Manager Planning and Development - David Evans

BSc, MBA, M. Technology, CPEng

David is responsible for the organisation's long-term asset planning, strategic asset management, Soil and Organic Recycling Facility and Agribusiness.

David has 35 years' experience in mining, manufacturing, water and wastewater sectors, holding senior engineering management roles both in Australia and abroad.

David has managed multi-million dollar projects and is experienced in the areas of design, construction, commissioning, operation and maintenance.

General Managing Customer and Corporate Services - Peter Skeels

BBus. (Acct. and Economics), FCPA

Peter is responsible for the management and leadership of the organisation's customer services, business development, statutory and legal obligations, organisational and human resources development, information management and information technology activities.

Peter has 28 years of experience in the utilities sector and has held a range of senior management roles in infrastructure and service based businesses. He has a strong history in the power generation industry, working in Australia and abroad in senior financial roles.

He has a solid background in strategic and business planning, financial and management accounting, contract management and high level reporting.

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General Manager Finance and Regulation - Tony Staley BBus (Acct.), FCPA

Tony is responsible for the organisation's strategic and business planning, economic regulation, long-term water resource planning, financial and management accounting, and environmental and water quality governance.

He has 28 years of experience in the finance industry working across a range of industries in the Gippsland region in the fields of financial management, strategic planning and management accounting.

Tony's core strengths are in accounting, economic regulation, business modeling and financial forecasting.

General Manager Operations - Jim Somerville BEng (Civil), CPEng

Jim is responsible for the organisation's water and wastewater treatment functions, bulk water storage and supply, bulk waste transport, potable water distribution, sewer reticulation, and security and emergency management.

He is an experienced civil engineer with senior executive experience in project and risk management, business and operations development. Jim also served as the Chief Executive Officer of the Mt Baw Baw Alpine Resort, managing its strategic planning, asset planning, project planning, project delivery, risk management and environmental management.

AUDIT COMMITTEE

Gippsland Water's Audit Committee plays a key role in assisting the Board to fulfill its corporate governance responsibilities and overseeing responsibilities in relation to financial reporting, internal controls, and risk management systems along with the internal and external audit functions.


The responsibilities and the scope of activities of the Audit Committee include:

- ensuring Gippsland Water's accounting policies and procedures are in accordance with its stated financial reporting framework;
- ensuring internal controls and risk management systems are appropriate;
- establishing and continuously monitoring a framework and processes for compliance with laws, regulations, standards, government guidelines and Gippsland Water's Code of Conduct;
- reviewing reports to external agencies requiring Board approval;
- reviewing third party transactions;
- reviewing management information systems;
- preventing, detecting and investigating fraud and irregularities; and
- considering the scope and quality of external audits.

Audit Committee members for 2007-08:

Victoria Mavros, Independent Chairperson (August 2007)
(In her final year as an independent member and attended one meeting during the reporting year).

Since 1968, Victoria Mavros has worked in the auditing and accounting field and was appointed to the Audit Committee in 1997. While living in Zimbabwe, she qualified as a chartered accountant and became an audit manager in accounting firm Deloitte and Touche. Victoria migrated to Australia in 1993 and broadened her experience by working as an internal auditor for Queensland Health. She is a trained secondary school teacher, and on her arrival in Sale assisted as a voluntary literacy tutor. Victoria continues to contribute to the community by volunteering her financial skills on a number of committees.



Richard McDowell, Independent Member
(August – November 2007)
(Attended two meetings during the reporting year.)

Richard McDowell was an independent member of the Audit Committee before being appointed as Chairman of Gippsland Water's Board in October 2007.

Ron Gowland, Independent Chairperson
(November 2007 – current)
(Attended three meetings during the reporting year.)

Ron Gowland holds tertiary qualifications in economics and management and is a Registered Tax Agent. He is an experienced finance executive with extensive manufacturing experience and strong costing skills gained from a hands on approach over many years. A thorough understanding of reporting requirements and tax law, experience with the installation of software applications and proven skills in a changing environment.

Brian Clark, Independent Member
(February 2008 – current)
(Attended two meetings during the reporting year.)

Brian Clark has an Associate Diploma in Accountancy and is a CPA. Brian held the position of Finance Director International Power Hazelwood and was a member of its Audit Committee until his retirement in December 2007 after spending 18 years within the Victorian electricity industry. Brian was also the employer-elected Director to Equisuper for 13 years until 2007.

Audit Committee Board members for 2007-08 comprised of:

Leah Young – Board member

Tony Flynn – Board member until February 2008

Brendan Jenkins – Board member from October 2007

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BOARD SAFETY, HEALTH AND ENVIRONMENT SUB-COMMITTEE

The Safety, Health and Environment (SHE) Sub-Committee considers OH&S issues including changes in legislation and other policy issues, as well as monitoring Gippsland Water's performance against the OH&S Management Plan and the OH&S Performance Index. The SHE Sub-Committee also monitors Environmental Management System and Emergency Management System issues as they impact on safety and health at Gippsland Water.

The SHE Sub-Committee met four times in the year, and is responsible for:

- reviewing and approving the Gippsland Water Occupational Health and Safety (OH&S) Policy and the Environmental Policy, which is used to guide Gippsland Water's activities;
- providing advice and direction on the environmental governance aspects of Gippsland Water's business operations and 'triple bottom line' reporting;
- receiving, reviewing and accepting reports on environmental incidents resulting in reportable matters to the Environment Protection Authority, as well as safety incidents resulting in reportable matters to WorkCover;
- reviewing the Environment Management System to ensure that appropriate progress is being achieved with the environmental improvement themes; and
- reviewing the OH&S Management Plan and the OH&S Performance Index.

In addition to these activities, the SHE Sub-Committee reviewed compliance with Environment Protection Authority licences, the Safe Drinking Water Regulations, the Department of Human Services process for auditing potable water risk management plans, water efficiency and minor trade waste management programs, and development of the Sustainability Assessment Tool.

SHE Sub-Committee members for 2007-08:

Alan Seale – Board member

Peter Wilson – Board member

Brendan Jenkins – Board member from October 2007

Janice van Reyk – Board member from October 2007

EXECUTIVE REMUNERATION COMMITTEE

The Executive Remuneration Committee is responsible for implementing the Gippsland Water Executive Remuneration Policy. The committee ensures compliance with Victorian Government policy and the Government Sector Executive Remuneration Panel Guidelines that relate to executive employment conditions for statutory authorities and government business enterprises.

The Executive Remuneration Committee comprises the entire Board and did not meet in the 2007-08 reporting year.

TECHNICAL REVIEW COMMITTEE

Gippsland Water has an established Technical Review Committee (TRC) to ensure it uses the best technical advice and innovation in its operations.

The objectives of this committee are to:

- provide advice to Gippsland Water's Board and its staff on strategies for innovative problem solving in the technical, social and environmental aspects of the business;
- identify emerging technical, social and environmental issues for future consideration;
- identify and discuss potential regulatory and resource planning matters that may need attention;
- provide comment and observation on policy matters that impact on Gippsland Water's business; and
- provide comment and observations on Gippsland Water's water and waste management activities based on a national and international perspective.

The TRC met twice during the year. At the August 2007 meeting the TRC reviewed progress on the technical challenge of removing organic colour from industrial wastewater; the changes in the renewable energy market and the attraction of using wind energy across Gippsland Water's operational region.

The March 2008 meeting included a site inspection of Dutson Downs' waste and agribusiness assets while technical discussions concentrated on sustainability and Gippsland Water's regional leadership role in carbon and in water.

The members of the TRC for 2007-08 comprised of:

- Professor Barry Hart
- Dr. David Garman
- Chris Bell
- Arnold Dix
- Dr Denis Saunders

Gippsland Water would like to acknowledge Chris Bell, a committee representative of the Environment Protection Authority, who retired in August 2007 after fulfilling a five-year term. The TRC is seeking a replacement member and has recently appointed Sally Farrier from Farrier Swier, and Dr Rebekah Brown from Monash University to enhance the committee's diversity of knowledge and skills.

The TRC's purpose has recently been to take on a broader focus and to reflect this in 2008-09, the committee has adopted a revised name, the Independent Expert Committee.

CORPORATE KEY PERFORMANCE

In 2007-08 Gippsland Water reported against 29 key indicators that measure performance for water; wastewater; customer service, safety and employee availability. These indicators are directly linked to Gippsland Water's Strategic Plan and are aligned with the service standards reported to the Essential Services Commission (ESC). The indicators are reported to Gippsland Water's Board on a monthly basis and to the ESC both quarterly and annually.

The overall results for the 2007-08 reporting period are summarised on the following pages:

KPI no.	Key performance indicator	Unit of measure	2007 -2008 target	2007 -2008 performance	Historical performance		
					2006 -2007	2005 -2006	2004 -2005
Water							
1	Unplanned water supply interruptions	per 100 km	55.00	16.84	24.94	11.54	40.97
2	Average time taken to attend bursts and leaks (priority 1)	minutes	40.00	31.80	27.26	26.80	79.98
3	Average time taken to attend bursts and leaks (priority 2)	minutes	150.00	117.23	62.63	129.35	423.79
4	Unplanned water supply interruptions restored within five hours	per cent	97.80	98.81	100.00	99.18	77.90
5	Planned water supply interruptions restored within five hours	per cent	87.00	98.45	99.52	87.45	72.32
6	Average unplanned customer minutes off water supply	minutes	8.00	8.84	15.28	6.26	15.17
7	Average planned customer minutes off water supply	minutes	65.40	12.55	8.43	16.04	25.18
8	Average frequency of unplanned water supply interruptions	number	0.07	0.10	0.16	0.07	0.14
9	Average frequency of planned water supply interruptions	number	0.50	0.09	0.07	0.12	0.12
10	Average duration of unplanned water supply interruptions	minutes	118.70	86.60	93.72	83.50	110.79
11	Average duration of planned water supply interruptions	minutes	130.80	141.31	113.96	136.22	214.09
12	Number of customers experiencing more than five unplanned water supply interruptions in the year	number	0.00	0.00	0.00	0.00	0.00
13	Unaccounted for water	per cent	15.00	10.90	7.30	11.90	10.50

KPI 23 – Population receiving water meeting disinfection by-products standards

Total organic carbon/dissolved organic carbon (TOC/DOC) levels increased in the raw water supplying the Seaspray Water Treatment Plant in late 2007. During this period, reduced chlorine residuals due to increased chlorine demand were experienced and chlorination was increased (from 1.5mg/L to 1.8mg/L) to maintain disinfection throughout the reticulation system. The combination of elevated organics and increased disinfection levels (chlorination) contributed to the elevated trihalomethanes (THMs) results reported between March and May 2008.

Corrective action:

Monitoring of TOC/DOC levels in raw water and chlorination levels across reticulation systems and increased flushing throughout Seaspray to draw disinfected water through the system and minimise the potential of microbiological growth. Additional actions implemented during this period included adding granular activated carbon to the filters to assist in removing organic material and the establishment of a trial treated water aeration system that has been used successfully to reduce THMs in storages where elevated levels of precursors are present.

TOC/DOC levels of the raw water steadily reduced during March to May 2008 and together with the actions detailed above THM levels returned to levels below the regulatory target by June 2008.

KPI 24 – Environment Protection Authority (EPA) Discharge Quality Licence compliance

Drouin Wastewater Treatment Plant (WWTP)

Preliminary water quality monitoring was undertaken from the dissolved air flotation (DAF) plant in August 2007, prior to the discharge of treated wastewater to Shillinglaw Creek. The monitoring indicated the total nitrogen concentration was above the EPA licence median concentration limit of 10mg/L. Works to reduce the concentration of total nitrogen to below this limit resulted in a combination of elevated ammonium and nitrate concentrations in the treated wastewater from the DAF plant. Discussions were held with the EPA, and it was agreed the focus of activity should be on reducing the ammonium concentration in the water discharged to the creek. In September 2007 the EPA gave approval, under Section 30A of the *Environment Protection Act 1970*, to discharge treated wastewater with a total nitrogen median concentration of 15mg/L, and a 90th percentile concentration of 20mg/L.

Discharge from the DAF plant to Shillinglaw Creek took place between September and November 2007. Results of water quality monitoring indicate that the total nitrogen median concentration of 15mg/L was not met during the discharge period. Three samples had a total nitrogen concentration above this value.

Corrective action:

Gippsland Water has engaged a consultant to review the Drouin WWTP operation and provide options for future management of nitrogen in discharges from this site. The report proposes that some capital works may be required in the short-term to provide enhanced management of nitrogen in discharges to Shillinglaw Creek, to provide reliable license compliance. The options and costs are still being considered.

Biological monitoring undertaken in Shillinglaw Creek, following cessation of discharge of treated wastewater, indicates that no negative ecological effects due to the higher concentration of total nitrogen were observed. An official response was submitted to the EPA in May 2008 outlining the following:

- investigate the source of ammonia slugs washed out of the sewer system;
- available options and strategy to ensure license limits are complied with during future discharges to Shillinglaw Creek; and
- monitoring results on the impacts of the discharges on Shillinglaw and King Parrot creeks.

Gippsland Water recommenced discharge to Shillinglaw Creek in July 2008. Results for quality of water discharged from the DAF plant to the creek indicate that ammonium nitrogen and total nitrogen are well below the limits specified in the EPA licence. These results confirm the view that the high nitrogen results in 2007 were anomalous and a product of long retention of raw sewage in the sewer during the dry period, followed by the rapid filling of the final storage after significant rain in the region.

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KPI 24 – Continued

Neerim South Wastewater Treatment Plant (WWTP)

Operational issues with the UV disinfection system at the Neerim South WWTP developed during mid-2007. A fire in the power supply transformer in May 2007 resulted in the transformer requiring replacement. The new unit's power supply voltage was found to be lower and unstable, which resulted in a reduced 'kill rate' in the UV disinfection system. This has resulted in the elevated E.coli result being discharged to the environment.

Corrective action:

Gippsland Water has rectified the problem, by stabilising the power supply to the UV disinfection system, as well upgrading the UV lamps to heavy duty rated lamps. Since these modifications were performed, the E.coli results have decreased to levels below discharge license limits.

Continued microbiological monitoring is being undertaken to ensure the UV disinfection system operates at an acceptable level. Alternative UV disinfection technologies have been investigated and a number of options are being considered to further improve the plants reliability and performance.

KPI 26 – Number of days lost due to lost time injuries

On 26 November 2007, an employee sliced the top of their finger on a sewer lid, and required stitches to a small laceration, resulting in a lost time injury. A total of 15 days of lost time were attributed to this injury. No further days of lost time have been recorded this financial year.

Corrective action:

The investigative and debrief process identified a potential preventative measure involving the development of an automated lifting device for sewer lids at the Gippsland Water Depot. This automated lifting device has now been developed and is fully operational.

The use of this device will now be extended to field operations work for operational and contract personnel who work with sewer lids, eliminating the risk of future manual handling injuries.

INFORMATION PRIVACY ACT 2000

Gippsland Water is subject to the *Information Privacy Act 2000* and is committed to protecting the privacy of all personal information it collects in a responsible and transparent manner.

Gippsland Water has a Privacy Policy to ensure only appropriate information is collected and protects against misuse of private information. Employees, along with our Privacy Officer, have attended regular training sessions and forums from the Office of the Victorian Privacy Commissioner.

No privacy related complaints were received for the reporting year.

Further information can be obtained by contacting the Privacy Officer on 1800 066 401.

FREEDOM OF INFORMATION ACT 1982

The *Freedom of Information Act 1982* allows individuals the right to request information/documents held by Gippsland Water. During the year, there were no requests for access to information in accordance with the Act.

Requests for information held by Gippsland Water under the Act should be made in writing to:

Manager Commercial Services
Gippsland Water, PO Box 348
Traralgon VIC 3844
Phone: 5177 4600

Each application must clearly identify the documents sought and be accompanied by a \$22.70 application fee.

NATIONAL COMPETITION POLICY

Competitive neutrality seeks to enable fair competition between local government and private sector businesses. Any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralised. Gippsland Water continues to implement and apply this principle in its business undertakings.

FINANCIAL MANAGEMENT ACT 1994

Information relevant to the headings listed in Financial Reporting Direction 22B is held at Gippsland Water's Traralgon office and is available on request, subject to the *Freedom of Information Act 1982*.

BUILDING ACT 1993

Gippsland Water complies with the relevant provisions of the *Building Act 1993* in all building and maintenance activities.

PECUNIARY INTEREST

In accordance with Section 95(5) of the *Water Act 1989*, Board members and all nominated officers have completed declarations of pecuniary interest. The Board has extended the requirement for nominated officers to complete a declaration to include all staff with an expenditure delegation of \$20,000 or more.

VICTORIAN INDUSTRY PARTICIPATION POLICY ACT 2003

The *Victorian Industry Participation Policy Act 2003* requires public bodies and departments to report on the implementation of the Victorian Industry Participation Policy. The policy was developed by the Victorian Government to ensure that applicable government projects use local suppliers when and where they offer best value for money.

Departments and public bodies are required to apply the policy in all tenders over \$3 million in metropolitan Melbourne and over \$1 million in regional Victoria.

Gippsland Water reported on eight tenders during 2007-08:

New projects

Design and Construct Air Conditioning -
Wings 1 - 6 Head Office, Traralgon

Completed projects

- Tyers Water Treatment Plant Membrane and Module
- Design, Construct, Supply Pressure Sewer Pump Units and Ancillary Equipment for Seaspray Scheme
- Civil Works Soil and Organic Recycling Facility (SORF) Dutson Downs
- Soil and Liquid Building SORF Dutson Downs
- Seaspray Sewerage Scheme Design and Construction
- Seaspray Sewerage Scheme Design and Construction - On Property Works
- Warragul Water Treatment Plant Sludge Thickening Upgrade

CONSULTANT SERVICES

During the 2007-08 financial year, \$622,421 was spent on a total of 31 consultancy services, compared with \$448,660 on a total of 31 consultancy services in 2006-07.

Consultancy expenses exceeding a value of \$100,000 during the reporting period are detailed below:

Value	Consultant	Project description
\$107,901	GHD	During the design development of the Soil and Organic Recycling Facility (SORF), \$107,901 of consultant's expenditure was incurred for conceptual design work for stage 3 of the SORF facility. Subsequently Gippsland Water proceeded with the construction of stages 1 and 2 and the SORF facility was commissioned in June 2008. The Gippsland Water Board is not proceeding with SORF stage 3 so accordingly these costs were expensed in 2007-08.

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GOVERNANCE



OVERSEAS TRAVEL

Gippsland Water planning co-coordinator David Chambers travelled to Rwanda for a second time during 2007-08, with a surveyor (jointly funded by Gippsland Water and EarthTech) to conduct further investigations and detailed survey work for a proposed water supply scheme to improve water access and quality for the Rwandan Gahini community. This reciprocal visit stemmed from Rwandan engineer Abaho Gershom spending five weeks at Gippsland Water during 2006 to learn about Gippsland Water's approach to water technology. This project aligns with Gippsland Water's Corporate Social Responsibility Policy which aims to improve both our local and global community.

Gippsland Water, water treatment technician Mark Walker participated in the Water Industry Operators Association biannual tour to New Zealand. The tour included visits to a number of water and wastewater treatment facilities in the North Island of New Zealand and attendance at the Annual New Zealand Operators Conference. Mark gained a different perspective on how the daily activities within treatment facilities are undertaken in New Zealand and he has returned home with some improvement ideas for Gippsland Water's treatment systems.

WHISTLEBLOWERS PROTECTION ACT 2001

Gippsland Water recognises the value of transparency and accountability in its administrative and management practices and is committed to the aims and objectives of the *Whistleblowers Protection Act 2001*.

No disclosures were reported during the year in accordance with the Act.

Disclosures of improper conduct or detrimental action by Gippsland Water or its employees may be made to the following:

Manager Commercial Services
Gippsland Water, PO Box 348
Traralgon VIC 3844
Phone: 5177 4600

Ombudsman Victoria
Level 9, 459 Collins Street
(North Tower)
Melbourne Victoria 3000
Phone: 9613 6222

WATER INDUSTRY BENCHMARKING

The National Water Initiative (NWI) signed by all states and territories, is the blueprint for the ongoing process of national water reform. Under the NWI, governments have agreed to report independently, publicly and on an annual basis to facilitate benchmarking of pricing and service quality for urban water delivery agencies, including Gippsland Water.

The Water Services Association of Australia (WSAA) and National Water Commission collate benchmarking for up to 150 performance indicators across Australia and produce the National Performance Report Urban Water Utilities.

This report provides water industry performance for shareholders and customers through meaningful comparison with accompanying contextual analysis and can be obtained from www.wsaa.com.au.

During the 2007-08 reporting period, Gippsland Water began implementation of the recommendations of two WSAA benchmarking projects from 2006-07; namely customer service studies and mechanical/electrical. Significant outcomes of these benchmarking activities has led to the development of a Customer Service Strategy for the forthcoming four years, a centralised preventative maintenance program for all major assets and development of an asset management system for improved data and management processes.

Gippsland Water is an active participant in these initiatives to benchmark at both a state and national level to support opportunities to continuously improve its performance across a range of business operations.

PUBLIC ADMINISTRATION ACT 2004

The *Public Administration Act 2004* specifies a number of employment and conduct principles that must be observed by public sector organisations and their employees. The following principles are observed by Gippsland Water management and staff.

Employers must ensure that:

- employment decisions are based on merit;
- employees are treated fairly and reasonably;
- equal employment opportunity is provided;
- human rights as set out in the *Charter of Human Rights and Responsibilities Act 2006* are upheld;
- public sector employees have a reasonable avenue of redress against unfair or unreasonable treatment; and
- a career public service is fostered (in the case of public service bodies).

Employees must demonstrate:

- responsiveness;
- integrity;
- impartiality;
- accountability;
- respect;
- leadership; and
- commitment to human rights.

The Code of Conduct for the Victorian Public Sector is issued to all Gippsland Water employees at their induction, to actively promote and maintain integrity and conduct standards.

Gippsland Water's approach to performance development reinforces these values through the minimum behavior standards required from its employees.

Further information regarding the Code of Conduct is available from the State Services Authority's website www.ssa.vic.gov.au.

FUTURE TARIFFS AND CHARGES

The Essential Services Commission (ESC), as the water industry's price and quality regulator, is responsible for administering the Victorian Government's pricing framework. In fulfilling its responsibilities, the ESC ensures prices are not too high, reflecting misuse of monopoly power; nor too low, undermining the long-term sustainability of the water industry and the health of water resources.

Processes to set prices are transparent and consultative, and engage customers and the community on their preferences with respect to prices and level of service. Prices are easy to understand and are accompanied by separate arrangements that provide appropriate support, such as hardship policies for low-income or vulnerable customers.

The ESC has recently announced its final decision in respect to the 2008 Water Price Review. This review has established tariffs for the 2008-09 year, and set further tariff increases (excluding CPI) for an additional four years to 2012-13.

The final decision was announced after a significant consultation process by both the ESC and Gippsland Water over a 12 month period commencing in July 2007. Gippsland Water conducted six facilitated customer consultation sessions across the Gippsland region, and provided significant information to local media representatives to allow a full and fair coverage of the proposed changes and the reasons behind them.

Gippsland Water also provided customers with the opportunity to respond to the draft Water Plan announced, and outlined customer concerns in the final 2008-2013 Water Plan presented to the ESC in October 2007.

The following table identifies Gippsland Water tariffs for a typical residential customer receiving water and wastewater services have been approved by the ESC for the 2008-09 financial year, as a part of the final decision.

		2007-2008	2008-2009
Water	Service charge	\$83.54 pa	\$107.12 pa
Water	Volumetric charge	\$0.966l per kl	\$1.2388 per kl
Wastewater	Service charge	\$392.96 pa	\$503.85 pa

The government will continue to provide concession arrangements for pensioners and Health Care Card holders. The water and sewerage concession cap provides a 50% discount on water bills, up to the new limit of \$189.70 for 2008-09.

PART 5

ORGANISATIONAL SUSTAINABILITY



Organisational Sustainability:

Gippsland Water is committed to ensuring the ongoing sustainability of our organisation through continuing investment in our people, our systems and our physical assets.



OUR PEOPLE: HIGHLIGHTS OF THE YEAR

Gippsland Water continued to build on the strengths of the recently implemented learning and development framework. Application of capabilities through experiential learning was a focus for the change agent and adaptive leadership programs, and numerous successful projects were delivered by 38 participants in these programs.

A performance development review was undertaken in the 2007-08 reporting period. This resulted in the adoption of a refined performance development philosophy and approach. The purpose of this invigorated approach allows us to plan and focus on developing the full potential of staff. In alignment with the learning and development framework, the approach encourages staff to develop their knowledge, skills and experience and apply their new-found learning to add further value to the organisation.

A corporate social responsibility working party was established which provided input into the formation of Gippsland Water's Corporate Social Responsibility (CSR) Policy and associated five-year plan. Employee input also helped establish the CSR vision: By unlocking the resources of Gippsland Water we shall proactively guide communities to achieve a sustainable future and inspire similar actions in others.

Other highlights include:

- training staff for competency for the award of the Construction Induction Card required by 1 July 2008;
- the appointment of a new health care provider;
- delivery of organisation-wide customer focus training; and
- smooth implementation of our upgraded payroll system.

ORGANISATIONAL STRUCTURE



PART 5

ORGANISATIONAL SUSTAINABILITY



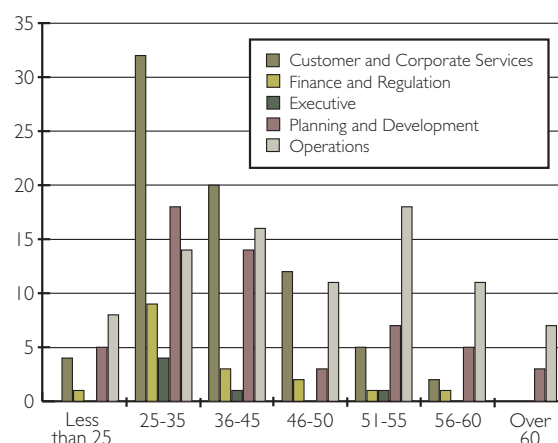
EMPLOYMENT BY CATEGORY

Category	30 June 2008 (no.)	30 June 2007 (no.)	30 June 2006 (no.)	30 June 2005 (no.)	30 June 2004 (no.)
Full-time male	149	159	146	139	131
Full-time female	51	49	49	50	47
Part-time male	1	2	3	2	2
Part-time female	24	17	14	12	13
Casual male	5	4	0	0	0
Casual female	8	7	7	4	5
Total employees	238	238	219	207	198
Full-time equivalent	208	220	204	193	181
% Full-time equivalent female employees	28.6	27.3	28.4	27.5	27.1

STAFF SERVICE

Staff service	Male (no.)	Female (no.)	Total
Less than 5 years	72	41	113
5 to 10 years	36	25	61
11 to 15 years	4	14	18
16 to 20 years	17	2	19
21 to 25 years	11	1	12
26 to 30 years	10	0	10
31 to 35 years	4	0	4
Over 35 years	1	0	1
Total	155	83	238

AGE OF STAFF BY DEPARTMENT



EMPLOYEE TURNOVER

Year	2007 -2008	2006 -2007	2005 -2006	2004 -2005	2003 -2004
% turnover	11.3	13.0	6.3	8.7	7.6



EQUAL EMPLOYMENT OPPORTUNITY

Gippsland Water complies with equal employment opportunity (EEO) legislation and the Victorian Public Service Code of Conduct. Our Contact Officer program assists in providing information and support for employees who feel harassed or bullied at work. There were no formal complaints of workplace bullying or EEO issues at Gippsland Water for the reporting period.

A total of 83 females were employed at Gippsland Water during the reporting period, representing 29% of the full-time equivalent workforce. Women were represented in management, team leadership, professional, engineering, technical and administrative roles. During 2007-08, the organisation has assisted five women return from maternity leave through part time options and extended three maternity leave applications for up to an additional 12 months.

Gippsland Water continues to encourage women to be involved in local women in leadership networking and development opportunities and participation in organisational leadership development programs.

EMPLOYMENT AND DEVELOPMENT OPPORTUNITIES FOR YOUNG PEOPLE

Gippsland Water is committed to providing employment and development opportunities for young people by providing a range of programs in 2007-08 including:

Youth Employment Scheme

A Victorian Government sponsored initiative providing people aged 15 to 24 with an opportunity to enter the workplace and build careers. This year Gippsland Water hosted three trainees. This program has seen over 15 trainees go on to become permanent full-time employees at Gippsland Water over the years.

Work Experience Program

This encourages secondary students to experience a real working environment for one or two weeks. Four secondary students undertook work experience in the administration, engineering and information technology departments.

Vacation Employment Program

This program offers students studying at post secondary level the benefit of linking theoretical knowledge to practical application in the workplace and providing meaningful industry experience that adds value to the student's skill base upon graduation. Gippsland Water is strongly committed to this program by employing 11 students for this year's 12-week vacation period. One student is now working as an Organisational Development graduate in a permanent full-time capacity, and a further two students from this intake have attained casual employment in the planning and development department at Gippsland Water.

Co-operative Education Program Monash University, Gippsland Campus

This university-initiated program formally integrates academic study with work placement. Gippsland Water's commitment to support this program continued with an engineering student undertaking a second 12-week placement which commenced in November 2007.

Career expos

Gippsland Water attended a career expo at the Monash University Gippsland Campus. This provides university students the opportunity to ask questions regarding the water industry and the types of employment opportunities available.

INDIGENOUS COMMUNITIES

Although Gippsland Water does not currently have any employees from indigenous communities, it has recruitment policies that ensure a fair and open opportunity is provided to all.

DISABILITY ACTION PLAN

During 2007-08 key staff were provided with guidance material and information to help Gippsland Water move towards developing a functional Disability Action Plan.

Further steps are as follows:

- formation of a group comprising people with a disability and Gippsland Water staff, to enable consultation and communication; and
- developing a training program for staff to promote understanding and reduce barriers for persons with a disability.

PART 5

ORGANISATIONAL SUSTAINABILITY



OCCUPATIONAL HEALTH AND SAFETY

Gippsland Water has continued its commitment to providing a safe and healthy work environment for staff, contractors and visitors at or near its workplaces. This commitment is outlined in Gippsland Water's 2007-08 Safety, Health and Environment Committee Strategic Plan. The plan is based on key areas of legislative compliance, employee health, injury prevention, safe operating systems and contractor management.

During 2007-08 a total of 30 different safety courses were delivered ranging from traffic management, first aid, plant competency assessment to chlorine and self contained breathing apparatus. A total of 410 participants attended these courses.

Gippsland Water's Occupational Health and Safety Policy Manual and associated procedures were reviewed and updated to meet the requirements of the Occupational Health and Safety Regulations 2007 and to align with current work practices.

The main changes to policies and procedures included: Job Safety and Environmental Analysis (JSEA); falls prevention and working at heights; traffic management procedure; permit to work, hot works permit procedure; selection of health and safety representatives and trained first aid staff.

There have been a number of areas of focus this year including:

- implementation of a joint JSEA and Job Start System with Gippsland Water's major maintenance contractor;
- employee and contractor awareness programs regarding changes to the Occupational Health & Safety Regulations 2007 with specific concentration on the construction regulations that come into effect on 1 July 2008;
- awareness sessions delivered around the importance of incident reporting and incident notification requirements under the *Occupational Health & Safety Act 2004*;

- health and wellbeing programs including executive and operational staff medicals, voluntary health checks, flu vaccinations and commencement of the annual health promotional plan including Understanding Your Health check and mens and womens health seminars; and
- the launch of new first aid facilities with defibrillator, oxygen therapy and blood pressure unit equipment and a review of our first aid training requirements and appropriate first aid level 2 and 3 training.

During 2007-08 there was one notice of a dangerous occurrence to WorkSafe Victoria under section 37 of the *Occupational Health and Safety Act 2004*. The incident involved a chain drive snapping on a newly installed roller door at the Soil and Organic Recycling Facility located at Dutson Downs, resulting in the roller door being released from a height. The manufacturer, supplier and contractor of the chain drive are investigating the cause of this failure. WorkSafe Victoria was satisfied with the actions Gippsland Water has undertaken.

WORK LIFE BALANCE

Gippsland Water is committed to improving work life balance. To ensure staff engagement in this area, work life balance will now be included in the Employee Opinion Survey. Any projects stemming from the survey will be facilitated by Organisational Development with employees invited to join a project team to ensure ongoing consultation.

Some of the flexible work options staff used in this past year include:

- working from home;
- job sharing;
- transitioning to retirement;
- returning from long-term leave, (including long service leave, sick leave and maternity leave); and
- negotiating reduced working hours.

In 2008-09, Gippsland Water will continue to explore ways to meet the needs of the organisation and employees regarding work life balance such as transitioning into retirement and health and wellbeing to ensure we remain an 'employer of choice' within the region.

LEARNING AND DEVELOPMENT

Gippsland Water offers a number of development programs which correspond to each tier of its learning and development model.

Adaptive skills:

The second year of Gippsland Water's leadership development program has seen a continued emphasis on learning and applying skills through action learning. In the 2007 programs, a number of successful project outcomes resulted from action learning projects completed by the Change Agent and Adaptive Leadership participants. One of these projects saw the establishment of the 'Green Team' to raise awareness of climate change and promote workplace sustainability.

- The 2008 Adaptive Leadership and Change Agent programs began in April with a total of 32 participants.
- Gippsland Water continued its sponsorship of the Gippsland Community Leadership Program and is supporting its participant in her learnings.

Generic skills:

To support generic skills development Gippsland Water offered a number of programs including:

- Diploma of Business - Frontline Management program.
One action learning project from this program saw all recent water treatment plant fluoride installations upgraded. Monitoring of the project indicated a successful outcome, and the manufacturer has adopted these improvements as part of their standard system.
- Organisation-wide Customer Focus Training. Three modules of this training has been delivered throughout 2007-08 with all staff participating in the first and second modules, Our Operating Environment and the General Customer Focus module.
- Other programs included: project management, influencing in the workplace, job applications and the interview process, performance development coaching, 4WD practical training, Certificate IV in Training and Assessment and Microsoft training.

Technical skills:

To further develop job-specific skill acquisition the following technical programs and initiatives were undertaken:

- A number of workgroups have initiated job rotation.
The impetus being to further develop our employees' skills, to enable staff to support each other during high leave periods and to provide succession opportunities should the need arise. The Customer Service team has offered staff the opportunity for job rotation within the various functions it addresses. Cross departmental job rotation has also occurred with the Water Quality, Field Services and Customer Services workgroups.
- Traineeships are continuing with 11 Operations staff undertaking Certificate III in Water Industry Operations. A further 15 staff are further extending themselves through their enrolment in Certificate IV in Water Industry Operations.
- Certificate III Asset Maintenance (Waste Management) has three staff enrolled in traineeships.

CASE STUDY: CUSTOMER FOCUS TRAINING

Gippsland Water has embarked on an organisation-wide refresher training program centred on a belief in customer focus. Customer focus is much broader than just providing the external customer a service, it is also how to work with our internal customers, service providers and peers.

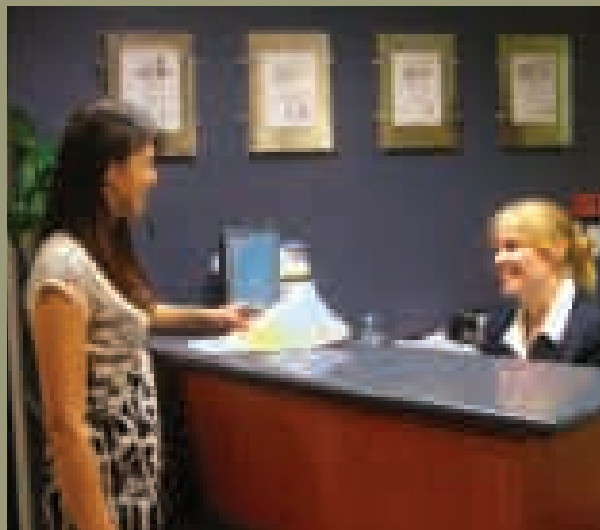
The program is module based, with eight modules in total. All staff participated in the first two training modules: Understanding Our Operating Environment and the General Customer Service Module, whilst staff could self-nominate to attend the subsequent modules.

Understanding Our Operating Environment was a short session delivered by some in-house experts in March 2008. The module's purpose was to provide an overview of some of the regulatory bodies that influence Gippsland Water's service and create a better understanding and appreciation of our Customer Charter and Customer Code.

The General Module was rolled out in April 2008. This training entertained staff whilst reinforcing key messages including: the importance of water; the difference between customer focus versus customer service; how each of us no matter what our role contributes to the success of Gippsland Water; how our individual actions impact upon others within the organisation; and that we all play a role in educating the community about what Gippsland Water can offer.

Dealing With Difficult Situations was delivered in June 2008 and participants were provided with skills to deal with: difficult customers (face-to-face and over the phone); to clarify needs; how to manage emotions – yours and theirs; and how to avoid defensiveness. Staff were also given a number of tools and strategies to apply.

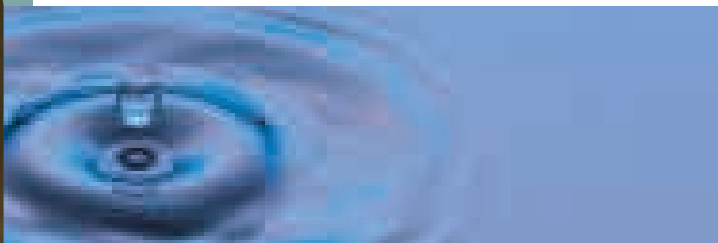
Further modules including communication, telephone techniques, information privacy and the external dispute resolution process will be delivered in 2008-09.





PART 6

RISK MANAGEMENT



Gippsland Water endorses the Victorian Government's initiative of adopting good practice in public sector risk management. To support this initiative Gippsland Water has developed and implemented a consolidated business-wide risk management framework that aligns with the *Victorian Government Risk Management Framework* and the *Australian/New Zealand Standard for Risk Management (AS/NZS 4360:2004)*.

Gippsland Water regards adopting a risk management culture as critical to its ability to achieve its strategic plan objectives.

Gippsland Water's risk management policy and procedures assist and guide risk managers to identify, assess, and treat strategic level risks to determine if Gippsland Water is in a position to accept, avoid, reduce, or transfer the potential risk. Ultimately, a cost effective and efficient approach is adopted when managing risk.

The successful implementation of the Risk Management Policy was underpinned by the following principles:

- promotion and support of a risk management culture within Gippsland Water to achieve strategic objectives;
- adoption of a risk management framework that aligns with best practice in the Victorian public sector;
- application of a consistent approach to identify, assess and manage all strategic level risks, with a view to exploit opportunities and reduce, mitigate or transfer threats;
- accountability of risk management as part of good corporate governance;
- provision of an additional business decision making tool; and
- provision of continuous risk training, communication and education to staff.

Gippsland Water's Risk Management Committee met three times during 2007-08 to review and manage current and new risk exposures facing the organisation, following the completion of each departmental quarterly risk review processes. Further governance reviews are undertaken by:

1. Gippsland Water's Audit Committee, who reviews all inherent very high, and controlled very high and high rated risks, and the entire risk register on a quarterly basis to assure risk control and compliance; and
2. Gippsland Water's Board receives a quarterly risk report focusing on the very high and high controlled risks, and receive the entire risk register on an annual basis.

As at May 2008, Gippsland Water's risk register contained 68 active risks; one risk rated as very high, nine risks rated as high, 35 risks rated as medium and 23 risks rated as low in the controlled risk environment.

In January 2008, Gippsland Water was invited to participate in the Victorian Managed Insurance Authority (VMIA) Risk Framework Quality Review, which included eight water corporations as part of the 2008 review program. The Risk Framework Quality Review is a benchmarking process based on *Australian/New Zealand Risk Management Standard AS/NZS 4360:2004*.

The Risk Framework Quality Review process provides the following key business outcomes:

- provides an independent review for quality, comprehensiveness and maturity of Gippsland Water's Risk Management Framework;
- aids compliance with various government acts that require an effective Risk Management Framework to be in place;
- supports the first element of Risk Management attestation for Gippsland Water, which is mandated under the *Financial Management Act 1994*, Standing Directions of the Minister for Finance '4.5.5 Risk Management Compliance'; and
- provides Gippsland Water with a final report with agreed recommendations to further develop Gippsland Water's Risk Management Framework.

The structure of the Risk Framework Quality Review included submission of a self-assessment survey and series of interviews conducted by VMIA during April 2008.

Gippsland Water received an overall rating of 'Very Good' (76 to 89 out of 100). VMIA acknowledged Gippsland Water has a mature framework and has developed a strong risk management culture from continuous commitment provided by the Board and General Management Team.

The favourable outcome of the Risk Framework Quality Review highlights a significant milestone in Gippsland Water's commitment to adopting good practice in public sector risk management.

Commencing with the 2007-08 annual report, the Victorian Government Risk Management Framework requires the Chairman to provide an annual Risk Management attestation. The attestation formalises compliance to a common risk management standard and focuses the public sector towards a common approach to risk management.

The key elements of Risk Management attestation are articulated as follows:

1. risk management processes are consistent with *Australian/New Zealand Risk Management Standard AS/NZS 4360:2004*;

2. an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures; and
3. the risk profile of the organisation has been critically reviewed within the last 12 months and the Audit Committee verifies this assurance.

Gippsland Water's Risk Management Framework and the results of the VMIA Risk Framework Quality Review assists Gippsland Water to satisfy the first element of the attestation. The second and third elements of Risk Management attestation are satisfied by Gippsland Water's Risk Management Governance structure and quarterly risk management review process which actively engages Gippsland Water's Executive Management, Audit Committee and Board to review and adopt the risk profile of Gippsland Water.

In meeting the elements of the Risk Management attestation, the Gippsland Water Board Chairman, Richard McDowell, has formally endorsed the organisation's risk management activities as outlined above.

CENTRAL GIPPSLAND REGION WATER CORPORATION

RISK MANAGEMENT ATTESTATION FOR 2007-08

I, Central Gippsland Region Water Corporation Board Chairman, Richard McDowell, certify that the Central Gippsland Region Water Corporation has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard AS/NZS 4360:2004 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Board of Central Gippsland Region Water Corporation verifies this assurance and that the risk profile of the Central Gippsland Region Water Corporation has been critically reviewed within the last twelve months.



Richard McDowell
Chairman
Central Gippsland Region Water Corporation



David Mann
Managing Director
Central Gippsland Region Water Corporation

Dated this 29th day of August 2008

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Operating Statement For The Year Ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
Revenue from Operating Activities			
Service Charges	I(b) 3(a)	38,425	35,143
Volumetric Charges	I(b) 3(a)	19,474	19,376
Government Contributions	I(b) 3(a)	-	1,486
Interest	I(b) 3(a)	883	1,832
Developer Contributions	I(b) 3(a)	5,290	4,930
Other Revenue	I(b) 3(a)	5,472	4,915
Total Operating Revenue		69,544	67,682
Revenue from Non-Operating Activities			
Other Revenue	I(b)	1,077	1,151
Total Non-Operating Revenue		1,077	1,151
Total Revenue		70,621	68,833
Expenses from Operating Activities			
Employee Benefits	I(l)	18,234	17,392
Borrowing Costs	I(c) 3(c)	3,874	1,030
Suppliers	I(k)	25,258	25,394
Depreciation	I(e) 3(c)	19,542	18,214
Amortisation	I(e) 3(c) 12	721	848
Net Loss from Disposal of Assets	I(d) 3(b)	168	208
Impairment Loss	3(c)	1,065	189
Environmental Contributions	I(p) 3(d)	2,030	2,030
Total Expenses from Operating Activities		70,892	65,305
Surplus/(Deficit) from Operating Activities before Tax		(271)	3,528
Income Tax Expense	I(n) 4	-	-
Net Result for Period	19	(271)	3,528

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

PART 7 FINANCIAL PERFORMANCE

Balance Sheet As At 30 June 2008

	Note	2008 \$'000	2007 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	I(h) 5	2,130	31,418
Receivables	I(i) 6	19,835	10,500
Inventories	I(j) 7	1,209	1,052
Biological Assets	I(g) 11	1,631	1,082
Other Financial Assets - Receivables	8	25	30
Total Current Assets		24,830	44,082
Non-current Assets			
Other Financial Assets	I(m) 9	1,000	1,000
Property, Plant and Equipment	I(d) I(v) 10	658,182	563,186
Biological Assets	I(g) 11	1,491	1,719
Intangible Assets	I(s) I(v) 12	2,540	2,495
Other Non-current Assets - Receivables	8	80	7
Total Non-current Assets		663,293	568,407
TOTAL ASSETS		688,123	612,489
LIABILITIES			
Current Liabilities			
Payables	I(k) 13	22,933	15,391
Interest Bearing Liabilities	I(t) 14	9,500	-
Employee Benefits	I(l) 15	4,088	4,020
Total Current Liabilities		36,521	19,411
Non-current Liabilities			
Interest Bearing Liabilities	I(t) 14	79,500	29,000
Employee Benefits	I(l) 15	473	408
Long Term Provisions	I(m) I(u) 16	1,016	1,016
Total Non-current Liabilities		80,989	30,424
TOTAL LIABILITIES		117,510	49,835
NET ASSETS		570,613	562,654
EQUITY			
Contributions by Owners	17	252,895	244,650
Reserves	18	23,300	23,315
Accumulated Funds	19	294,418	294,689
TOTAL EQUITY		570,613	562,654

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

Statement Of Changes In Equity For The Year Ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
Total equity at beginning of financial year	17,18,19	562,654	530,228
Gain on Property Revaluation, net of tax	18	(15)	12,898
Contributions by Owners for a specific purpose			
Gippsland Water Factory Project	17	-	16,000
Country Town Water & Sewerage Program	17	8,245	-
Net income recognised directly in equity		8,230	28,898
Net result for the period	19	(271)	3,528
Total recognised income and expense for the period		7,959	32,426
Total equity at end of financial year	17,18,19	570,613	562,654

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

PART 7 FINANCIAL PERFORMANCE

Cash Flow Statement For The Year Ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
Cash Flows from Operating Activities			
Receipts			
Fees and Charges		63,509	64,053
Interest Received		870	1,832
GST Received		2,204	1,998
Government Contributions	3(a)	-	1,486
		66,583	69,369
Payments			
Payments to Suppliers		(26,110)	(28,347)
Payments to Employees		(18,157)	(16,327)
GST Paid		(339)	(488)
Interest and Other Costs of Finance Paid		(3,611)	(899)
Environmental Contributions		(2,030)	(2,030)
		(50,247)	(48,091)
Net Cash Provided By Operating Activities	25	16,336	21,278
Cash Flows from Investing Activities			
Payments for Property, Plant and Equipment		(106,549)	(62,152)
Payments for Intangibles		(766)	(589)
Proceeds from Sale of Property, Plant and Equipment	3(b)	472	803
Income for Capital Purposes		1,219	695
		(105,624)	(61,243)
Cash Flows from Financing Activities			
Proceeds from Borrowings		60,000	15,000
Proceeds from Contributed Capital by State Government	17	-	16,000
		60,000	31,000
Net Increase / (Decrease) in Cash Held		(29,288)	(8,965)
Cash and Cash Equivalents at Beginning of Year	5	31,418	40,383
Cash and Cash Equivalents at End of Year	5	2,130	31,418

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

Notes to the Financial Statements for the year ended 30 June 2008

These notes form part of and should be read in conjunction with the financial statements of Central Gippsland Region Water Corporation ("the Corporation") for the year ended 30 June 2008.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

General

This financial report of the Corporation is a general purpose financial report that consists of an Operating Statement, Balance Sheet, Statement of Changes in Equity, Cashflow Statement and notes accompanying these Statements. The general purpose financial report complies with Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions.

This financial report has been prepared on an accruals and going concern basis.

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 accord with current presentation and disclosure made of material changes to comparatives.

Classification between current and non-current

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

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with AAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.

(b) Revenue Recognition

Water and sewerage charges

Service charges are recognised as revenue when levied or determined.

Volumetric water and sewerage (non residential customers only) charges by measure are recognised as revenue when the meters are read. Meter reading is undertaken progressively throughout the year. For the 2007-08 financial year the Corporation estimated the outstanding revenue in respect of water meters which had not been read at balance date of \$1,515,037, (2006-07 \$1,456,730), by multiplying the number of days since the last reading by each customer's average service usage.

Developer contributions - Fees paid by developers

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

Developer contributions - Assets received from developers

When infrastructure assets are provided to the Corporation free of charge, the 'fair value' of those assets is recognised as revenue when the assets are transferred to the Corporation's control.

Government contributions

Government grants and contributions are recognised as operating revenue on receipt or when an entitlement is established whichever is the sooner, and disclosed in the Operating Statement as *Government Contributions*. However, grants and contributions received from the Victorian State Government which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and/or the Minister for Water have indicated are in the nature of owners' contributions are accounted for as *Equity – Contributions by Owners*.

Contributions by Owners

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

Interest and rents

Interest and rentals are recognised as revenue when earned or the service provided.

Other Revenue from Operating Activities

Other Revenue also includes revenue from prescribed waste, agricultural activities, new development connection fees and other Operating miscellaneous fees and charges.

Other Revenue from Non-operating Activities

The Corporation derives other Non-operating revenue from sundry rebates, rental income and other charges.

(c) Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs include interest on bank overdrafts, short term and long term borrowings. Included in borrowing costs is the Financial Accommodation Levy (FAL) which is administered by the Department of Treasury and Finance. The purpose of the FAL is to expose public sector corporations to competitive disciplines by neutralising the competitive advantage provided by a State Government guarantee on borrowings.

(d) Recognition and Measurement of Assets

Property, plant and equipment represent non-current assets comprising land, buildings, water, sewerage, heritage assets, plant, equipment and motor vehicles, used by the Corporation in its operations. Items with a cost or value in excess of \$500 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Acquisition

The purchase method of accounting is used for all acquisitions of assets, regardless of whether equity instruments or other assets acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

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

Assets acquired at no cost by the Corporation are recognised at 'fair value' at the date of acquisition.

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2008

Repairs and maintenance

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

Valuation of non current physical assets (Excludes biological assets – Note 1 (g))

Land and buildings are measured at the amounts for which assets could be exchanged between knowledgeable, willing parties, in an arm's length transaction.

Cultural depreciated assets and collections, heritage assets and other non-current physical assets that the entity intends to preserve because of their unique historical, cultural or environmental attributes are measured at the cost of replacing the asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Plant, equipment and vehicles are measured at cost.

Water infrastructure assets are measured at cost less any accumulated depreciation and any accumulated impairment losses. Such assets may comprise substructures or underlying systems to facilitate the harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage systems.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Operating Statement. When revalued assets are sold, it is not the Corporation's policy to transfer the amounts included in the Asset Revaluation Reserve in respect of those assets to accumulated funds.

Revaluations

Assets other than those that are carried at cost are revalued with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value. In line with FRD 103C Non Current Physical Assets this revaluation process normally occurs every five years with timing based upon the 'Purpose Group'. The last revaluation was conducted as at 30 June 2007. In the case of land and buildings an interim fair value assessment within the five year revaluation cycle is performed annually to check if there is evidence of a material increase in land and building values with reference to relevant indices or observations of market conditions. If there is a material increase in the fair values a revaluation increase will be recognised. Assets acquired within 12 months of the revaluation date are exempted from revaluation unless evidence exists that the asset's carrying value does not materially reflect its fair value.

Revaluation increments or decrements arise from differences between an asset's depreciated cost or deemed cost and fair value. Revaluation increments are credited directly to equity in the revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as expense in determining the net result, the increment is recognised as revenue in determining the net result.

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

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

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

The last revaluation of land and buildings was conducted as at 30

June 2007. The revaluations were based on independent assessments by a member of the Australian Property Institute and on the State Government Panel of Valuers as administered by the Valuer General Victoria.

Impairment of assets

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

- inventories;
- assets arising from construction contracts;
- financial instrument assets;
- certain biological assets related to agricultural activity;
- non-current assets held for sale.

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

An impairment loss on a revalued asset is recognised directly against any revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for the same class of asset. When the impairment loss exceeds the amount in the revaluation reserve for the same class of asset that portion of the impairment will then be recognised in the Operating Statement.

Non-current assets (or disposal groups) Held for Sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a non-current asset held for sale continue to be recognised.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Balance Sheet. The liabilities of an asset classified as held for sale are presented separately from other liabilities in the Balance Sheet.

Notes to the Financial Statements for the year ended 30 June 2008

(e) Depreciation and Amortisation of Non-current Assets

Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

Land is not depreciated. Depreciation on other 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 if appropriate, at each balance date.

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

Class of Fixed Asset	Periods
Buildings	60 years
Infrastructure	
Water	
- Storages	150 years
- Distribution Networks	40 ⇨ 100 years
- Treatment Plants	25 ⇨ 50 years
Wastewater	
- Storages	65 ⇨ 80 years
- Distribution Networks	60 ⇨ 100 years
- Treatment Plants	15 ⇨ 50 years
Other Assets	
Plant & Equipment	10 ⇨ 20 years
Motor Vehicles	8 years
Furniture & Computers	3 ⇨ 10 years
Intangibles	3 ⇨ 5 years

(f) Leased Assets

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 Operating Statement on a straight-line basis over the period of the lease, in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Lease income from operating leases is recognised as income on a straight-line basis over the lease term.

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.

(g) Biological Assets

Plantations

Plantations are forests, which are established by planting seedlings at specified spacings, following intensive site preparation. Plantations have been recognised in these accounts at their net market value.

The net increment in market value of plantations is recognised as revenue by determining the difference between the net market value at the beginning of the period and the net market value at the end of the period, less the cost of acquiring and planting trees in the period. All costs incurred in developing and managing the plantations is recognised as an asset.

Sam Paton & Associates Pty, Ltd, Certified Practicing Valuers completed an independent valuation of plantations as at 30 June 2008.

The value and physical quantity of commercial trees in plantations at balance date is recorded in Note 11 - Biological Assets.

Plantations have been valued based on expected volumes of merchantable timber that could be obtained from existing stands, given current management strategies. Only the current crop has been valued, and the limit of the cashflow analysis for plantation types is based on the nominated rotation periods for each plantation type. The cost of growing the trees has been deducted in determining net cashflows. Costs associated with the land on which plantations are grown are rates, land tax and other costs.

Crops

Crops refer to cereal, forage and legumes stored on site at the Corporation's various farming properties.

The value and physical quantity of crops in storage at balance date is recorded in Note 11 - Biological Assets.

The value of crops has been independently verified against established market prices these values are determined having regard to seasonal conditions prevailing at the time both in Gippsland and in other recipient hay markets for this category of produce.

Livestock

Livestock refers to all heifers, steers, cows, bulls and wether lambs, located at the Corporation's various farming properties.

Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2008.

The value and physical quantity of livestock at balance date is recorded in Note 11 - Biological Assets.

A visual appraisal of livestock was performed in undertaking this valuation with the condition, quality, age of the stock, current and projected market and seasonal conditions plus breeding values of cows and heifers was taken into consideration in calculating their net market value.

(h) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, 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 which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities on the Balance Sheet.

(i) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impaired receivables. All trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful 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 provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Operating Statement.

(j) Inventories

Inventories comprise stores and materials used in the construction of new works and for the repair and maintenance of existing assets. All inventories are valued at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date on an average cost basis.

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2008

(k) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Corporation prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Employee Benefits

Wages and salaries, employee bonuses, annual leave and sick leave

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

Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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. Provisions made for unconditional long service leave are classified as a current liability, where the employee has a present entitlement to the benefit. The non-current liability represents long service leave entitlements accrued for employees with less than seven years of continuous service.

Superannuation

The Corporation contributes superannuation in respect of its employees defined benefits and accumulation based superannuation funds. For those employees in accumulation funds the Corporation contributes 9% of employee earnings under the Superannuation Guarantee Legislation.

A liability or asset in respect of defined benefit superannuation is recognised in the provision for employee benefits, and is measured as the difference between the present value of employees' accrued benefits at the reporting date and the net market value of the superannuation plan's assets at that date. The present value of accrued benefits is based on expected future payments which arise from membership of the plans to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using rates of national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The amount charged to the Operating Statement in respect of superannuation represents the contributions made to the superannuation plan, adjusted by the movement in the defined benefit plan liability or surplus.

Employee Benefit On-costs

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

Performance Payments

Performance payments for the Corporation's Executive Officers are based on a percentage of the annual salary package provided under their contract(s) 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.

(m) Environmental Bond & Bioremediation Pond Rehabilitation Provision

In respect of the Bioremediation Pond (cardboard pond) at Dutton Downs, which falls under EPA Licence ES344, the Corporation is required to meet the conditions of Sections 19A (2A) and 21 of the Environment Protection Act 1970 which requires a financial assurance for an occupier of a landfill by Works Approval, Licence or Pollution Abatement Notice. The financial assurance is intended to provide a guarantee that the costs of remediation, site closure and post closure liabilities are not borne by the community in the event of the occupiers of the premises abandoning the site, becoming insolvent or incurring clean up costs beyond their financial capability. This assurance takes the form of a \$1M cash deposit with Treasury Corporation Victoria (TCV).

In addition, as all the conditions of AASBI37 are met, the Corporation has recognised through the establishment of a provision the liability for the rehabilitation of the Bioremediation Pond site. The Bioremediation Pond ceased operating on 30 June 2008 and work on the remediation of the site will commence in 2009-10.

AASBI37 requires that the provision be revalued each year to ensure that it is of sufficient value to cover the actual cost associated with the final rehabilitation of the site. In accordance with Accounting Standard AASBI37, the Corporation has provided a total of \$1,016,378 (2007:\$1,016,378), for the rehabilitation of the bioremediation pond. Refer Note 16 Long Term Provisions.

(n) Taxation

The Corporation is subject to the National Tax Equivalent Regime (NTER) which is administered by the Australian Taxation Office (ATO).

The estimate for the potential future deferred tax asset at 30 June 2008 in respect of tax losses not brought to account is \$43,245,000 (2006-07 \$39,535,000).

The Corporation's deferred tax assets exceed the level of deferred tax liabilities and therefore it is not required to bring to account tax expense, tax assets and tax liabilities in the Operating Statement and Balance Sheet as the Corporation is likely to make ongoing tax losses and settlement of these items is not assured beyond reasonable doubt. Refer to Note 4.

(o) Dividend Policy

The Corporation 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 years' adjusted net profit.

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer. The Corporation was not required to pay a dividend in the 2007-08 financial year based on operating income from 2006-07 year. It is anticipated that the Corporation will not be required to pay a dividend on the 2007-08 net result as it has not met the Dividend Policy determination.

Notes to the Financial Statements for the year ended 30 June 2008

(p) Environmental Contributions

The *Water Industry (Environmental Contributions) Act 2004* amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water corporations.

The Act establishes an obligation for corporations to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation. This legislation has been amended to extend this requirement for a further four years to 30 June 2012.

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

The environmental contributions are disclosed separately within expenses – Note 3 (d).

(q) 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 – ie inclusive of GST. The GST component of cashflows arising from investing and financing activities which is recoverable or payable to the ATO is classified as operating cash flows.

(r) Financial Instruments

Recognition

Financial instruments are initially measured at fair value, plus in the case of a financial asset or financial liability not at fair value through the Operating Statement, 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.

Held-to-maturity investments

These investments have fixed maturities and it is the Corporation's intention to hold these investments to maturity. Any held-to-maturity investments held by the Corporation are stated at amortised cost using the effective interest rate method.

Available for Sale financial assets

Available for sale financial assets include any financial assets not included in the other categories. Available for sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

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.

Impairment

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available for sale financial instruments, a prolonged decline in value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Operating Statement.

(s) Intangibles

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

Amortisation is allocated to intangible assets with finite useful lives on a systematic basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

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

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

Amortisation Basis	Software Costs
Useful Lives	Finite
Method Used	3 - 5 years – straight line
Internally generated / acquired	Acquired
Impairment Test / Recoverable Amount Test	Annually and where an indicator of impairment exists

(t) 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 Operating Statement over the period of the borrowings, using the effective interest method.

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

(u) Provisions

Provisions for legal claims and service warranties are recognised when the Corporation has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(v) Comparative Amounts

Where necessary, figures for the previous year have been reclassified to facilitate comparison.

A new line item has been created this year for Intangible Assets – Work in Progress. Previously this had been included with Property Plant and Equipment – Under Construction. Comparatives have been restated accordingly by \$276,000.

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2008

NOTE 2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Corporation's Board has the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation 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, foreign exchange and other price risks, ageing analysis for credit and beta analysis of investment portfolios to determine market risk.

Risk management is carried out by the Risk Management Committee under policies approved by the Board. The finance department identifies, evaluates financial risks in close cooperation with the Corporation's operating units. 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 Corporation has the following financial instruments:

Financial Instrument	Category	2008 Carrying Amount \$'000	2007 Carrying Amount \$'000
Financial Assets			
Cash and Cash Equivalents	N/A	2,130	31,418
Trade Receivables	At amortised cost	15,620	6,298
Other Receivables	At amortised cost	2,444	2,679
Other Financial Asset - Current	At amortised cost	105	37
Other Financial Asset - Non-current	Held to maturity investment at amortised cost	1,000	1,000
Total Financial Assets		21,299	41,432
Financial Liabilities			
Payables	At amortised cost	22,933	15,391
Interest Bearing Liabilities	At amortised cost	89,000	29,000
Total Financial Liabilities		111,933	44,391

Notes to the Financial Statements for the year ended 30 June 2008

2.1 Risk Exposures

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

(a) Market Risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Corporation's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk, there is only insignificant exposure to both foreign exchange risk and other price risks. There were no changes to the policy for managing market risk from the previous period.

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

(i) Interest Rate Risk

The Corporation manages financial risk under the Board approved Treasury Management Policy. The Treasury Management Policy is set to conform with the *Borrowing and Investment Powers Act 1987* (BIP Act). Statutory corporations obtain their power to borrow and invest under the provisions of the BIP (Act). More specifically the Department of Treasury and Finance (DTF) has the primary responsibility for ensuring the Governments financial management objectives are achieved by setting guidelines and recommending borrowing and investment powers. Under these guidelines Gippsland Water has agreed to deal with TCV for its funding needs. The Gippsland Water Board has the responsibility for determining the funding needs of the Corporation and managing the risks associated with this business. The Corporation has not engaged hedging as part of its financial risk management strategy.

Under Gippsland Water's Treasury Management Policy all new borrowings must be approved by the Treasurer of Victoria as part of the annual Financial Accommodation. The Treasury Management Policy also sets specific targets for the management of financial risk by avoiding a concentration in maturities in order to minimise the Corporation's exposure to interest rate risk. The debt profile will be tailored to closely match the revenue stream and/or the maturity of the underlying assets.

Exposure to interest rate risk may arise from interest bearing liabilities. Minimisation of risk is achieved by mainly undertaking fixed rate instruments. These interest bearing liabilities have relatively even maturity profiles. The Corporation's interest rate risk is managed by setting borrowings with terms and maturity structures which reflect the medium and longer term capital requirements and tariff structures of the Corporation. The aim of interest rate risk is to minimise the longer term cost of borrowings by limiting the exposure of the Corporation to interest repricing in any one period by adopting debt portfolio maturities and to spread debt between fixed and floating instruments.

On a monthly basis the Board is provided with the following information.

- (i) Borrowings portfolio balances, maturity dates and interest rates.
- (ii) Maturity profile of borrowings.
- (iii) Financial Accommodation approval for the year against actual borrowings for the year.
- (iv) Interest expense analysis of actual interest expense, dollars and rate compared to the budget for both month and year to date.

This information is also provided to the Audit Committee on a quarterly basis.

(ii) Foreign Exchange Risk

The Corporation is exposed to an insignificant foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. While there is a limited amount of purchases denominated in foreign currencies the risk is further reduced by a short time frame between commitment and settlement.

(iii) Other Price Risk

The Corporation has no significant exposure to Other Price Risk.

Market Risk Sensitivity Analysis

Taking into account past performance, future expectations, economic forecasts, and managements knowledge and experience of the financial markets the Corporation believes the following movements are 'reasonably possible' over the next 12 months.

The current forecast from TCV indicates cash rates to remain flat for the year ahead. Management considers the most 'reasonably possible' change to interest rates is 0.5%. The sensitivity analysis set out below applies a 0.5% (2007: 1%, Inflationary pressures were building in the economy leading to a higher expectation of interest rate rises during 2007-08) movement over the financial instruments and shows a +/- impact of \$429,000 (2007: \$34,000) to Profit and Equity. However the reported interest bearing liabilities are all fixed interest and have a fixed term, the effective interest rate risk to Profit and Loss and Equity is limited to debt which will mature in the current year.

At the reporting date the Corporation had no exposure to foreign currencies. A sensitivity calculation has not been performed. Foreign currency exposure at 2007 was also nil.

As the Corporation has determined there is no material impact on Profit and Loss or Equity from 'other price' risk movements, a sensitivity analysis to Profit and Loss and Equity has not been calculated.

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2008

Note 2 - Continued

The table below sets out for each financial instrument the potential impact on the Profit and Equity held by the Corporation for interest rate risk which management consider to be 'reasonably possible' at 30 June 2008.

2008		Carrying Amount \$'000	+ 0.5% Profit \$'000	Interest Rate Risk + 0.5% Equity \$'000	- 0.5% Profit \$'000	- 0.5% Equity \$'000
Financial Assets						
Cash and Cash Equivalents	(1)	2,130	11	11	(11)	(11)
Trade Receivables	(2)	15,620	-	-	-	-
Other Receivables	(2)	2,444	-	-	-	-
Other Financial Asset - Current	(2)	105	-	-	-	-
Other Financial Asset - Non-current		1,000	5	5	(5)	(5)
Financial Liabilities						
Payables	(2)	22,933	-	-	-	-
Interest Bearing Liabilities	(3)	89,000	(445)	(445)	445	445
Total			(429)	(429)	429	429

(1) All cash at bank at variable interest rates.

(2) Receivables and Payables are not subject to interest, foreign exchange or other price risks.

(3) All interest bearing liabilities at fixed rate.

The table below sets out for each financial instrument the potential impact on the Profit and Equity held by the Corporation for interest rate risk at 30 June 2007.

2007		Carrying Amount \$'000	+ 1.0% Profit \$'000	Interest Rate Risk + 1.0% Equity \$'000	- 1.0% Profit \$'000	- 1.0% Equity \$'000
Financial Assets						
Cash and Cash Equivalents	(1)	31,418	314	314	(314)	(314)
Trade Receivables	(2)	6,298	-	-	-	-
Other Receivables	(2)	2,679	-	-	-	-
Other Financial Asset - Current	(2)	37	-	-	-	-
Other Financial Asset - Non-current		1,000	10	10	(10)	(10)
Financial Liabilities						
Payables	(2)	15,391	-	-	-	-
Interest Bearing Liabilities	(3)	29,000	(290)	(290)	290	290
Total			34	34	(34)	(34)

(1) All cash at bank at variable interest rates.

(2) Receivables and Payables are not subject to interest, foreign exchange or other price risks.

(3) All interest bearing liabilities at fixed rate.

Notes to the Financial Statements for the year ended 30 June 2008

(b) Credit Risk

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

The Corporation measures credit risk on a fair value basis and monitors risk on a regular basis. The Corporation minimises concentrations of credit risk in relation to trade accounts receivable by undertaking transactions with a large number of customers and does not have any significant credit risk exposure to any single counterparty.

Credit risk in trade receivables is managed by payment terms of 30 days. No interest is charged for the first 30 days from the date of invoice. Thereafter interest may be charged at a rate of 7.69% p.a. on the outstanding balance.

The credit risk of receivables which are neither past due or impaired are largely determined by market segments within the total debt. The Corporation operates within a number of market segments and the associated risks are described below.

- (i) Receivables due from property owners resulting from the provision of water or wastewater services are not deemed to be impaired as collection is virtually certain under the covenants of the *Water Act 1989*.
- (ii) Collection from residential tenancy customers are not protected from the covenants of the *Water Act 1989*. A portion of these customers may ultimately form uncollectible debt and become impaired.
- (iii) Transactions with the unregulated commercial sector are conducted after undertaking regular credit reference checks and ensuring prompt recovery action is taken if payment is not received within normal payment terms.
- (iv) The Corporation also provides water and wastewater services to major industry under long term commercial contracts. The Corporation regularly meets with each customer and has established a separate department to manage these customers. Residual risk is considered minimal.

No collateral is held against any class of financial asset or impaired financial asset. The Corporation relies upon the *Water Act 1989* to secure claims against land owners. However Gippsland Water remains exposed for residential and non residential tenancy customers and for final water usage for land owners. Provision of impairment for financial assets is calculated based on past experience and current and expected changes in customer credit ratings.

The carrying amount of financial assets recorded in the Financial Report, net of any allowances for losses represents the Corporations maximum exposure to credit risk without taking account of the value of any collateral obtained.

(c) Liquidity Risk

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

The Corporation manages liquidity risk through monitoring future cash flows and maturities planning to ensure sufficient funds are available to meet obligations as they fall due on a day to day basis. Liquidity risk is also managed by the maintenance of adequate reserves and ensuring sufficient standby credit facilities are available.

Financing arrangements

At the reporting date the Corporation had the following undrawn borrowing facilities

	2008 \$'000	2007 \$'000
Undrawn Annual		
Financial Accommodation	55,000	

The annual Financial Accommodation represents the Treasurer of Victoria's approved borrowing limits for the year. The Corporation does not have approved borrowing facilities with other financial institutions.

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2008

Note 2 - Continued

Maturities of financial liabilities

2008	Less than 6 months	6-12 months	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities						
Payables	22,933	-	-	-	-	22,933
Borrowings	9,500	-	-	39,500	40,000	89,000
Total Financial Liabilities	32,433	-	-	39,500	40,000	111,933

2007	Less than 6 months	6-12 months	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities						
Payables	15,391	-	-	-	-	15,391
Borrowings	-	-	9,500	9,500	10,000	29,000
Total Financial Liabilities	15,391	-	9,500	9,500	10,000	44,391

2.2 Fair Value

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Corporation is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Corporation uses a variety of methods and makes assumptions that are based on the market conditions existing at each balance date. Quoted market prices for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the market interest rate that is available to the Corporation for similar financial instruments.

Notes to the Financial Statements for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
Note 3 Operating Statement - Disclosures			
(a) Revenue			
<u>Service Charges</u>			
- Water Service Charges		11,263	10,873
- Wastewater Charges		27,072	24,202
- Trade Waste Charges		90	68
Total Service Charges	I (b)	38,425	35,143
<u>Volumetric Charges</u>			
- Water		16,233	16,525
- Wastewater		3,241	2,851
Total Volumetric Charges	I (b)	19,474	19,376
<u>Government Contributions</u>			
- Operating		-	-
- Non Operating		-	1,486
Total Government Contributions	I (b)	-	1,486
<u>Developer Contributions</u>			
- Fees Paid by Developers		1,285	663
- Assets Received from Developers		4,005	4,267
Total Developer Contributions	I (b)	5,290	4,930
Interest received from financial assets not at fair value through Profit/Loss		883	1,832
<u>Other Revenue - Operating</u>			
- Agriculture pursuits		1,738	1,131
- Prescribed Waste		1,749	1,821
- Other Fees		1,985	1,963
Total Other Revenue - Operating	I (b)	5,472	4,915
(b) Net Gains and Expenses			
The surplus from operating activities includes the following specific net gains and expenses			
Net Gain (Loss) on Disposal of Property, Plant & Equipment			
- Proceeds on Sale		472	805
- Written Down Value		(640)	(998)
Net Gain (Loss) on Disposal of Property, Plant and Equipment		(168)	(193)
Non-current Asset Held for Sale			(15)
Total Net Loss on Disposal of Property Plant and Equipment		(168)	(208)

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2008

Note 3 - Continued	Note	2008 \$'000	2007 \$'000
(c) Expenses			
Depreciation			
- Buildings		510	580
- Water Infrastructure		8,181	7,575
- Wastewater Infrastructure		9,048	8,480
- Plant and Equipment		1,338	1,193
- Motor Vehicles		465	423
Less Depreciation Capitalised		-	(37)
Total Depreciation		19,542	18,214
Amortisation			
- Software	12	721	848
Total Depreciation and Amortisation	25	20,263	19,062
Impairment Loss on Financial Assets - Receivables	1(i)6	66	-
Impairment of Non Financial Assets	10(b)	999	189
Total Impairment Losses		1,065	189
Borrowing Cost			
- Interest on TCV borrowings	1(c)	3,509	911
- Financial Accommodation Levy	1(c)	365	119
Total Borrowing Cost		3,874	1,030
Superannuation Contributions	23	2,254	1,798
Net loss arising from changes in fair value less estimated point of sale costs of livestock		106	58
Auditors Remuneration			
Auditor General for Audit of Financial Statements		45	46
Internal Audit (RSM Bird Cameron)		83	57
(d) Individually Significant Items			
Environmental Contribution	1(p)	2,030	2,030

Notes to the Financial Statements for the year ended 30 June 2008

Note 4 Income Tax

Income Tax Expense for the Financial Year differs from amount calculated on the Net Result. The differences are reconciled as follows:

(a) Components of Tax Expense

	2008 \$'000	2007 \$'000
Current tax payable	-	-
Deferred tax relating to temporary differences	-	-
Adjustment for current tax on prior periods	-	-
Aggregate Income Tax Expense	-	-

Deferred income tax is not calculated as it is unlikely the Corporation will generate sufficient operating profits in the future - refer Note 1 (n). Accordingly there is no recognition of deferred tax assets or liabilities.

(b) Reconciliation of Income Tax to Prima Facie Tax Payable

Net result before income tax expense	(271)	3,528
Tax at the Australian tax rate of 30% (2007: 30%)	(81)	1,058
Tax effect of amounts which are not deductible (taxable) in calculating taxable income.		
Adjustments Relating to Prior Years	-	-
Non Deductible Sundry Expenses	5	5
Income Tax Adjusted for Non Deductible (taxable) Items.	(76)	1,063
Benefit of Tax Losses from Prior years Recouped	(76)	1,063
Income tax expense as reported in the Operating Statement	-	-

(c) Amounts Recognised Directly in Equity

Aggregate current and deferred tax arising in the reporting period and not recognised in the net profit or loss but directly debited or credited to equity.

	2008 \$'000	2007 \$'000
	-	-

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2008

Note 5 Cash and Cash Equivalents

	2008 \$'000	2007 \$'000
Cash on Hand (a)	2	2
Cash at Bank (b)	2,128	31,416
Total Cash and Cash Equivalents	2,130	31,418
(a) Cash on Hand		
Cash on Hand is non interest bearing		
(b) 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:		
Balances as above	2,130	31,418
Balances as per Cash Flow Statement	2,130	31,418

Note 6 Receivables

Trade Receivables	15,766	6,378
Allowance for Doubtful Debts	(146)	(80)
Goods and Services Taxation Refund Due	1,771	1,523
Prepayments	561	902
Accrued Revenue	1,883	1,777
Total Receivables	19,835	10,500
Movement in Allowance for Doubtful Debts		
Opening balance at 1 July	(80)	(80)
Increase / decrease in allowance recognised in profit or loss	(244)	(63)
Amounts recovered during the year:	(25)	(23)
Amounts written off during the year	203	86
Closing balance at 30 June	(146)	(80)
A provision has been made for estimated irrecoverable amounts, determined by reference to past default experience. The movement in the allowance was recognised in the operating result for the financial year:		
The carrying amount of Trade Receivables that would otherwise be past due or impaired whose terms have been renegotiated.	570	706
Trade Receivable Past Due But Not Impaired		
30 - 60 Days	1,755	966
60 - 90 Days	322	205
Over 90 Days	610	702
Total Trade Receivables past due but not impaired	2,687	1,873

Total Impaired Trade Receivables at 30 June were \$146,000 (2007: \$80,000). The value of impaired assets is derived after determining the market segment as itemised in Note 2 Financial Risk Management Objectives and Policies, refer Credit Risk and to the ageing of such accounts. An assessment is made as to the ultimate collectability of such aged customer accounts.

The Prepayments and Accrued Revenue do not contain impaired assets and are not past due. Based on credit history, the Other Receivables are expected to be received when due.

Notes to the Financial Statements for the year ended 30 June 2008

Note 6 - Continued

Foreign Exchange Risk

At 30 June 2008 (2007: Nil) the Corporation had no receivable denominated in a foreign currency.

Fair Value and Credit Risk

Receivables by their nature have short term maturities, the carrying value is assumed to reflect the fair value.

Refer to Note 2 Financial Risk Management Objectives and Policies for further disclosures on the risk management and credit quality of these financial assets.

	2008 \$'000	2007 \$'000
Note 7 Inventories		
Stores and Consumables - at Cost	1,209	1,052
Total Inventories	1,209	1,052
Note 8 Other Financial Assets - Receivables		
Current Other Financial Assets		
Other Receivables		
Private Schemes Unmatured Capital	7	14
Other	18	16
Total Other Current Assets - Receivables	25	30
Non-current Other Financial Assets		
Other Receivables		
Private Schemes Unmatured Capital	80	7
Total Other Financial Assets - Receivables	105	37

A private scheme arises when sewerage is first connected to a previously unsewered small town. Residents are offered payment terms of up to 20 years which exclude interest.

The 'Other' financial assets are sundry receivables due from employees of the Corporation.

The receivables do not contain impaired assets and are not past due. The Corporation does not hold any collateral over these financial assets. Based on credit history, the receivable is expected to be received when due and the carrying amount is assumed to approximate their fair value.

There are no foreign currency amounts or exposures to foreign currencies in these assets.

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2008

		2008 \$'000	2007 \$'000
Note 9	Other Financial Assets - Non-current		
	Non-current Other Financial Assets		
	At amortised cost		
	Held to Maturity Investment	1,000	1,000
	Total Other Financial Assets	1,000	1,000
	The fair value of the Held to Maturity Investment at balance date is:	1,019	1,005

This Held to Maturity Investment takes the form of an assurance as an occupier of a landfill to fulfill certain obligations. Accordingly the investment will remain on deposit with TCV with no specified maturity date. Refer to Note 1 (m) for further details.

The maximum exposure to credit risk at the reporting date is the carrying amount of the asset.

The Held to Maturity Investment is not impaired and the Corporation does not hold any collateral over this asset.

The Held to Maturity Investment is in Australian dollars and there is no foreign currency exposure.

Notes to the Financial Statements for the year ended 30 June 2008

		2008 \$'000	2007 \$'000
Note 10	Property, Plant and Equipment		
	a) Classes of property, plant and equipment		
	Land		
	At Cost	106	1
	At Fair Value (2007: 30 June 2007 Valuation)	25,928	25,943
		<u>26,034</u>	<u>25,944</u>
	Buildings		
	At Cost	777	-
	At Fair Value (2007: 30 June 2007 Valuation)	10,084	10,084
	Less: Accumulated Depreciation	(511)	(1)
		<u>10,350</u>	<u>10,083</u>
	Water Infrastructure		
	At Cost	255,692	241,165
	Less: Accumulated Depreciation	(30,221)	(22,099)
		<u>225,471</u>	<u>219,066</u>
	Wastewater Infrastructure		
	At Cost	266,923	243,287
	Less: Accumulated Depreciation	(32,912)	(24,197)
		<u>234,011</u>	<u>219,090</u>
	Plant, Equipment and Other		
	At Cost	13,188	11,887
	Less: Accumulated Depreciation	(6,720)	(5,771)
		<u>6,468</u>	<u>6,116</u>
	Motor Vehicles		
	At Cost	3,723	3,593
	Less: Accumulated Depreciation	(855)	(502)
		<u>2,868</u>	<u>3,091</u>
	Under Construction (Work In Progress)	152,980	79,796
		<u>152,980</u>	<u>79,796</u>
	Total Property, Plant and Equipment	<u>658,182</u>	<u>563,186</u>

Infrastructure assets are held at cost in accordance with FRD 103C. Land and Buildings were valued at 30 June 2007 by CJ Lee & Associates, refer Note 1 (d).

(i) Capital works 'Under Construction' includes \$137,184,611 (2007: \$47,113,075) for the Gippsland Water Factory project.

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2008

Note 10 Property, Plant and Equipment (continued)

2007-2008

b) Movements during the reporting period

	Opening WDV 1 July 2007 \$'000	Additions \$'000	Disposals \$'000	Net Revaluation \$'000	Other (Transfers) \$'000	Impairment (a) \$'000	Depreciation \$'000	Closing WDV 30 June 2008 \$'000
Land								
At Cost	1	-	-	-	105	-	-	106
At Independent Valuation	25,943	-	-	(15)	-	-	-	25,928
	<u>25,944</u>	<u>-</u>	<u>-</u>	<u>(15)</u>	<u>105</u>	<u>-</u>	<u>-</u>	<u>26,034</u>
Buildings								
At Cost	-	-	-	-	777	-	(7)	770
At Independent Valuation	10,083	-	-	-	-	-	(503)	9,580
	<u>10,083</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>777</u>	<u>-</u>	<u>(510)</u>	<u>10,350</u>
Water Infrastructure								
At Cost	219,066	1,414	(131)	-	13,515	(212)	(8,181)	225,471
At Deprival Value	-	-	-	-	-	-	-	-
	<u>219,066</u>	<u>1,414</u>	<u>(131)</u>	<u>-</u>	<u>13,515</u>	<u>(212)</u>	<u>(8,181)</u>	<u>225,471</u>
Wastewater Infrastructure								
At Cost	219,090	2,674	(78)	-	22,128	(755)	(9,048)	234,011
At Deprival Value	-	-	-	-	-	-	-	-
	<u>219,090</u>	<u>2,674</u>	<u>(78)</u>	<u>-</u>	<u>22,128</u>	<u>(755)</u>	<u>(9,048)</u>	<u>234,011</u>
Plant and Equipment & Other								
At Cost	6,116	-	(51)	-	1,773	(32)	(1,338)	6,468
	<u>6,116</u>	<u>-</u>	<u>(51)</u>	<u>-</u>	<u>1,773</u>	<u>(32)</u>	<u>(1,338)</u>	<u>6,468</u>
Motor Vehicles								
At Cost	3,091	-	(380)	-	622	-	(465)	2,868
	<u>3,091</u>	<u>-</u>	<u>(380)</u>	<u>-</u>	<u>622</u>	<u>-</u>	<u>(465)</u>	<u>2,868</u>
Under Construction	79,796	113,929	-	-	(40,745)	-	-	152,980
	<u>79,796</u>	<u>113,929</u>	<u>-</u>	<u>-</u>	<u>(40,745)</u>	<u>-</u>	<u>-</u>	<u>152,980</u>
Total Property, Plant and Equipment	563,186	118,017	(640)	(15)	(1,825)	(999)	(19,542)	658,182

(a) Impairment during the year was mainly due to the redundancy of assets after the removal of the oxygen dissolvers along the Regional Outfall Sewer. Also an allowance for assets which will become redundant during 2008-09 following the commissioning of the Gippsland Water Factory.

Notes to the Financial Statements for the year ended 30 June 2008

Note 10 Property, Plant and Equipment (continued)

2006-2007

b) Movements during the reporting period

	Opening WDV 1 July 2006 \$'000	Additions \$'000	Disposals \$'000	Net Revaluation \$'000	Other (Transfers) \$'000	Impairment \$'000	Depreciation \$'000	Closing WDV 30 June 2007 \$'000
Land								
At Cost	331	-	-	-	(330)	-	-	1
At Independent Valuation	12,932	-	(5)	12,197	819	-	-	25,943
	<u>13,263</u>	<u>-</u>	<u>(5)</u>	<u>12,197</u>	<u>489</u>	<u>-</u>	<u>-</u>	<u>25,944</u>
Buildings								
At Cost	1,247	-	-	-	(969)	-	(278)	-
At Independent Valuation	6,759	-	(11)	701	2,936	-	(302)	10,083
	<u>8,006</u>	<u>-</u>	<u>(11)</u>	<u>701</u>	<u>1,967</u>	<u>-</u>	<u>(580)</u>	<u>10,083</u>
Water Infrastructure								
At Cost	212,184	1,416	-	-	13,230	(189)	(7,575)	219,066
At Deprival Value	-	-	-	-	-	-	-	-
	<u>212,184</u>	<u>1,416</u>	<u>-</u>	<u>-</u>	<u>13,230</u>	<u>(189)</u>	<u>(7,575)</u>	<u>219,066</u>
Wastewater Infrastructure								
At Cost	217,221	3,135	-	-	7,214	-	(8,480)	219,090
At Deprival Value	-	-	-	-	-	-	-	-
	<u>217,221</u>	<u>3,135</u>	<u>-</u>	<u>-</u>	<u>7,214</u>	<u>-</u>	<u>(8,480)</u>	<u>219,090</u>
Plant and Equipment & Other								
At Cost	6,234	-	(72)	-	1,147	-	(1,193)	6,116
	<u>6,234</u>	<u>-</u>	<u>(72)</u>	<u>-</u>	<u>1,147</u>	<u>-</u>	<u>(1,193)</u>	<u>6,116</u>
Motor Vehicles								
At Cost	2,733	-	(910)	-	1,691	-	(423)	3,091
	<u>2,733</u>	<u>-</u>	<u>(910)</u>	<u>-</u>	<u>1,691</u>	<u>-</u>	<u>(423)</u>	<u>3,091</u>
Under Construction	35,642	69,892	-	-	(25,738)	-	-	79,796
	<u>35,642</u>	<u>69,892</u>	<u>-</u>	<u>-</u>	<u>(25,738)</u>	<u>-</u>	<u>-</u>	<u>79,796</u>
Total Property, Plant and Equipment	495,283	74,443	(998)	12,898	-	(189)	(18,251)	563,186

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2008

	2008 \$'000	2007 \$'000
Note 11 Biological Assets		
Current		
Fodder	51	28
Crops - Feed Grade	79	11
Cattle	1,032	995
Sheep	172	48
Plantation Softwood	297	-
Total Current Biological Assets	1,631	1,082
Non-current		
Plantation Softwood	757	718
Cattle	734	1,001
Total Non-current Biological Assets	1,491	1,719
Total Biological Asset Carrying Amount at 30 June	3,122	2,801
Movement in Carrying Amount		
Carrying amount at 1 July	2,801	2,747
Increases due to:		
Purchases	173	134
Natural Increase	1,005	661
New Crops	-	-
Fair Value increase - Livestock and Plantations	321	421
Decreases attributable to:		
Sales	(1,154)	(1,128)
Deaths	(24)	(34)
Carrying amount at 30 June	3,122	2,801

Notes to the Financial Statements for the year ended 30 June 2008

	2008 \$'000	2007 \$'000	2008 Qty	2007 Qty
(a) Plants				
Consumable Assets				
Immature Assets				
Fodder				
Silage - (Qty Bales)	39	28	850	390
Cereal and Legume Silage (Tonnes)	8	-	100	-
Hay	4	-	62	-
Crops				
Feed Wheat (Qty Tonnes)	22	8	50	25
Feed Barley (Qty Tonnes)	10	3	25	10
Corn	32	-	70	-
Triticale	15	-	35	-
Softwood Pinus Radiata (Qty Ha)	297	-	NA	NA
Total Consumable Assets	427	39		
Non-bearer Assets				
Immature Assets				
Softwood Pinus Radiata (Qty Ha)	757	718	399	284
Total Non-bearer Assets	757	718		
(b) Animals				
Consumable Assets				
Immature Assets				
Weaners and Heifers	1,032	995	1,799	1,721
Lambs	172	48	3,092	1,150
Total Consumable Assets	1,204	1,043	4,891	2,871
Bearer Assets				
Mature Assets				
Cows and Bulls	734	1,001	838	1,152
Total Bearer Assets	734	1,001	838	1,152
Output				
Crops and Livestock	1,005	661	1,180	1,182
Fair value of output was determined at closing market value				

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2008

Note 12 Intangible Assets

	2008 \$'000s	2007 \$'000s
Intangible Assets Work in Progress	572	276
Intangible Assets Amortised - Software	1,968	2,219
Total Intangible Assets	<u>2,540</u>	<u>2,495</u>

Intangible Assets - Software

	Software \$'000s	Total \$'000s
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At 1 July 2006

Cost (gross carrying amount)	5,533	5,533
Accumulated amortisation and impairment	<u>(3,519)</u>	<u>(3,519)</u>
Net carrying amount	<u>2,014</u>	<u>2,014</u>

Year ended 30 June 2007

Opening net carrying amount	2,014	2,014
Additions - acquisitions	1,053	1,053
Amortisation charge	<u>(848)</u>	<u>(848)</u>
Closing net carrying amount	<u>2,219</u>	<u>2,219</u>

At 30 June 2007

Cost (gross carrying amount)	6,585	6,585
Accumulated amortisation and impairment	<u>(4,366)</u>	<u>(4,366)</u>
Net carrying amount	<u>2,219</u>	<u>2,219</u>

Year ended 30 June 2008

Opening net carrying amount	2,219	2,219
Additions - acquisitions	470	470
Amortisation charge	<u>(721)</u>	<u>(721)</u>
Closing net carrying amount	<u>1,968</u>	<u>1,968</u>

At 30 June 2008

Cost (gross carrying amount)	7,055	7,055
Accumulated amortisation and impairment	<u>(5,087)</u>	<u>(5,087)</u>
Net carrying amount	<u>1,968</u>	<u>1,968</u>

Notes to the Financial Statements for the year ended 30 June 2008

	2008 \$'000	2007 \$'000
Note 13 Payables		
Trade Payables	2,451	4,134
Accrued Expenses	16,039	9,378
Other		
Security Deposits	3,317	996
Retentions	239	328
Overpaid Rates and Charges	785	478
Unclaimed Monies	5	-
Other	97	77
Total Payables	22,933	15,391
Total Payables do not include any foreign currency denominated liabilities (2007: Nil).		
Note 14 Interest Bearing Liabilities		
Current Secured Borrowing - TCV	9,500	-
Total Current Secured Interest Bearing Liabilities	9,500	-
Total Current Interest Bearing Liabilities	9,500	-
Non-current Secured Borrowing - TCV	79,500	29,000
Total Non-current Secured Interest Bearing Liabilities	79,500	29,000
Total Non-current Interest Bearing Liabilities	79,500	29,000
Total Interest Bearing Liabilities	89,000	29,000
Term to Maturity		
0 - 1 Year	9,500	-
1 - 4 Years	19,500	19,000
4 - 8 Years	50,000	10,000
8 Years and over	10,000	-
Total Interest Bearing Liabilities	89,000	29,000
Fair Value		
Non Traded Financial Liabilities Borrowing - TCV	88,275	28,958

The fair values of borrowings are based on cash flows discounted using borrowing rates varying from 7.08% to 7.61%, (2007: 6.64% to 6.78%).

The borrowings are secured by a guarantee signed by the Treasurer of Victoria on 24 November 2005 in favour of TCV as lender in respect to financial accommodation obtained by the Corporation under section 8 of the BIP Act.

The borrowings are in Australian dollars, there are no foreign currency denominated amounts or foreign currency exposures.

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2008

		2008 \$'000	2007 \$'000
Note 15	Employee Benefits		
	Current		
	All annual leave, sick leave, employee bonuses and long service leave representing 7 and more years of continuous service.		
	Short-term employee benefits, that fall due within 12 months after the end of the period, measured at nominal value.	1,934	1,849
	Other long-term employee benefits that do not fall due within 12 months after the end of the period, measured at present value.	2,154	2,171
	Total Current Employee Benefits	4,088	4,020
	Non-current		
	Conditional Long Service Leave	473	408
	Total Non-current Employee Benefits	473	408
	Total Employee Benefits	4,561	4,428
	Employee numbers at end of financial year (FTE)	208	220
	The following assumptions were adopted in measuring the present value of long service leave and retirement gratuity entitlements:		
	Weighted average increase in employee costs	4.75%	4.50%
	Weighted average discount rates	6.45 - 6.91%	6.01 - 6.18%
	Weighted average settlement period	13	13
	The Corporation made the following ex-gratia payments (\$'000).	44	112
	These ex-gratia payments were mainly for employee retirement.		

Notes to the Financial Statements for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
Note 16	Long Term Provisions		
	Non-current		
	Bioremediation Pond	1,016	1,016
	Total Long Term Provisions	1,016	1,016
	Note 1(m) outlines the purpose for creating the Bioremediation provision. The provision recognises the present value of estimated expenditure to rehabilitate the Bioremediation Pond at Dutson Downs.		
	Movements in Provisions		
	Movements in each class of provision during the financial year; other than employee benefits, are set out below:		
	Bioremediation Pond		Total
	Opening balance at 1 July	1,016	1,016
	Additional provisions recognised	-	-
	Payments or other sacrifices of economic benefits	-	-
	Reductions from remeasurement or settlement without cost	-	-
	Closing balance at 30 June	1,016	1,016
Note 17	Contributions by Owners		
	Opening balance at 1 July	244,650	228,650
	Capital contributions in the year	8,245	16,000
	Closing balance at 30 June	252,895	244,650
Note 18	Reserves		
	Asset Revaluation Reserve	23,300	23,315
	Total Reserves	23,300	23,315
	Movements in Reserves		
	Asset Revaluation Reserve		
	Opening balance at 1 July	23,315	10,417
	Revaluation increment on non-current assets	10(b) (15)	12,898
	Closing balance at 30 June	23,300	23,315
	The asset revaluation reserve is used to record asset revaluation increments and decrements in the value of non-current physical assets.		
Note 19	Accumulated Funds		
	Opening balance at 1 July	294,689	291,161
	Net Surplus	(271)	3,528
	Closing balance at 30 June	294,418	294,689

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2008

Note 20

Commitments

Non Cancellable Operating Lease Commitments

At 30 June, the Corporation had operating lease commitments due for payment as follows:

0 - 1 year	70	74
1 - 5 years	302	315
5 years and over	251	257
Total Operating Lease Commitments	623	646

Capital Expenditure Commitments (a)

Property, Plant and Equipment

- within one year	65,748	23,763
- later than one year but not later than five years	-	-
- later than five years	-	-
Total Capital Commitments	65,748	23,763

Other Commitments

Environmental contribution - refer Note 1 (p).

10,464	2,030
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At 30 June, the Corporation did not have any outstanding commitments for the purchase of biological assets or intangible assets.

(a) Capital Expenditure Commitments

On 20 December 2005 the Corporation entered into an Alliance Agreement to design and construct a new wastewater treatment facility, known as the Gippsland Water Factory. Construction of the project has progressed throughout the year. The outstanding capital commitments at 30 June 2008 were \$62.9M, (2007 \$18.0M) and are included in the total for Property, Plant and Equipment Commitment.

Note 21

Contingent Liabilities and Contingent Assets

At balance date the Corporation was not aware of any material contingent liabilities or contingent assets which are not recorded or disclosed in these accounts.

Notes to the Financial Statements for the year ended 30 June 2008

Note 22 Operating Results of Retail Services

The revenue from and results of services within Retail Operations were:

	Urban Water Supply		Wastewater		Other		Total Retail Operations	
	2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
Revenue								
Service Charges	11,263	10,873	27,162	24,270	-	-	38,425	35,143
Usage Charges	16,233	16,525	3,241	2,851	1,747	1,817	21,221	21,193
Contributions	1,884	2,854	3,406	3,162	-	400	5,290	6,416
Other	1,414	1,208	520	793	2,359	2,555	4,293	4,556
Inter-segment	-	-	-	-	135	140	135	140
Unallocated Revenue	-	-	-	-	1,392	1,525	1,392	1,525
Total Revenue	30,794	31,460	34,329	31,076	5,633	6,437	70,756	68,973
Expenses								
Operation and Maintenance	12,097	12,208	9,458	10,701	2,678	2,207	24,233	25,116
Administration	10,265	9,594	9,800	8,141	427	332	20,492	18,067
Depreciation	9,525	9,020	10,401	9,755	337	287	20,263	19,062
Borrowing Cost	1,972	525	1,825	484	77	21	3,874	1,030
Environmental Contribution	1,034	1,035	955	954	41	41	2,030	2,030
Inter-segment					135	140	135	140
Total Expenses	34,893	32,382	32,439	30,035	3,695	3,028	71,027	65,445
Service Result	(4,099)	(922)	1,890	1,041	1,938	3,409	(271)	3,528
Add Unallocated Revenue							-	-
Less Unallocated expenses							-	-
Operating Surplus from Retail Operations							(271)	3,528

The Corporation does not have any material wholesale operation.

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2008

Note 23 Superannuation

The Corporation makes employer superannuation contributions in respect of most employees to Vision Super (The Fund). The Fund has two categories of membership, each of which is funded differently.

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9% under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to the employees are represented by their share of net assets of the Fund.

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 allocate benefit liabilities, assets and costs between employers. As provided under paragraph 32(b) of AASB 119, the Corporation does not use defined benefit accounting for these contributions.

The Corporation makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on 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 2005, the Trustee has determined that the current funding arrangements are adequate for the expected Defined Benefit Plan liabilities. The Corporation makes the following contributions:

- 9.25% - 15.25% of members salaries;
- the difference between resignation and retrenchment benefits paid to any retrenched employees, plus contribution tax (same as previous year).

The Fund's liability for accrued benefits was determined in the 31 December 2005 actuarial investigation pursuant to the then requirements of Australian Accounting Standard AAS 25 as follows:

	\$M
Net Market Value of Assets	2,194
Accrued Benefits (per accounting standard)	2,172
Difference between Assets and Accrued Benefits	22
Vested Benefits	1,564

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

- Net Investment Return	8.0%
- Salary Inflation	5.5%
- Price Inflation	2.5%

Notes to the Financial Statements for the year ended 30 June 2008

The Corporation contributes in respect of its employees to the following superannuation schemes:

	Type of Scheme	Contribution Rate	2008 \$'000	2007 \$'000
Vision Super - Defined Benefits	Defined Benefit	9.25 - 15.25%	323	318
Vision Super - Defined Benefits (Employee Salary Sacrifice)	Defined Benefit	Various	109	81
Vision Super - Super Saver	Accumulation	9%	860	815
Vision Super - Super Saver (Employee Salary Sacrifice)	Accumulation	Various	696	401
EquipSuper Fund	Accumulation	9%	26	25
EquipSuper Fund (Employee Salary Sacrifice)	Accumulation	Various	2	3
REST Superannuation	Accumulation	9%	18	15
REST Superannuation (Employee Salary Sacrifice)	Accumulation	Various	-	3
VicSuper	Accumulation	9%	20	11
VicSuper (Employee Salary Sacrifice)	Accumulation	Various	7	1
BT Superwrap	Accumulation	9%	9	7
BT Superwrap (Employee Salary Sacrifice)	Accumulation	Various	12	8
Asgard Superannuation	Accumulation	9%	9	8
AustralianSuper	Accumulation	9%	17	7
Hostplus Superannuation	Accumulation	9%	9	7
Other Retail Superannuation Funds	Accumulation	9%	36	10
Other Retail Superannuation Funds (Employee Salary Sacrifice)	Accumulation	Various	14	-
Self Managed Superannuation Funds	Accumulation	Various	87	78
Total (Refer Note 1(l) 3(c))			2,254	1,798

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2008

Note 24 Responsible Person's Related Disclosures

a) Responsible Persons

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

The Hon. John Thwaites MP - Minister for Water, Environment and Climate Change. (1 July 2007 - 29 July 2007)

The Hon. Tim Holding MP - Minister for Water: (3 August 2007 - 30 June 2008)

Board Members

Richard McDowell (Appointed to Board and Chairperson 1 October 2007)

Peter Wilson

Leah Young

Alan Seale

Brendan Jenkins (Appointed 1 October 2007)

Janice van Reyk (Appointed 1 October 2007)

David Mawer Managing Director (Appointed 14 April 2008)

Richard Elkington (Resigned as Chairperson 6 July 2007 and resigned from the Board on 30 September 2007)

Pamela Keating (Appointed Acting Chairperson 6 July 2007, resigned on 30 September 2007)

Keith Hamilton (Resigned 30 September 2007)

Anthony Flynn (Resigned 6 February 2008)

John Mitchell - Chief Executive Officer (Appointed as Managing Director on 27 July 2007, resigned 7 January 2008)

David Evans Acting Managing Director (Appointed 24 December 2008 to 13 April 2008)

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.

	2008 \$'000	2007 \$'000
Remuneration received, or due and receivable from the Corporation in connection with the management of the Corporation (includes termination payments and bonuses paid at the end of contracts).	106	119
	106	119

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

Income Band (\$'s)	Total Remuneration		Base Remuneration	
	2008 No.	2007 No.	2008 No.	2007 No.
Up to 9,999	3	-	3	-
10,000 - 19,999	6	7	6	7
20,000 - 29,000	1	-	1	-
30,000 - 39,999	1	1	1	1
130,000 - 139,999	-	-	1	-
210,000 - 219,999	-	-	-	1
230,000 - 239,999	-	1	-	-
290,000 - 299,999	1	-	-	-
Total Numbers	12	9	12	9

Notes to the Financial Statements for the year ended 30 June 2008

Retirement benefits of responsible persons

The retirement benefits paid by the Corporation in connection with the retirement of responsible persons of the Corporation amounted to:

2008 \$'000	2007 \$'000
-	-

Loans to responsible persons

There were no loans in existence by the Corporation to responsible persons or related parties at the date of this report.

Other Transactions

The former Director, Mr Richard Elkington is the General Manager, Power and Environment, Loy Yang Power Ltd. The Corporation provides water and wastewater services to Loy Yang Power Ltd under existing long term contracts which are based upon normal terms and conditions, consistent with similar customers.

The former Director, Ms Pamela Keating is a joint Managing Director of Sustainable Learning Australasia Pty Ltd. The Corporation has entered into a contract with Sustainable Learning Australasia Pty Ltd to provide training services based upon normal terms and conditions, consistent with similar suppliers of training services.

There were no other transactions between the Corporation and responsible persons and their related parties during the financial year.

b) Executive Officers' Remuneration

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

Income Band (\$'s)	Total Remuneration		Base Remuneration	
	2008 No.	2007 No.	2008 No.	2007 No.
100,000 - 109,999	7	3	8	5
110,000 - 119,999	9	7	8	7
120,000 - 129,999	2	3	3	1
130,000 - 139,999	3	-	1	-
140,000 - 149,999	-	1	-	1
150,000 - 159,999	-	-	-	2
160,000 - 169,999	-	-	-	-
170,000 - 179,999	1	2	3	1
180,000 - 189,999	2	-	-	-
190,000 - 200,000	-	1	1	-
210,000 - 220,000	1	-	-	-
Total Numbers	25	17	24	17
Total remuneration for the reporting period of executive officers included above amounted to (\$'000):	3,176	2,179	3,044	2,069

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2008

Note 25 Reconciliation of operating result for the period after related income tax to net cash flows from operating activities

	Note	2008 \$'000	2007 \$'000
Net Result for Period	19	(271)	3,528
Add / (Less) Non-cash Flows in operating activities			
Loss on Sale and Impairment of Property, Plant and Equipment	3(b) 3(c)	1,167	397
Depreciation and Amortisation	3(c)	20,263	19,062
Developer Contributions	3(a)	(5,290)	(4,930)
Plantations Revenue non-cash		(427)	(119)
Net Cash provided by Operating Activities before change in Assets and Liabilities		15,442	17,938
Changes in Operating Assets and Liabilities			
(Increase)/Decrease in Debtors		(907)	2,839
(Increase)/Decrease in Other Assets		1,604	(403)
(Increase)/Decrease in Doubtful Debts		66	-
(Increase)/Decrease in Inventory and Livestock		(51)	(223)
(Decrease)/Increase in Creditors and Provisions		182	1,127
Net Cash Provided By Operating Activities		16,336	21,278

Note 26 Dividends

The process to determine the 2008 dividend has not yet been completed at the reporting date. The Board's preliminary estimate for 2007-08 is the Corporation will not be required to pay a dividend on the 2007-08 operating result as it has not met the Dividend Policy determination.

Based on the 2006-07 operating result the Corporation did not meet the Dividend Policy determination. The Corporation was not requested by portfolio Minister to pay a dividend during 2007-08. No dividend has been carried forward in these accounts from a prior year.

Note 27 Events Occuring After the Balance Sheet Date

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

CENTRAL GIPPSLAND REGION WATER CORPORATION

STATUTORY CERTIFICATION

We certify that the attached financial statements of the Central Gippsland Region Water Corporation have been prepared in accordance with Part 7 of the Directions of the Australian Accounting Standards Board (ASB) under the *Financial Management Act 1994*, applicable Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to and forming part of the financial statements presents fairly the financial transactions during the year ended 30 June 2008 and the financial position of the Corporation as at 30 June 2008.

We are not aware of any circumstances, which would require any adjustments included in the financial statements to be reflecting on account.



Richard Mathewell
Chairperson
Central Gippsland Region Water Corporation



David Harvey
Managing Director
Central Gippsland Region Water Corporation



Anthony Bailey
Chief Financial Officer
Central Gippsland Region Water Corporation

Dated this 3rd day of September 2008

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members of Central Gippsland Region Water Corporation

The Financial Report

The accompanying financial report for the year ended 30 June 2008 of Central Gippsland Region Water Corporation which comprises an operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the statutory certification has been audited.

The Board Members Responsibility for the Financial Report

The Board Members of the Central Gippsland Region Water Corporation are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

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. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance 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 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 obtained is sufficient and appropriate to provide a basis for my audit opinion.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial statements published in both the annual report and on the website of the Central Gippsland Region Water Corporation for the year ended 30 June 2008. The Board Members of the Central Gippsland Region Water Corporation are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Central Gippsland Region Water Corporation web site.

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Level 24, 35 Collins Street, Melbourne Vic. 3000

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Auditing in the Public Interest

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Victorian Auditor-General's Office

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.

Auditor's Opinion

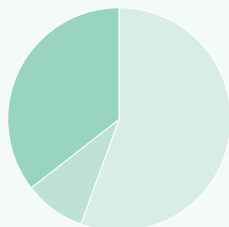
In my opinion, the financial report presents fairly, in all material respects, the financial position of Central Gippsland Region Water Corporation as at 30 June 2008 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
4 September 2008


D D R Pearson
Auditor-General

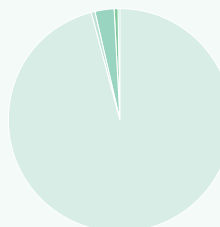
Financial Performance and Business Indicators as at 30 June 2008

Water Income from Service & Volumetric Charges



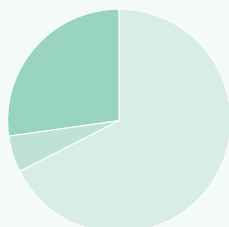
	2008 \$'000
Urban Residential	15,283
Urban Non Residential	2,503
Major Clients	9,710
TOTAL	27,496

Total Assets



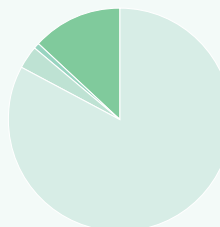
	2008 \$'000
Fixed Assets	660,722
Cash & Investments	3,130
Debtors & Receivables	19,835
Inventory & Biological	4,331
Other	105
TOTAL	688,123

Wastewater Income from Service & Volumetric Charges



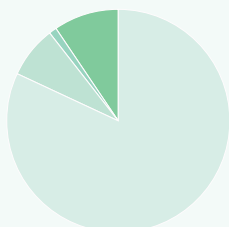
	2008 \$'000
Urban Residential	20,586
Urban Non Residential	1,573
Major Clients	8,244
TOTAL	30,403

Liabilities & Equity



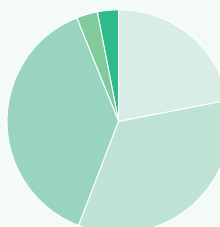
	2008 \$'000
Equity	570,613
Creditors & Accruals	22,933
Provisions	5,577
Borrowings	89,000
TOTAL	688,123

Total Income from All Sources



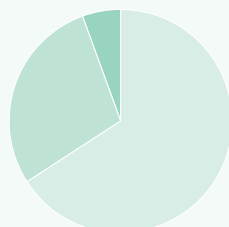
	2008 \$'000
Service & Volumetric	57,899
Develop't Contributions	5,290
Interest	883
Other	6,549
TOTAL	70,621

Business Stream Revenue



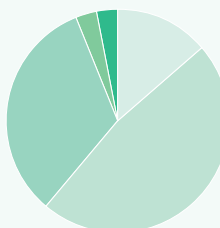
	2008 %
Bulk	22
Water	34
Waste	38
Soil and Organic Recycling Facility	3
Agriculture	3
TOTAL	100

Total Expenses



	2008 \$'000
Operations, Maint & Administration	46,755
Depreciation	20,263
Interest	3,874
TOTAL	70,892

Business Stream Expenses



	2008 %
Bulk	14
Water	48
Waste	32
Soil and Organic Recycling Facility	3
Agriculture	3
TOTAL	100

PART 8 PERFORMANCE REPORT

Performance Report for the year ended 30 June 2008

Significant changes in financial position during the year

There have been no significant changes in the financial position of the Corporation.

Major changes or factors affecting performance

There have been no major changes or factors affecting the performance of the Corporation during the year.

Subsequent events which will affect operations in future years

Please refer to "Note 27: Events Occurring After the Balance Sheet Date" of the Corporation's Financial Report for 2007-08.

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

Performance Indicator	2006 - 2007 Result	2007 - 2008 Result	2007 - 2008 Target	% Variance	Note
Part 1 - Financial Performance Indicators					
Long Term Profitability (Return on Assets)					
<u>Earnings before interest and tax</u>	0.5%	0.4%	0.3%	30.8%	
Average total assets					
Owner's Investment (Return on Equity)					
<u>Operating profit after tax</u>	0.6%	0.0%	-0.5%	-90.5%	(1)
Average total equity					
Long Term Financial Viability					
<u>Total Debt</u>	4.7%	12.9%	19.1%	32.4%	
Total Assets					
Liquidity and Debt Servicing (Interest Cover)					
<u>Earnings before net interest & tax</u>	0	0.9	0.4	-	
Net interest expense					
Immediate Liquidity and Debt Servicing (Cover Cash)					
<u>Cash flow from operations before net interest & tax</u>	0	6.4	3.2	-	
Net interest payments					

Part 2 - Operating Efficiency Indicators (\$/MI)

Water supply / wastewater collection

Operations, maintenance and administration expenses per MI transported or treated to be provided for each of:

Water supply bulk	92	92	89	-4.4%
Water supply reticulation	506	568	506	-12.3%
Water supply treatment	376	381	335	-13.7%
Sewage reticulation	338	351	339	-3.4%
Sewage treatment	199	198	200	1.1%

Note

(1) In 2008 a Government contribution (\$8M) for the Loch Sport sewerage project has been included in total equity. This contribution was not budgeted by the Corporation and has been treated as an equity contribution following a direction from the Department of Sustainability and Environment.

Performance Report for the year ended 30 June 2008

Performance Indicator	2006 -2007 Result	2007 -2008 Result	2007 -2008 Target	% Variance	Note
PART 3 - Service and Environmental Performance Indicators					
Water supply interruptions					
Number of customers experiencing more than 5 unplanned water supply interruptions in the year (number)	0	0	0	0	
Interruption time indicators					
Average duration of unplanned water supply interruption (minutes)	93.72	86.21	118.7	27.37%	
Average duration of planned water supply interruption (minutes)	113.96	140.51	130.8	-7.42%	(1)
Restoration of water supply					
Unplanned water supply interruptions restored within 5 hours (%)	100.00%	98.84%	97.80%	1.06%	
Reliability of sewerage collection services indicators					
Sewerage spills from reticulation and branch sewers (priority 1 and 2)	32	87	-	-	
Sewerage spilt from emergency relief structures and pumping stations (% of volume transported)	0	0	-	-	
Containment of sewer spillages					
Spills contained within 5 hours (%)	100%	99.24%	98%	1.27%	
Customer complaints indicators per 1000 customers					
Water quality complaints	3.34	2.89	-	-	
Water supply reliability complaints	0.2	0.007	-	-	
Sewerage service quality and reliability complaints	0.08	0	-	-	
Affordability complaints	0.3	0.86	-	-	
Billing complaints	0.89	0.79	-	-	
Pressure complaints	1.18	1.34	-	-	
Sewerage odour complaints	1.32	0.84	-	-	
Other complaints	1.2	0.8	-	-	

Note

⁽¹⁾ For the 2007-08 financial year the duration of planned water supply interruptions significantly exceeded its target during the first half of the year due to planned shutdowns associated with developer works (normally four hours in duration), main replacements, general network maintenance and essential air scouring for water quality management.

Going forward, Gippsland Water plans to manage the mix, size and duration of planned shutdowns, however it should be noted that this work is largely influenced by the number of shutdowns to connect new developer works.

PART 8 PERFORMANCE REPORT

Performance Report for the year ended 30 June 2008

	2006 -2007 Result	2007 -2008 Result	2007 -2008 Target	% Variance	Note
Reuse indicators					
Effluent reused					
<u>Volume of effluent reused x 100</u>					
Total volume of effluent produced					
Drouin	64%	60%	60%	-	
Dutson Downs	0%	0%	0%	-	
Heyfield	100%	100%	100%	-	
Maffra (Domestic)	100%	100%	100%	-	
Mirboo North	100%	100%	100%	-	
Moe	0%	0%	0%	-	
Morwell	100%	100%	100%	-	
Neerim South	0%	0%	0%	-	
Rawson	0%	0%	0%	-	
Saline Waste Outfall Pipeline	0%	0%	0%	-	
Stratford	100%	100%	100%	-	
Warragul	0%	0%	0%	-	
Willow Grove	100%	100%	100%	-	
Biosolids reused					
<u>Volume of sludge / recycled x 100</u>					
Total volume of sludge produced					
Drouin	0%	0%	0%	-	
Dutson Downs	0%	0%	0%	-	
Heyfield	0%	0%	0%	-	
Maffra (Domestic)	0%	0%	0%	-	
Mirboo North	0%	0%	0%	-	
Moe	0%	0%	0%	-	
Morwell	0%	0%	0%	-	
Neerim South	100%	100%	100%	-	
Rawson	0%	0%	0%	-	
Saline Waste Outfall Pipeline	0%	0%	0%	-	
Stratford	0%	0%	0%	-	
Warragul	100%	100%	100%	-	
Willow Grove	0%	0%	0%	-	
Sewerage treatment standards (by treatment or disposal facility)					
Number of analyses complying with licence agreements as % of samples					
Drouin	100%	94%	100%	-6%	
Dutson Downs	100%	100%	100%	-	
Heyfield	100%	100%	100%	-	
Maffra (Domestic)	100%	100%	100%	-	
Mirboo North	100%	100%	100%	-	
Moe	100%	100%	100%	-	
Morwell	100%	100%	100%	-	
Neerim South	100%	97%	100%	-3%	
Rawson	100%	100%	100%	-	
Saline Waste Outfall Pipeline	100%	100%	100%	-	
Stratford	100%	100%	100%	-	
Warragul	100%	100%	100%	-	
Willow Grove	100%	100%	100%	-	

CENTRAL GIPPSLAND REGION WATER CORPORATION

PERFORMANCE STATEMENT FOR 2007-08

In our opinion, the accompanying Statement of Performance of Central Gippsland Region Water Corporation, in respect of 2007-08 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

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

As of the date of signing, we are not aware of any circumstance, which would render any particulars included in the Statement to be misleading or inaccurate.



Richard McDowell
Chairperson
Central Gippsland Region Water Corporation



David Mawer
Managing Director
Central Gippsland Region Water Corporation

Dated the 3 day of September 2008

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

Report on the Statement of Performance of Central Gippsland Region Water Corporation

Opinion of the Auditor-General

The accompanying statement of performance of the Central Gippsland Region Water Corporation, in respect of 2007-08 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Statement of Performance of the Corporation

The statement of performance of the Central Gippsland Region Water Corporation, in respect of 2007-08 financial year is presented fairly in accordance with the *Financial Management Act 1994*. The statement of performance is presented in accordance with the *Financial Management Act 1994* and the *Financial Management Regulations 1994*.

Auditor's Responsibility

The Auditor-General is responsible for the audit of the statement of performance of the Central Gippsland Region Water Corporation, in respect of 2007-08 financial year. The Auditor-General is responsible for the audit of the statement of performance of the Central Gippsland Region Water Corporation, in respect of 2007-08 financial year.

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Report on the Statement of Performance of the Corporation

The Auditor-General is responsible for the audit of the statement of performance of the Central Gippsland Region Water Corporation, in respect of 2007-08 financial year. The Auditor-General is responsible for the audit of the statement of performance of the Central Gippsland Region Water Corporation, in respect of 2007-08 financial year.

VAGO

Victorian Auditor-General's Office

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.

Auditor's Opinion

In my opinion, the statement of performance of the Central Gippsland Region Water Corporation in respect of the 30 June 2008 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

MELBOURNE
4 September 2008



D D R Pearson
Auditor-General

PART 9 DISCLOSURE INDEX

Disclosure Index

The annual report of the Corporation is prepared in accordance with all relevant Victorian legislation. This index has been prepared to help identify the department's compliance with statutory disclosure requirements.

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GLOSSARY

AGO	Australian Greenhouse Office.
Biosolids	Organic solids and minerals that accumulate as a final product of wastewater treatment processes, and have been stabilised through treatment or long-term storage.
Catchment	The area drained by a stream, lake or other body of water. Frequently referred to as the area used to feed water into reservoirs, dams and water courses.
CO ₂ -equivalent	A variety of atmospheric gas compounds, collectively known as greenhouse gases, which contribute to global warming. Each compound has a different degree of impact on global warming per unit of concentration, making comparison between sources difficult. To overcome this problem, greenhouse gas emissions are converted to CO ₂ -equivalents, which is the concentration of carbon dioxide (CO ₂) that would contribute an equivalent degree of impact as the total amount of greenhouse gases emitted.
DDAC	Dutson Downs Advisory Committee.
DD IDEAS	Dutson Downs Integrated Development of Environmental Actions and Strategies.
DHS	Department of Human Services.
DSE	Department of Sustainability and Environment.
Environment	Surroundings in which an organisation operates, including air, water, land, natural resources, flora, fauna and humans, and the interrelation of these elements.
Environmental aspect	Element of an organisation's activities, products or services that can interact with the environment.
Environmental impact	Any change to the environment, whether adverse or beneficial, wholly or partially resulting from an organisation's activities, products or services.
EIPs	Environment Improvement Plans.
EMPs	Environment Management Plans.
Environmental Management System (EMS)	A management system that includes organisational structure, planning activities, responsibilities, practices, procedures, processes and resources for developing, implementing, achieving, reviewing and maintaining the environmental policy.
Environmental policy	Statement by the organisation of its intentions and principles in relation to its overall environmental performance, which provides a framework for action and for the setting of its environmental objectives and targets.
EPA	Environment Protection Authority, Victoria.
ESC	Essential Services Commission.
GWF	Gippsland Water Factory.
ISO	International Standards Organisation.
Megalitres (ML)	One million litres.
Nutrients	Chemical substances required by plants and animals for nourishment and growth. Examples include nitrogen, phosphorus and carbon compounds.
Ocean outfall	A pipeline that carries effluent to the ocean where it is dispersed and diluted. Gippsland Water's two ocean outfalls are strictly monitored in accordance with EPA regulations to ensure water quality.
RCS	Regional Catchment Strategy.
Regional Outfall Sewer (ROS)	The ROS is the major pipeline and channel that transports approximately 50% of Central Gippsland's wastewater to Dutson Downs Wastewater Treatment Facility.
Saline Wastewater Outfall Pipeline (SWOP)	Pipeline used to transfer saline wastewater from the Loy Yang Ash Pond to Bass Strait. The SWOP is owned and operated by Gippsland Water.
SEPP	State Environment Protection Policy.
Significant environmental aspect (SEA)	An environmental aspect that has or can have a significant environmental impact.
Soil and Organic Recycling Facility (SORF)	The SORF is operated at Dutson Downs. It receives a variety of waste materials including organic liquid waste, contaminated soil, asbestos, biosolids and other forms of waste in accordance with the EPA licence ES344. These wastes are treated to produce a reusable end product.
WGCMA	West Gippsland Catchment Management Authority.

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Established 1950

Gippsland Water received a 'Bronze Award' in the prestigious Australasian Reporting Awards for its 2006-07 Annual Report.

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