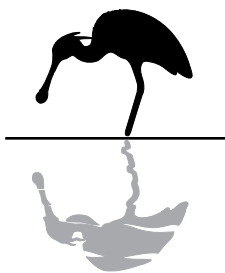


# 2009-10

GIPPSLAND WATER  
ANNUAL REPORT





**GIPPSLAND**  
**WATER**

Gippsland Water  
Hazelwood Road PO Box 348  
Traralgon VIC 3844  
FREECALL: 1800 066 401  
Facsimile: 03 5174 0103  
[contactus@gippswater.com.au](mailto:contactus@gippswater.com.au)  
[www.gippswater.com.au](http://www.gippswater.com.au)  
ABN 75 830 750 413



Gippsland Water received  
Silver awards in the prestigious  
Australasian Reporting Awards  
for its 2007–08 Annual Report  
and 2008–09 Annual Report.

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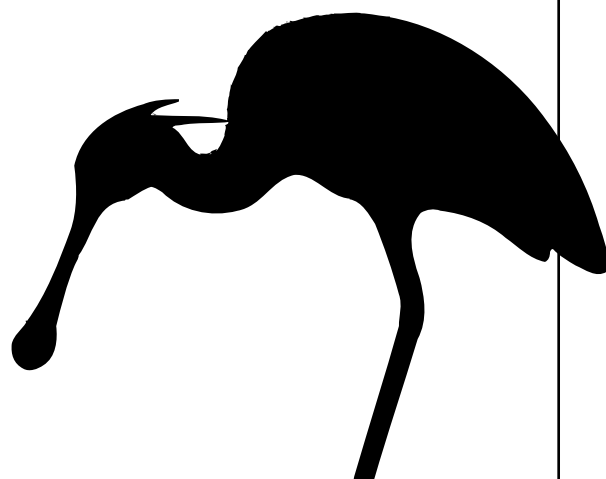
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# Introduction and overview

## 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 Minister for Gippsland Water was the Honorable Tim Holding, Minister for Water.

### Gippsland Water:

- Has its statutory functions of water and wastewater detailed under Parts 8 and 9 of the *Water Act 1989*.
- Has its role relating to acceptance, treatment and disposal of prescribed industrial waste detailed in Part 6 Section 122F, Division 5 of the Act.
- Covers from Drouin in the west to Stratford in the east, and from Rawson and Briagolong in the north to Mirboo North in the south.
- Supports a population of nearly 140,000 people.
- Provides water to more than 64,000 customers and wastewater to over 57,000 customers.
- Manages 17 water treatment plants and 14 wastewater treatment plants, including two ocean outfalls.
- Operates a Soil and Organic Recycling Facility, which treats prescribed organic waste.
- Manages six agribusiness sites, which produce beef, wool, crops and plantation timber.

## 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, our 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.

## Our Values

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 fulfil 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
- the highest levels of customer satisfaction

## Joint message from Chairman and Managing Director

The 2009–10 year has been strong from both an operational and financial performance perspective at Gippsland Water.

Headway has been made on a number of capital projects which were outlined in the 2008–2013 Water Plan, including a business case for sewerage services at Coongulla-Glenmaggie, the Boolarra-Yinnar and Warragul-Moe interconnection projects, the Moe groundwater project, and the development of a business case for a sewerage scheme in Loch Sport.

Operationally, this year saw an integrated asset management system launched to assist with the efficient operation of our business. All staff were trained in this new system, which allows staff to use a single program to find all information on an asset.

## Financial performance

Gippsland Water's net operating result of \$21.1M for 2009–10 significantly exceeded budget expectations. This is primarily as a result of delays in the completion and operation of the Gippsland Water Factory giving rise to less than budgeted operating costs, depreciation and finance charges. The five-year price path approved in the June 2008 Water Price Review was put in place to provide the forecast funds required for Gippsland Water to operate across its entire region. This includes a significant capital expenditure program over the period, as well as a large increase in annual operating expenditure expected on completion of construction of the Gippsland Water Factory.

Whilst our operating result next year is planned to return to budget, and levels consistent with previous years, the current year result has enabled Gippsland Water to defer planned borrowings for the year, resulting in lower than anticipated finance charges and lower overall level of debt.

### Incident room

In the aftermath of the January–February 2009 bushfires, which ravaged numerous towns within our region, we identified the need for a dedicated incident room.

Planning commenced within a fortnight of the fires, and the incident room was completed on 30 June 2009. Fortunately it has not yet been used for an emergency – but is ready for the prospect. Three comprehensive training exercises simulating possible threats were conducted during the reporting year, one of which was jointly assessed by the Department of Sustainability and Environment and Victoria Police. The room was given a glowing report and described as one of the best incident rooms in regional Victoria.

The incident room is designed to assist staff achieve Gippsland Water's emergency objectives through the use of shared whiteboards and technology. The dedicated space enables the best possible communication between staff working on an emergency situation and provides a modern training facility in the Gippsland region.

### Developing an integrated data management system

A dedicated team has been focussing on the implementation of an integrated asset management system over the past 18 months.

A stand alone system to support work management at the Gippsland Water Factory was completed first and for the past year the implementation team was working on phase two, which involved the consolidation of all Gippsland Water infrastructure assets into a single register, which was rolled out on 31 May 2010.

This new system has integrated with our other main corporate systems including record management, financial management and billing. It has also allowed for improved work management processes and easy generation of compliance reporting. The register includes all water and wastewater assets in treatment plants, pump stations, pipe networks, reservoirs, etc. The organisation has already started planning to expand the program. These include mobility in the field (i.e. reporting on assets from laptops on location), plans to use the register for corporate financial reporting, and the ability for the system to generate advanced system reports.

### Gippsland Water Factory

The Gippsland Water Factory project is nearing completion, with site construction completed in December 2009.

The domestic wastewater process train commenced operation last September, treating an average of 11.5ML of domestic waste a day from more than 15,000 households.

The quality testing and validation program required for the development of the Recycled Water Quality Management Plan (RWQMP) was carried out from September 2009 to June 2010. The final plan was submitted to the Department of Health in June 2010 for approval to supply quality-assured recycled water to Australian Paper (this will amount to around eight megalitres per day).

The commissioning of industrial wastewater treatment was held up by the discovery of an issue with the clay structures that comprise the anaerobic lagoon. A repair strategy has been developed to rectify the issue. Industrial wastewater is now expected to be introduced to the plant in September 2010.

A micro-hydro scheme capturing water energy from the Moondarra water supply system is already up and running, providing 10% of the plant's annual energy requirements. A further 10% of renewable energy will later come on line from methane by-product generated from the anaerobic lagoon treatment process.

The Vortex Centre, Gippsland Water's educational centre, opened to school groups in April, and already more than 700 children have been through its doors. Each child has participated in one of eight specially designed programs aimed at educating school children about water as a resource and the importance of saving water.

Monthly technical tours have also commenced, showcasing the state-of-the-art facility to other bodies associated with the water industry.

### Environmental performance

Gippsland Water is in the final stages of developing an organisation-wide Environmental Management System (EMS), which will incorporate our water and wastewater operations, as well as our agribusiness and the Soil and Organic Recycling Facility (SORF). An EMS is already in place for the SORF, but the documents and actions of this system will be incorporated into the Gippsland Water EMS. We expect to seek certification of our EMS in December 2010.

The Trailing Hop-bush, an endangered species, was discovered at our Dutson Downs property in October 2009. We are now planning ongoing management for its protection, working together with agencies including the Department of Sustainability and Environment and Parks Victoria. Along with the Trailing Hop-bush, Gippsland Water works to protect and maintain populations of other rare and threatened flora and fauna found at Dutson Downs, namely the New Holland Mouse, Dwarf Kerrawang, and the Wellington Mint-bush.



### Customer-focussed

During 2009–10, Gippsland Water met or exceeded 24 of its 26 customer-based corporate key performance indicators (KPIs). Set by the Essential Services Commission, these KPIs cover operational performance such as the frequency and length of water supply interruptions, the time taken to rectify sewer blockages, water quality standards, and how quickly we answer telephone calls to our Service Centre. (For more information on our performance, see the key performance indicator table on page 20).

This year the Department of Human Services made changes to its concession process in July 2009, which changed the way accounts are displayed for concession customers. In March 2010 we undertook an audit of our customer database to ensure all eligible customers were receiving the concession rate.

This check identified 328 customers who were not aware they were no longer receiving the discounted rate, because they had not known they needed to register their concession details with us. We backdated these benefits for the affected customers, with the amount of unclaimed rebates totalling \$24,000.

Gippsland Water also widely promoted its financial hardship program throughout the year. The everyday cost of living has increased due, in part, to rises in the cost of water, other utilities and food. We recognise this and endeavour to assist all customers experiencing financial difficulty to meet their obligations. We provide information on payment options, grants, independent financial counsellors, and external programs that may be of benefit to our customers.

In accordance with the *Financial Management Act 1994* we are pleased to present the Report of Operations for Gippsland Water for the year ending 30 June 2010.



Richard McDowell  
Chairman

David Mawer  
Managing Director



### Highlights of the year

The Soil and Organic Recycling Facility (SORF) completed its first full year of operations – treating and recycling solid and liquid waste material using advanced in-vessel composting technology. Demand has been strong, with customers from all over Gippsland and Melbourne benefiting from the new facility.

Gippsland Water replaced 3.3km of the Saline Wastewater Outfall Pipeline (SWOP). The deterioration of the 30-year-old steel pipeline close to McGaurans Beach over the past five years led to the replacement of this section with reinforced plastic pipe.

The corporation continued development of its Environmental Management System (EMS), with a focus on awareness training for staff and contractors, and inspections of all operational sites to identify significant environmental risks. Certification of the EMS to ISO14001 standard will be sought in December 2010.

A Design Safety Review for the Buckley's Hill Reservoir site was completed in December 2009. The review included extensive site investigations and embankment stability reviews. Works carried out as a result of that review include improvements to:

- embankment stability by relining the overflow pipe;
- the data received from the in-ground piezometers (used to measure groundwater levels);
- erosion control of the internal embankment; and
- works at the toe of the embankment at several locations.

A health and well-being program continued for Gippsland Water employees with excellent participation across all areas of the organisation. Raising awareness and education about health issues and management, programs included employee medicals and executive health checks, stress resilience, core strength, the 10,000 Step Challenge and a sleep seminar.

## Overview of Financials

	2009–10 \$'M	2008–09 \$'M	2007–08 \$'M	2006–07 \$'M	2005–06 \$'M
Core Business Revenue	96.2	76.6	62.6	58.7	56.1
Interest Revenue	0.6	0.9	0.9	1.8	0.7
Government Contributions	–	–	–	1.5	1.3
Non Government Contributions	7.5	6.5	5.3	4.9	6.1
Other Revenue (Farm & Gross Proceeds)	2.4	2.0	1.9	1.9	2.1
	<b>106.7</b>	<b>86.1</b>	<b>70.6</b>	<b>68.8</b>	<b>66.3</b>
Operations, Maintenance & Administration	53.7	51.9	46.8	45.2	40.7
Depreciation Expenses	19.8	23.0	20.3	19.1	17.8
Finance Expenses	12.1	9.8	3.9	1.0	0.1
	<b>85.6</b>	<b>84.7</b>	<b>70.9</b>	<b>65.3</b>	<b>58.6</b>
<b>Net Operating Result</b>	<b>21.1</b>	<b>1.4</b>	<b>(0.3)</b>	<b>3.5</b>	<b>7.7</b>

### Key results for the financial year

Gippsland Water's net operating result of \$21.1M for 2009–10 significantly exceeded budget expectations. This is primarily as a result of delays in the completion and operation of the Gippsland Water Factory giving rise to less than budgeted operating costs, depreciation and finance charges. The five-year price path approved in the June 2008 Water Price Review was put in place to provide the forecast funds required for Gippsland Water to operate across its entire region. This includes a significant capital expenditure program over the period, as well as a large increase in annual operating expenditure expected on completion of construction of the Gippsland Water Factory. Whilst our operating result next year is planned to return to budget, and levels consistent with previous years, the current year result has enabled Gippsland Water to defer planned borrowings for the year, resulting in lower than anticipated finance charges and lower overall level of debt.

Total revenue increased by \$20.6M mainly due to core business revenue increasing by \$19.5M, or 25.4%, which is in line with the approved five-year price path resulting from the June 2008 Water Price Review. Developer contributions were also \$1.0M higher than in 2008–09 and \$3.8M higher than budget, reflecting the stronger than anticipated developer activity in the Gippsland area.

Overall operating expenditure has only increased by \$0.9M over 2008–09, however this result was \$10.9M lower than budget, primarily due to delays in the commencing operations of the Gippsland Water Factory. Whilst interest expense for the year was \$2.3M, or 23.4%, higher than 2008–09 due to new loans progressively drawn down in 2008–09 being held for the full year in 2009–10, interest expense was \$1.0M lower than budget. Operations, Maintenance & Administration expense increased by \$1.8M or 3.5% for the year, again this was \$9.5M below budget for the year. Depreciation expense decreased compared to 2008–09, mainly due to a number of assets that were revalued in 2004 fully depreciating at 30 June 2009, and the delay in completion of the Gippsland Water Factory.

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.

## 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.

### Water conservation and community education

Gippsland Water is committed to reducing demand for water and ensuring the efficient use of water at all times. The corporation continues to develop its approach to water conservation through initiatives, community events and expos, and by building on the efforts of its customers to use water wisely.

The corporation continues to support its water management action plan (waterMAP) customers, with more than 35 businesses participating in the program throughout the 2009–10 period. Any business that uses more than 10ML of drinking water a year is required to develop a plan to implement water saving projects. Trafalgar-based abattoir LE Giles & Sons reduced its water consumption by 15% in just two years by making changes to its production processes.

Gippsland Water presented at a number of events including a 'Green Home' workshop run by the Australian Conservation Foundation. This was part of the Latrobe Sustainable Living Program, which Gippsland Water supports as a member of the steering committee.

More than 2,500 water saving showerheads have been distributed to customers since the Showerhead Exchange Program's inception in December 2006, and demand has continued with customers being given the opportunity to come to the organisation's office and perform the exchange at times that are convenient for the customer.

A Showerhead Exchange and information stand in Warragul also assisted in the promotion of Permanent Water Saving Rules at a Baw Baw Shire Council event, as well as at a Wellness Expo organised by the Mirboo North Bushfire Recovery Committee, which was opened by then Police Chief Commissioner Christine Nixon. In light of the devastating bushfires in the Gippsland region, the message of not relying on reticulated water as part of a fire plan was also reinforced.

As part of National Water Week, Gippsland Water along with the West Gippsland Catchment Management Authority participated in Southern Rural Water's event which involved running education sessions for Grade 5 and 6 students over four days.

Gippsland Water's school education program has been impressively enhanced with the opening of its new educational resource, the Vortex Centre, located at the Gippsland Water Factory at Maryvale.

The state-of-the-art facility features interactive displays, touch screens and videos, with a focus on water conservation and sustainable water management, highlighting water as a precious resource.

The Vortex Centre was opened to primary and secondary schools in April 2010, offering a range of water education programs allowing students to learn about the water cycle, Gippsland's water catchment and how it is managed, the Gippsland Water Factory treatment process, and how we can all play a part in conserving and using water more wisely.

### Drought Response Management Plan

A key part of the Drought Response Plan is the water restriction regime, governed by Gippsland Water's By-Law No. 15. The by-law sets out four stages of restrictions on water use. The plan also details how Gippsland Water will tell people about water restrictions.

The plan was enacted in Seaspray during 2009–10. The flow in Merrimans Creek reduced in late December 2009 and early January 2010, and eventually stopped by the end of January 2010. The flow declined so rapidly that a move directly to Stage 2 Water Restrictions was required on 13 February 2010.

Flows in Merrimans Creek resumed by mid February although at a low rate. During this time, Stage 2 Water Restrictions assisted with the management of the situation by reducing demand while Gippsland Water arranged for water to be carted from Sale.

Stage 2 Water Restrictions were lifted on 27 April 2010, and Seaspray returned to Permanent Water Saving Rules.

Gippsland Water is taking steps to reduce the likelihood of water restrictions in the Seaspray system in the future. A major part of this work is a 30ML raw water storage, planned for construction in 2012–13. All other systems remained on Permanent Water Saving Rules throughout 2009–10.



## Major customer consumption

As required under the *Water Act 1989* the number of Gippsland Water customers who consume more than 50ML per annum are shown in the table on the right:

Volume range – ML per year	No. of customers
Equal to or greater than 50ML and less than 100ML	4
Equal to or greater than 100ML and less than 200ML	1
Equal to or greater than 200ML and less than 300ML	3
Equal to or greater than 300ML and less than 400ML	0
Equal to or greater than 400ML and less than 500ML	1
Equal to or greater than 500ML and less than 750ML	0
Equal to or greater than 750ML and less than 1000ML	1
Greater than 1000ML	4
<b>Total no. customers</b>	<b>14</b>

## Water conservation program participation

The *Water Act 1989* requires Gippsland Water to publish the water conservation programs our major non-residential water users have undertaken. Their actions are detailed below:

Customer	Water conservation initiatives
Australian Paper (Maryvale Mill)	Completing waterMAP actions which included major projects such as the pulp mill project upgrade. Preparing for acceptance of Gippsland Water Factory (GWF) recycled water. Raw water consumption per tonne of paper is forecast to decrease 12% as a result of the GWF project.
Central Gippsland Health Services (Sale Hospital)	Commissioning a health service-wide Level 2 Resource Efficiency Audit. This information will then be used to apply for targeted funding towards the long term goal of reducing water, electricity and natural gas usage and minimising waste creation across the operation.
Carter Holt Harvey Wood Products Australia Morwell Sawmill	Implementation of minor projects to capture stormwater into new water tanks.
Department of Defence	waterMAP actions being implemented.
Energy Brix Australia	Raw water reduction initiatives are listed in the EREP. Two major activities were completed during Year 1 of the EREP program. Potable water use has reduced by 29% following the installation of efficient domestic water appliances and re-routing of potable water to only those appliances used for domestic consumption.
Fonterra Australia Pty Ltd (Darnum)	Have saved in excess of 100ML/annum through EREP and waterMAP initiatives. Work focused on the identification, development and implementation of water reuse systems as well as optimisation of water consuming processes resulting in further significant savings.
The GEO Group Australia P/L (Fulham Correctional Centre)	Internal environmental group focused on resource efficiency and supporting the action plans for both EREP and waterMAP.
International Power Hazelwood	Short to medium term water reductions of between 15 – 25%, however there are potential long-term drought impacts. Potable water reductions continue through waterMAP program, and raw water is reported through the EREP program. Asset management results in replacement of old fittings and equipment with lower water consumption items. Employee awareness of water use and conservation through internal communications processes on a regular basis.
IPM Operation and Maintenance (Loy Yang B).	Consolidated permanent raw water savings of approximately 2,500ML through increased rates of cooling tower cycles of operation. A drainage recovery system installed in August 2008 yielded 625ML of reclaimed process water and stormwater harvest has helped LYB achieve its best water efficiency figures ever. Potable water use continues to decrease with the conversion to “AAA” rated domestic water appliances (toilets/showers) completed during 2009.
Loy Yang Power (Loy Yang A)	Has ongoing maintenance and monitoring programs to maintain and improve the efficiencies already achieved. Water savings initiatives are covered in its EREP program.
Murray Goulburn (Maffra)	Identifying resource improvement opportunities and resource improvement activities, and has maintained a focus on water use efficiency, wastewater minimisation, and yield improvement activities. Participates in the EREP program.
National Foods Limited (Morwell)	Continuing to progress actions from waterMAP, completed and lodged EREP, total water use has continued to drop a further 4% from 2009 average and water use per kg product manufactured has also fallen 22% from 2009 averages.
TRUenergy Yallourn Pty Ltd	Continued to implement water conservation projects, including the installation of waterless urinals in the asset team office, saving up to 50,000 litres of water per year and the implementation of control valves for Stage 2 blow down receivers.
Warragul Linen Service	Received funding from Smart Water Fund to retro-fit current technology of using collected press water for supplementing fresh water in the rinse zone, to two older continuous batch washers. This is expected to reduce drinking water consumption by a minimum of 10ML per annum.

waterMAP: Water Management Action Plan    EREP: Environment Resource Efficiency Program

## Greenhouse gas emissions

The net greenhouse gas emissions, expressed as tonnes of CO<sub>2</sub> equivalent (t CO<sub>2</sub>-equiv), for the whole business and its activities are expressed in the table below in the relevant Essential Services Commission indicator categories:

Activity	2009–10	2008–09	2007–08
Water treatment and supply <sup>1</sup>	9,558	9,627	10,488
Sewerage treatment and management <sup>2</sup>	56,960	53,695	58,215
Transport <sup>3</sup>	1,973	1,467	1,357
Other <sup>4</sup>	4,796	6,097	6,536
CO <sub>2</sub> offsets	0	0	0
<b>Total CO<sub>2</sub> emissions</b>	<b>73,288</b>	<b>70,886</b>	<b>76,596</b>

All data expressed as t CO<sub>2</sub>-equiv

- 1 Electricity used and soda ash consumed.
- 2 Methane and nitrous oxide gases emitted and electricity used.
- 3 Diesel, LPG and petrol used.
- 4 Methane and nitrous oxide gases emitted from Soil and Organic Recycling Facility (SORF) and agribusiness activities, and electricity used in SORF, agribusiness and Traralgon office operations.

Total net greenhouse gases from activities in 2009–10 can also be broken down according to the following categories:

Activity	t CO <sub>2</sub> -equiv
Energy use (non-fleet)	20,115
Vehicle fleet	1,973
Wastewater treatment	47,395
Waste disposal <sup>5</sup>	8
Offsets purchased	0
Any other activities <sup>6</sup>	3,797

- 5 Methane and nitrous oxide gases emitted from SORF.
- 6 Methane and nitrous oxide gases emitted from agribusiness activities, and soda ash consumed in water treatment.

There was an increase in total greenhouse gas emissions, from 70,886 t CO<sub>2</sub>-equivalent in 2008–09, to 73,288 t CO<sub>2</sub>-equivalent in 2009–10. This was due to a number of factors, including electricity consumed and nitrous oxide emitted in the treatment of wastewater, and fuel consumed by the Gippsland Water operational fleet.

## Water Supply Demand Strategy

Gippsland Water's Water Supply Demand Strategy identifies actions to manage and meet the water needs of the region until 2055. The Water Supply Demand Strategy had five aims:

- build on actions in the Central Region Sustainable Water Strategy;
- work out the expected amount of water available to meet water demand, based on a medium climate change scenario and also a step change drop in water supplies;
- forecast the expected long-term water demand for Gippsland Water's region;
- identify the range of potential water supply demand options and check these against economic, environmental and social criteria; and
- recommend a series of actions to manage and meet the region's water needs to 2055.

Gippsland Water provided a submission on the Gippsland Region Sustainable Water Strategy (GRSWS) Discussion Paper. Gippsland Water also participated in the GRSWS technical review committee and consultative committee.

Gippsland Water updated the strategy in 2009–10.

The update incorporated the most recent consumption, connections and yield information, as well as regional growth forecasts. The update will assist Gippsland Water in its planning activities.

## Water for the Future

During 2009–10, Gippsland Water took a number of steps to support the Victorian Government's Water for the Future plan including:

- reviewing and updating the Water Supply Demand Strategy with respect to yield-demand projections, actions and consumption targets;
- improving communication with the community to provide details of water conservation measures and targets;
- construction and commissioning of the Gippsland Water Factory's domestic stream; and
- implementation of district pressure reduction programs to reduce leakage and main breaks.

## Beneficial reuse of treated wastewater and biosolids

During 2009–10 Gippsland Water reused 1,171ML treated wastewater, equivalent to 24.3% of treated non-saline wastewater produced in its service area. 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 table below shows the proportion of treated wastewater reused, excluding and including saline water to ocean outfalls.

Treatment system	Final fate of treated water	Volume reused (ML)		Volume discharged (ML)		Compliance with EPA water quality limits	
		2009–10	2008–09	2009–10	2008–09	2009–10	2008–09
Drouin	Irrigation to pasture or discharge to Shillinglaw Creek	177	215	304	215	94%	100%
Heyfield	Irrigation to pasture	53	94	0	0	100%	100%
Maffra	Irrigation to pasture and sporting field	168	136	0	0	100%	100%
Mirboo North	Irrigation to pasture and sporting field	34	61	0	0	100%	100%
Morwell	Supplement flow to wetlands	677	522	0	0	100%	98.6%
Stratford	Irrigation to pasture	55	88	0	0	100%	100%
Willow Grove	Irrigation to pasture	7	9	0	0	100%	100%
Neerim South	Discharge to Red Hill Creek	0	0	40	47	100%	88.9%
Rawson	Discharge to Coopers Creek	0	0	38	40	100%	100%
Warragul	Discharge to Hazel Creek	0	0	1,386	1,332	100%	100%
Moe	Discharge to Moe River	0	0	1,876	1,629	100%	100%
Sub-total		1,171	1,125	3,644	3,263		
% reuse <sup>1</sup>		32.1%	34.5%				
ROS <sup>2</sup>	Discharge to Bass Strait (Delray Beach)	0	0	9,608	6,832	89%	100%
SWOP <sup>2</sup>	Discharge to Bass Strait (McGaurans Beach)	0	0	8,124	7,960	100%	100%
Total		1,171	1,125	21,376	18,055		
% reuse <sup>3</sup>		5.5%	6.2%				

1 Percentage of non-saline treated wastewater.

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

3 Percentage of total volume of discharged treated wastewater.

## Water consumption targets

The water use targets for residential customers are based on mid-1990s water use of 244 litres per person per day (l/p/d). Gippsland Water's targets are for a 25% reduction by 2015 and a total reduction of 30% by 2020.

Major customers have a target of dropping their water use by 15% by 2020.

	CRSWC Action	Target	Target	Actual	Actual	Actual	Actual
		2020 (l/p/d)	2015 (l/p/d)	2009–10 (l/p/d)	2008–09 (l/p/d)	2007–08 (l/p/d)	2006–07 (l/p/d)
Residential consumption	n/a	171	183	193	218	211	233
Total consumption (non-major industry)	4.42	296	317	233	324	292	344
Major industry consumption	4.43	836	n/a	831	921	895	985

Actual litres per person per day data has been a reporting requirement for the past four reporting periods.

## Corporate water consumption

During 2009–10, Gippsland Water's water consumption was 3,497kL, which equates to 15.44kL per full-time employee or 981 litres per square metre of office space. These figures are based on consumption at Gippsland Water's Traralgon office and Traralgon depot, and do not include contractors.

## Bulk water entitlement reporting

Bulk Entitlement	Source of supply	Bulk Entitlement Volume (ML)	Raw Water Volume Taken (ML)	Reporting Requirements in accordance with BE clauses
Boolarra	Walkleys Creek / O'Grady's Creek	145	71	<ul style="list-style-type: none"> <li>11ML/a temporary transfer to corporation (2006–07 to 2010–11); 0ML used in 2009–10</li> <li>Approval, amendment and implementation of programs under clauses 9 &amp; 10: <i>Implemented</i></li> </ul>
Blue Rock Lake <sup>1</sup>	Tanjil River	15,150	7,269 (4,783)	<ul style="list-style-type: none"> <li>Location and volume of water taken pursuant to clause 10: <i>None</i></li> <li>Implementation of programs under sub-clause 12.3: <i>Implemented</i></li> <li>Source breakdown – Willow Grove WTP 54, Moondarra Transfer 3,213 and Tanjil Pumping (Moe) 1,516</li> </ul>
Erica-Rawson	Trigger Creek	340	84	<ul style="list-style-type: none"> <li>Approval, amendment and implementation of programs under clauses 9 &amp; 10: <i>Implemented</i></li> </ul>
Mirboo North	Little Morwell River (North Arm)	270	200	<ul style="list-style-type: none"> <li>Approval, amendment and implementation of programs under clauses 9 &amp; 10: <i>Implemented</i></li> </ul>
Moe – Narracan Creek	Narracan Creek	3,884	2,148	<ul style="list-style-type: none"> <li>Approval, amendment and implementation of programs under clauses 8, 9 &amp; 10: <i>Implemented</i></li> </ul>
Moondarra <sup>2</sup>	Tyers River	62,000	49,194 (48,195)	<ul style="list-style-type: none"> <li>Approval, amendment and implementation of programs under clauses 12 &amp; 13: <i>Implemented</i></li> </ul>
Noojee <sup>3</sup>	Deep Creek/ Loch River	73	0	<ul style="list-style-type: none"> <li>Approval, amendment and implementation of programs under clauses 9 &amp; 10: <i>Implemented</i></li> </ul>
Seaspray	Merrimans Creek	61	33	<ul style="list-style-type: none"> <li>Bulk Entitlement (Seaspray) Conversion Amendment Order 2008 gazetted 10 December 2009.</li> <li>Approval, amendment and implementation of programs under clauses 9 &amp; 10: <i>Metering improvements under development.</i></li> </ul>
Tarago <sup>4</sup>	Tarago River	4,825	3,085	<ul style="list-style-type: none"> <li>Approval, amendment and implementation of programs under clauses 11 &amp; 13: <i>Metering system under development.</i></li> <li>A record of daily extractions from the various offtake points is kept by Gippsland Water. This information is available upon request.</li> </ul>
Thomson-Macalister	Thomson River/ Macalister River	2,335	1,558	<ul style="list-style-type: none"> <li>Change to reliability of supply under Schedule 2 of BE (Thomson/Macalister – SRW) Conversion Order 2001: <i>None</i></li> <li>Credits granted under clause 11: <i>None</i></li> <li>Approval, amendment and implementation of programs under clause 12: <i>Implemented</i></li> <li>Amount and location of water taken under this BE at other works: <i>Nil</i></li> <li>Period and degree of restriction on entitlement: <i>Nil</i></li> </ul>
Thorpdale	Easterbrook Creek	80	16	<ul style="list-style-type: none"> <li>8ML/a temporary transfer to corporation (2009–10); 5ML used in 2009–10</li> <li>Approval, amendment and implementation of programs under clauses 9 &amp; 10: <i>Implemented</i></li> </ul>

1 Volume calculated as three year rolling average. Figure in brackets is volume for 2009–10.

2 Volume calculated as two year rolling average. Figure in brackets is volume for 2009–10.

3 Noojee Bulk Entitlement not currently used.

4 Tarago Bulk Entitlement took effect 1 May 2009.

## General reporting requirements

## Temporary or permanent transfer of corporation entitlements

No transfer of corporation entitlements in 2009–10.

## Temporary or permanent transfers of licences or entitlements to corporation

Boolarra: 11ML temporary transfer (2006–07 – 2010–11); 0ML used in 2009–10  
Thorpdale: 8ML temporary transfer (2009–10); 5ML used in 2009–10

## Amendments to Bulk Entitlements

Bulk Entitlement (Seaspray) Conversion Amendment Order 2008 gazetted 10 December 2009.

## New Bulk Entitlements

No new Bulk Entitlements in 2009–10.

## Failure by corporation to comply with provisions of Bulk Entitlements

Failure to comply with passing flow requirement of Bulk Entitlement (Tarago River – Gippsland Water) Conversion Order 2009 on 26–29 November 2009 inclusive.

## Difficulties experienced in complying with entitlement and remedial actions

Passing flow metering system at Pederson Weir to ensure compliance with Bulk Entitlement (Tarago River – Gippsland Water) Conversion Order 2009 is not yet connected to telemetry. This gives rise to potential for passing flow compliance failures to go undetected for brief periods. A project is underway to connect this metering system to telemetry.

## Customer committees

### Dutson Downs Advisory Committee

This committee allows Gippsland Water to obtain community input and advice about the wastewater treatment lagoons, farm and Soil and Organic Recycling Facility (SORF) at Dutson Downs.

The committee met four times during the year and focused on the operations and development of the SORF, and updates on the Gippsland Water Factory in regards to its impact on Dutson Downs' operations.

As at 30 June 2010, the Dutson Downs Advisory Committee comprised:

**Peter Garlick** (Chairman) – Stradbroke  
**Paul Holton** – Wellington Shire Council  
**Ashley May** – Esso BHP Billiton  
**John Hirt** – Sale Field and Game Association  
**Neville Hirth** – Rosedale Leather  
**Dieter Melzer** – Environment Protection Authority  
**Cr Beth Ripper** – Wellington Shire Council  
**Dr Jo McCubbin** – Wellington Residents Against Toxic Hazards  
**John Steel** – Loch Sport  
**Stuart Kewish** – Australian Paper

### Coastal Advisory Committee

Environmental issues relating to Gippsland Water's two ocean outfalls and the associated treatment and transfer systems are the focus of this committee.

The committee met four times over the year and looked at trends in the monitoring results for the transfer systems and outfalls, the commissioning of the Gippsland Water Factory, upgrade of the Saline Water Outfall Pipeline and chemical dosing trials for odour control in the Regional Outfall Sewer.

As at 30 June 2010, the Coastal Advisory Committee comprised:

**Neil Terrill** (Chairman) – Churchill  
**Peter Garlick** (Deputy Chairman) – Stradbroke  
**Cr Leo O'Brien** – Wellington Shire Council  
**Ashley May** – Esso BHP Billiton  
**Alan Eagle** – Jeeralang Junction  
**Frank Johns** – Golden Beach  
**Dieter Melzer** – Environment Protection Authority  
**Peter Marwood** – Traralgon  
**Jenny Tame** – Gippsland Coastal Board  
**Russell Pentland** – Loy Yang Power  
**Rohan Wilkes** – Australian Paper

### Environment and Customer Consultative Committee

This committee assists with developing policies and strategies and provides advice on community concerns, expectations and needs on environmental issues related to Gippsland Water's operations.

The committee met four times throughout the year and focussed on drinking water quality and quantity, customer complaints, biodiversity management, development of the Environmental Management System (EMS) and greenhouse gas management.

As at 30 June 2010, the Environment and Customer Consultative Committee comprised:

**Peter Kostos** (Chairman) – Warragul  
**Des Sinnott** – Boisdale  
**Don Blackley** – Drouin  
**Malcolm Boyce** – Drouin  
**Jane Gurling** – Nambrok  
**Peter Smolenaars** – Sale  
**Tom Wallace** – Kilmany  
**Catherine Reid** – Traralgon

### Dutson Downs Biodiversity Technical Reference Committee

The committee assists with reviewing information relating to rare and threatened flora and fauna, and keeps a list of experts and organisations specialising in their conservation. With these contacts the committee looks for interest in starting research partnerships with academic institutions. The committee also looks for funding opportunities to assist in setting up management activities.

The committee met once during the reporting period to review the Conservation Action Plan and receive an update on the completed and current activities undertaken from the plan. The committee also reviewed its Terms of Reference and elected a new Chair, Don Ripper.

As at 30 June 2010, the members of the Dutson Downs Biodiversity Technical Reference Committee comprised:

**Don Ripper** (Chairman) – Stratford  
**John Topp** – Sale Field Naturalists Club  
**Paula Dower** – Parks Victoria  
**Jono Craven** – Gippsland Water  
**Megan Harper** – Gippsland Water  
**Susan Taylor** – Department of Sustainability and Environment  
**Matthew Bowler** – West Gippsland Catchment Management Authority



## Environmental Protection and Biodiversity Conservation Act 1999

One referral was made during the reporting period to the Commonwealth Department of the Environment and Heritage for consideration under the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999*. The referral was for a pipeline to supply water from Yinnar to Boolarra which passes through Strzelecki Gum (*Eucalyptus strzeleckii*) habitat.

## Victorian Biodiversity Strategy

The Victorian Biodiversity Strategy aims 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 year:

### Dutson Downs Conservation Action Plan

The Dutson Downs Conservation Action Plan provides a framework for the protection, rehabilitation and enhancement of seven key environmental assets at Dutson Downs. The plan was developed jointly with biodiversity specialists from a range of agencies, and is used to prioritise ecosystem management activities over at least the next five years. The Dutson Downs Biodiversity Technical Reference Committee provides independent advice on the implementation of the plan.

### Pest plants and animal control

Gippsland Water has an eradication program for pest animals and noxious weeds on its land, such as rabbits, foxes, blackberry, ragwort, serrated tussock, and scotch thistle. Procedures were developed to ensure that eradication techniques used were appropriate for the immediate and surrounding environment.

### West Gippsland Threatened Flora Network

Gippsland Water is a member of the West Gippsland Threatened Flora Network, and reports on the management of the Wellington Mint-bush, Dwarf Kerrawang and Trailing Hop-bush to this network.

### Protection of flora and fauna

Gippsland Water worked with the Department of Sustainability and Environment and local government to ensure its work met regulations such as the Victorian Native Vegetation Framework and *Flora and Fauna Guarantee Act 1988*.

The following management activities were undertaken in 2009–10:

A threatened species, the Wellington Mint-bush (*Prostanthera galbraithiae*), is listed as vulnerable under the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). Gippsland Water protects two known areas of Wellington Mint-bush at Dutson Downs. Activities undertaken in this reporting period included trials to determine if fencing reduces access by browsing animals to the plants. It was found fences are effective in reducing browsing, confirming that it is necessary to fence the remaining population to improve its viability.

The New Holland Mouse (*Pseudomys novaehollandiae*) is listed as threatened under the *Flora and Fauna Guarantee Act 1988*. There are three known areas at Dutson Downs where the New Holland Mouse lives. Population surveys were performed during the year, and only one specimen was found. Further studies are required to determine the condition and interconnection requirements of habitat necessary for the ongoing viability of this threatened species.

The Dwarf Kerrawang (*Rulingia prostrata*) is a threatened species that is listed as vulnerable under the Commonwealth EPBC Act. Gippsland Water has identified 16 sites where Dwarf Kerrawang is found at Dutson Downs. During the financial year, Gippsland Water fenced off two populations to protect them from plantation activities in the surrounding area.

As part of the Scientists in Schools program, Grade 6 students at Traralgon's St Gabriel's Primary School participated in a project to design ways of protecting the Dwarf Kerrawang from over-browsing. The students applied their designs in the field, and monitored the outcomes. The project will be ongoing, with a new group of students involved in the monitoring each year.

A population of Trailing Hop-bush (*Dodonaea procumbens*), listed as vulnerable under the EPBC Act, was discovered at Dutson Downs in 2009. The species had not been observed in the region since the 1900s, and the population discovered substantially increases the known number of specimens nationally. The Trailing Hop-bush will be managed in accordance with the draft National Recovery Plan.

## Statement of Obligations

The Minister for Water's Statement of Obligations to Gippsland Water includes the need to look at and work on the impacts its operations have on river health. The Regional Catchment Management Strategy and Victorian River Health Strategy sections of this report outline how Gippsland Water meets these obligations.

## Victorian River Health Strategy

Treated wastewater is sent into rivers and creeks from wastewater treatment plants in Drouin, Moe, Rawson, Warragul and Neerim South. In many instances, this water represents a significant proportion of flow in the receiving waterways for much of the year. Monitoring is regularly conducted upstream and downstream of the discharge points, to ensure that the health of the rivers and creeks are not adversely affected by the discharge.

Gippsland Water provides \$20,000 annual sponsorship to support Waterwatch's community education program in the West Gippsland region.

## Regional catchment management

Gippsland Water participates in catchment management activities as part of the sustainable management of water resources identified as part of its strategic plan, and as required under the *Safe Drinking Water Act (SDWA) 2003*. The Act requires Gippsland Water to prepare and implement risk management plans from a 'catchment to tap' perspective.

During the reporting period, the corporation undertook the following activities:

- Participated in the external SDWA audit required by the Department of Health, in relation to Water Quality System Risk Management Plans (including catchment activities).
- Continued collaboration with stakeholders on catchment management issues.
- Enhancement of the Moondarra management system regarding catchment monitoring activities.
- Adopted a Five Year Catchment Management Action Plan.

## 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.

### Social and economic impact

Customers in Gippsland Water's service area have had sharp increases in tariffs over the past two years. With this in mind, Gippsland Water has ensured staff are aware of all options available for customers experiencing financial hardship. Staff are also trained to ensure their dealings with customers are empathetic and non-judgmental.

Assistance for customers in financial hardship include concessions, the Utility Relief Grant Scheme, Water Wise Program, and rebates offered through not-for-profit organisations.

Gippsland Water can also provide referrals to fee-free financial support services within external agencies. The corporation's Hardship Policy outlines the rights of customers when dealing with the corporation.

### Community service obligations

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

	2009-10	2008-09	2007-08	2006-07	2005-06
Concessions to pensioners	\$3,491,094	\$3,135,800	\$2,702,885	\$2,711,700	\$2,422,200
Rebates paid to not-for-profit organisations <sup>1</sup>	\$210,134	\$175,200	\$162,600	\$221,600	\$238,000
Utility Relief Grant Scheme	\$96,437	\$30,900	\$12,635	\$12,600	\$6,400
Water Smart Gardens and Homes Rebate Scheme	\$101,745	\$94,100	\$102,080	\$55,100	\$42,700
Water concession on life support machines – Haemodialysis	\$2,098	\$1,900	\$1,176	\$1,000	\$1,000
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$3,901,507</b>	<b>\$3,437,930</b>	<b>\$2,981,376</b>	<b>\$3,002,000</b>	<b>\$2,710,300</b>

<sup>1</sup> Gippsland Water, in conjunction with the State Revenue Office, reviewed the methodology in determining the application of rebates to not-for-profit organisations to ensure consistency across the state, which resulted in a decrease in applications during 2007-08.

### Energy and Water Ombudsman (Victoria)

The Energy and Water Ombudsman (Victoria) (EWOV) has the power to investigate and resolve disputes between Victorian electricity, gas and water customers and their providers. EWOV provides Gippsland Water customers with independent advice, information and compliant resolution.

During 2009-10, EWOV handled 70 referrals on behalf of Gippsland Water Customers, with 62 handled as enquiries requiring no further action and 8 referred for investigation.

## Annual water consumption and number of assessments

Supply system	Residential		Non-residential		Major industry	Metered hydrant	Non-revenue	Total supplied	4-year average annual demand	Consumption variation
	Billed connections <sup>5</sup>	Billed volume (ML)	Billed connections	Billed volume (ML)	Billed volume <sup>6</sup> (ML)	Billed volume (ML)	(ML)	(ML)	(ML)	
Boolarra	310	40.1	26	3.5		0.2	22.3	66.1	70.7	-6%
Briarolong	369	53.1	22	4.1		0	10.1	67.4	74.3	-9%
Coongulla-Glenmaggie	476	38.2	9	6.2		0	6.7	51.1	52.4	-2%
Erica Rawson	306	43.4	43	22.6		0	19.0	85.0	98.6	-14%
Heyfield	869	167.7	110	69.7		0	9.5	246.9	265.7	-7%
Maffra-Stratford <sup>1</sup>	2,933	569.5	310	89.8	412.7	9.9	110.4	1,192.3	1,233.9	-3%
Mirboo North	729	116.7	83	28.8		1	39.6	186.1	165.0	13%
Moe-Newborough <sup>2</sup>	10,741	1,651.9	832	238.9	1,484.8	3.7	302.9	3,682.1	3,742.8	-2%
Moondarra <sup>3</sup>	23,944	4,437.2	2,305	862.3	41,028.3	5.8	1861.4	48,195.0	49,460.2	-3%
Neerim South-Noojee	679	149.8	73	28.6		0.9	18.5	197.8	213.1	-7%
Sale Wurruk	6,699	1,158.4	797	310.1	266	4.7	10.6	1,749.8	1,943.5	-10%
Seaspray	350	17.7	12	4.3		0	2.2	24.1	40.0	-40%
Thorpdale	78	8.9	19	1.8		0.1	2.4	13.2	16.2	-19%
Warragul-Drouin <sup>4</sup>	10,819	1,657.7	1,110	384.8	438.9	10.8	174.4	2,666.6	2,861.5	-7%
Willow Grove	143	35.8	10	1.1		0.7	10.2	47.9	51.0	-6%
<b>Total</b>	<b>59,445</b>	<b>10,146.3</b>	<b>5,761</b>	<b>2,056.4</b>	<b>43,630.7</b>	<b>37.8</b>	<b>2,600.3</b>	<b>58,471.4</b>	<b>60,288.6</b>	<b>-3%</b>

1 Includes Boisdale.

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

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

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

5 Includes connected customers and non-connected residential customers.

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

## Governance

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

### Profile of the Board

Section 95 of the *Water Act 1989*, outlines Gippsland Water's need to appoint a Board of Directors consisting of not less than two and not more than eight Directors and the Managing Director of Gippsland Water.

The Board needs to have members that have a mix of skills, experience and a range of view points. Gender balance and cultural diversity are also taken into consideration. Board members are appointed by the Minister for Water for up to four years, and are responsible for the strategic planning of the corporation.

#### ■ Richard McDowell (Chairman)

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

For the past 34 years Richard McDowell has been a Director of Duesbury's Gippsland Accountants. He also holds directorships and is involved with financial management in a number of private companies. Richard has over 15 years' experience in the water industry through his previous role as Deputy Chair of East Gippsland Water and his membership of audit committees of both East Gippsland Water and Gippsland Water. He has also been Audit Committee Chair for two Gippsland councils, two hospitals, and the Gippsland Ports Authority.

Richard has lived in Maffra for 30 years, 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 Chair)

BBus, Grad Dip Bus, FAICD, AIMM, CSA (Cert)

Business management and strategic planning are Leah's key areas of contribution to the Board. Leah has held a position of Business Manager at St Paul's Anglican Grammar School since 1996. She has lived in Gippsland all her life.

Prior to her position at St Paul's, Leah had more than 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. A keen traveller and mother of two young children, Leah is also currently appointed as Director of Westernport Water.

#### ■ Janice van Reyk

M Environment (Hons), M Comm, LLB (Hons), BA, FAICD

#### Safety Health and Environment Committee Chairman

Janice works as an environmental and stakeholder management consultant in public policy and urban infrastructure projects. She has broad-based senior executive experience in industrial companies, including BHP Billiton, CSR, Macquarie Bank, National Foods and Orica. She is a Leadership Victoria Fellow and Cranlana Alumnus. She is a director of Citywide Limited and Fitted For Work.

#### ■ Peter Day

LLB, M Admin, FCPA, FCA, GAICD

Peter Day has a background in finance and general management in mining, manufacturing, food and financial services industries, as well as a number of public interest areas. His last executive role was as Chief Financial Officer for the global packaging group Amcor.

He is a former Chairman of the Australian Accounting Standards Board and was Deputy Chairman of the Australian Securities and Investments Commission. He is currently a director of a number of ASX-listed companies.

#### ■ Kevin McKenzie

CoT(Elec) BBus, MBA, DBA, GAICD

Kevin has extensive experience in regulated businesses in strategic, operational and senior executive roles. He has worked in senior IT, change management, project management and consulting roles over the past 20 years, and has supplemented industry experience with academic contributions through teaching at TAFE, university graduate and post graduate levels.

Kevin currently leads the development of the Smart Network Strategy at SP AusNet and holds additional directorship in the child and family services, recreation and education sectors.



### ■ Brendan Jenkins

Brendan Jenkins is a former Member for Morwell in the Victorian Parliament. Brendan was elected as Mayor of the City of Latrobe three times between 1998 and 2002. He has been Chair of the Gippsland Local Government Network, a member of Gippsland Development Ltd, the Coal Corporation of Victoria, Latrobe Regional Hospital, and a number of other local and regional organisations. Brendan grew up in Moe where he continues to live with his wife Susan and their two children. Brendan retired from the Gippsland Water Board on 30 June 2010.

### ■ John Donovan

John Donovan is the Managing Director of funds management company AFM Investment Partners Ltd. He is an experienced company director with a background in funds management and distribution, marketing, strategy and corporate.

He is also a director of superannuation administration services company Administration Partners Pty Ltd, Corporate Solutions Pty Ltd and a former member of the Victorian Financial Industry Council and the Catholic Archdiocese of Melbourne's Strategic Communications Committee.

### ■ David Mawer, Managing Director

Dip. M. MBA, MSM, MAICD

David joined Gippsland Water in 2008 and was formerly the Managing Director of Westernport Water. He has held senior management roles internationally with electricity and gas utilities, both in the public and private sectors. He is a metallurgist and has a special interest in utility markets and industry deregulation.

He was a director of the gas market regulator of NSW for four years, and is a current committee member of the Victorian Branch of the Australian Water Association and a director of the savewater! Alliance.

### Director Attendance at Board and committee meetings

Director	Board meetings		SHE Committee		Audit Committee		Exec Remuneration Committee	
	eligible	Attendance	eligible	Attendance	eligible	Attendance	eligible	Attendance
Richard McDowell	12	12	0	0	0	1	2	2
Leah Young	12	9	0	0	0	1	2	1
Brendan Jenkins	12	10	4	3	4	2	2	1
Janice van Reyk	12	12	4	4	0	1	2	2
David Mawer	12	11	4	4	4	3	2	2
Peter Day	12	9	0	1	4	4	2	0
Kevin McKenzie	12	11	4	4	0	1	2	2
John Donovan	6	6	0	0	2	2	1	1

## Profile of the Executive

### ■ Managing Director

#### David Mawer

Refer to the Profile of the Board for David's profile.

### ■ General Manager Customer Services

#### Peter Skeels

BBus. (Acct. and Economics), FCPA

Peter is responsible for management and leadership of the organisation's customer services, information communication and information technology activities. Peter has 30 years' 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.

### ■ General Manager Finance, Regulation and Assets

#### Tony Staley

BBus (Acct.), FCPA, GAICD

Tony is responsible for the organisation's strategic and business planning, economic regulation, commercial services, financial and management accounting, environmental governance, asset planning and delivery. He has 28 years' experience working primarily in the utilities sector in the Gippsland region. These roles were in the fields of financial and management accounting, strategic/business planning and economic regulation. Tony's core strengths are in accounting, economic regulation, business modelling, financial forecasting and governance.

### ■ General Manager Operations

#### Jim Somerville

BEng (Civil), CPEng, FAICD

Jim is responsible for operation of the organisation's water and wastewater treatment, bulk water storage and supply, bulk waste transport, potable water distribution, sewer reticulation, the Soil and Organic Recycling Facility, and agribusiness. He is also responsible for Gippsland Water's internal service functions of safety, health, security, and emergency management.

A civil engineer with 31 years' experience, Jim has spent more than half his career as a senior executive in both utility operation and infrastructure development. His core strengths include operations, risk management, project management and people management.

## Audit Committee

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

The Audit Committee met four times during the year and is responsible for:

- Ensuring the scope of the internal and external audits are adequate and that due emphasis is placed on areas where the Audit Committee, management, the Victorian Auditor General and the auditors believe is necessary.
- Developing an annual internal audit program aimed at testing internal controls over the financial management control systems of revenue, expenditure, assets and liabilities, and all other non-financial management control systems. Having appropriate regard to risk and the information technology systems employed, undertake reviews of the efficiency, effectiveness and economy of organisation programs.
- Liaising with the Victorian Auditor General to ensure that the annual external audit is conducted, in a compatible and complementary manner, to the internal audit program.
- Critically analysing and follow up any internal or external report which calls into question the adequacy or effective operation of internal control systems and procedures.
- Reviewing any major changes to the policies and practices of the accounting and internal control systems, and review the impact of these changes on Gippsland Water's financial accounts.
- Reviewing compliance with non-financial legislation and policies such as Occupational Health and Safety and the State Environmental Protection Policy.
- Liaising with the Victorian Auditor General as necessary, to commission any special audits, should they be deemed necessary.
- Overseeing the investigation of any suspected cases of fraud within the organisation and monitor the progress of any major lawsuits facing the Board.
- Reviewing the annual financial statements and recommend their adoption to the Board.
- Reviewing the annual risk management attestation and recommend its adoption to the Board.
- Assessing the adequacy and timing of financial management information to the Board.
- Ensuring that there are no management restrictions being placed upon either the internal or external auditors.

- In accordance with the *Financial Management Act 1994*, conduct an annual evaluation of the committee's performance and submit findings to the Board for approval in June.

#### **Audit Committee members for 2009–10:**

##### **■ Ron Gowland, Independent Chairman**

(November 2007 – current)

(Attended four 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. He has 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 – February 2010)

(Attended two meetings during the reporting year and resigned after moving interstate).

Brian Clark has an Associate Diploma in Accountancy and is a CPA. Brian formerly 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 Equipsuper for 13 years until 2007.

#### **Audit Committee Board members for 2009–10 comprised:**

**Peter Day** – Board member

**Brendan Jenkins** – Board member

**John Donovan** – Board member (from February 2010)

#### **Alternate Audit Committee Board member for 2009–10:**

**Leah Young** – Board member

#### **Board Safety, Health and Environment Sub-Committee**

The Safety, Health and Environment (SHE) Sub-Committee considers a range of strategic and performance issues relating to occupational health and safety (OH&S), environmental and emergency management at Gippsland Water.

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

- reviewing and approving Gippsland Water's OH&S and environmental policies;
- receiving, reviewing and accepting reports on environmental, drinking water quality and OH&S incidents resulting in reportable matters to the Environment Protection Authority, Department of Health and WorkCover;
- reviewing the Environmental Management System to ensure progress on the management of environmental risk; and
- reviewing performance against the Safety Strategic Plan and the OH&S Performance Index.

Other activities the SHE Sub-Committee undertook included a review of the Greenhouse Gas Management Plan, Catchment Management Five Year Action Plan, outcomes of water efficiency and trade waste management programs and the outcome of the audit of the drinking water risk management plans against the requirements of the *Safe Drinking Water Act 2003*.

#### **SHE Sub-Committee members for this reporting period were:**

**Janice van Reyk** – Board member (Chairman)

**Kevin McKenzie** – Board member

**Brendan Jenkins** – Board member

#### **Executive Remuneration Committee**

This committee looks after the implementation of the Executive Remuneration Policy. The committee ensures the policy complies with Victorian Government policy and the Government Sector Executive Remuneration Panel Guidelines. The committee is made up of the entire Gippsland Water Board and met twice during the 2009–10 reporting year.

## Corporate key performance

Gippsland Water continued to report against a set of established key performance indicators (KPIs) throughout the reporting period. These KPIs are reviewed annually to ensure relevance and the provision of a basis for improved performance.

In 2009–10 Gippsland Water reported against 34 indicators that measured performance for water, wastewater, customer service, safety, and employee availability. These indicators are directly linked to the Strategic Plan and are aligned with the service standards reported to the Essential Services Commission (ESC) quarterly and annually.

KPI No.	Key performance indicator	Unit of measure	2009–10 target	Year to date performance at 30 June 2010	2008–09	2007–08	2006–07	2005–06
<b>Water</b>								
1	Unplanned water supply interruptions	per 100km	45	15.50	20.49	17.12	24.94	11.54
2	Average time taken to attend bursts and leaks (priority 1)	minutes	40	30.71	33.77	31.38	27.26	26.80
3	Average time taken to attend bursts and leaks (priority 2)	minutes	150	102.89	115.42	115.41	62.63	129.35
4	Average time taken to attend bursts and leaks (priority 3)	minutes	2,300	1,851.05	1,352.40	1,149.50	1,015.57	1,693.77
5	Unplanned water supply interruptions restored within 5 hours	per cent	97.8	98.40%	99.02%	98.83%	100%	99.18%
6	Planned water supply interruptions restored within 5 hours	per cent	87	98.43%	98.13%	98.45%	99.52%	87.45%
7	Average unplanned customer minutes off water supply	minutes	15.4	8.74	9.69	8.83	15.28	6.26
8	Average planned customer minutes off water supply	minutes	26.2	12.20	12.44	12.22	8.43	16.04
9	Average frequency of unplanned water supply interruptions	number	0.1	0.0971	0.12	0.1	0.16	0.07
10	Average frequency of planned water supply interruptions	number	0.2	0.0837	0.09	0.09	0.07	0.12
11	Average duration of unplanned water supply interruptions	minutes	110	90.04	81.48	86.2	93.72	83.50
12	Average duration of planned water supply interruptions	minutes	130.8	145.78	143.8	140.51	113.96	136.22
13	Number of customers experiencing more than 5 unplanned water supply interruptions in the year	number	0	10	0	0	0	0
14	Unaccounted for water	per cent	14.5	10.6%	9.8%	10.9%	7.3%	11.9%
<b>Sewerage</b>								
15	Sewerage blockages	per 100 km	25	16.11	18.01	18.25	19.5	16.85
16	Average time to attend sewer spills and blockages	minutes	35	32.05	28.99	29.91	28.21	35.00
17	Average time to rectify a sewer blockage	minutes	130	98.32	85.48	90.05	82.66	94.18
18	Spills contained within 5 hours	per cent	98	100%	100%	98.79%	100%	100%
19	Customers receiving more than 3 sewer blockages in the year	number	0	0	0	0	0	0
<b>Customer service</b>								
20	Complaints to EWOV	per 1000 customers	0.7	0.08	0.08	0.09	0.11	0.12
21	Telephone calls answered within 30 seconds	per cent	80	83.95%	83.68%	87.47%	84.30%	88.59%

KPI No.	Key performance indicator	Unit of measure	2009–10 target	Year to date performance at 30 June 2010	2008–09	2007–08	2006–07	2005–06
Additional service standards								
22	Population receiving water meeting E.coli standards	per cent	100	100%	100%	100%	100%	100%
23	Population receiving water meeting Disinfection by-products standards	per cent	100	100%	100%	99.81%	99.82%	99.57%
24	EPA Discharge Quality licence compliance	per cent	100	99.40%	98.70%	99.50%	100%	99.20%
25	Population receiving water meeting Turbidity standards	per cent	100	100%	100%	100%	100%	100%
26	Total CO <sub>2</sub> equivalent emissions	tonne (000's)	73.86	73.29	70.89	New KPI 2008–09		
27	Recycled water target	per cent	20.0	5.2%	5.9%	New KPI 2008–09		
28	Biosolids re-use	per cent	100	100%	100%	New KPI 2008–09		
29	Sewer backlog connections	number	17	29	2	New KPI 2008–09		
30	CTWSS connections	number	0	0	342	New KPI 2008–09		
Our people								
31	The number of incidents	number of LTIs	0	3	2	15	5	76
	Days lost due to Lost Time Injuries (LTI's)	days lost	0	10				
32	Injury frequency rate	number	35	15.0	11.00	5.30	17.06	3.23
33	OH&S Leading Index	colour		A B C D	Not reported	Not reported	26.00	26.42
34	Employee availability	hours	≤34 annually per employee	32.93	33.62	34.02	30.75	2.23



**Freedom of Information Act 1982**

Gippsland Water is considered to be a 'Government Agency' under the terms of the *Freedom of Information Act 1982* (FOI) and is required to comply with procedures that have been prescribed under which members of the public may gain access to information held by Gippsland Water. A decision to release information is made by an authorised officer.

The following information is available on request, subject to the Freedom of Information Act:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers;
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary;
- details of publications produced by the entity about itself, and how these can be obtained;
- details of changes in prices, fees, charges and rates and levies charged by Gippsland Water;
- details of any major external reviews carried out on Gippsland Water;
- details of major research and development activities undertaken by Gippsland Water;
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- details of major promotional, public relations and marketing activities undertaken by Gippsland Water to develop community awareness of Gippsland Water and our services;
- details of assessment and measures undertaken to improve the occupational health and safety of employees;
- a general statement on industrial relations within Gippsland Water and details of lost time through industrial accidents and disputes; and
- a list of major committees sponsored by Gippsland Water, the purposes of each committee and the extent to which the purposes have been achieved.

In 2009–10 Gippsland Water received six requests for information under the FOI legislation. Full access was granted to three, partial access to one and two were denied. Responses were prepared within the statutory reporting period of 45 days.

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

Authorised FOI Officer:

Manager Commercial Services

Gippsland Water,

PO Box 348

Traralgon VIC 3844

Contact details: 03 5177 4600 or

contactus@gippswater.com.au

Each request attracts a fee of \$23.90 to be paid at the time of application for information (price effective 1 July 2010).

**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**

It is Gippsland Water's policy in regards to new building works, and the alteration of existing buildings, to comply with the relevant provisions of the *Building Act 1993*. Gippsland Water is unaware of any material non-compliance with the current building standards for buildings of their nature and age.

As part of compliance with the Building Act (Part 5) and the Building Regulations 2006 (Part 12), Gippsland Water completed an Essential Safety Measure Audit on all 193 of its sites. This audit allowed Gippsland Water to identify the applicable essential safety measures at each site, identify areas for improvement and develop a maintenance schedule to ensure continued compliance.

**Conflict of interest**

Gippsland Water has a Conflict of Interest Policy which provides a framework for all employees and Board members in managing conflicts of interest. Conflict of interest is a significant matter for Gippsland Water. The integrity of the organisation relies on public confidence that employees and Board members will act fairly, impartially and in the best interests of our customers, community and stakeholders.

**Victorian Industry Participation Policy Act 2003**

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

Gippsland Water is required to apply the policy in all tenders over \$1 million, and reported on two tenders during 2009–10:

- Watermain Upgrade Program 2010–11
- Rokeby raw water pumping station upgrade

### Consultant services

During the 2009–10 financial year, \$665,178 was spent on a total of 29 consultancy services, compared with \$310,170 on a total of 29 consultancy services in 2008–09.

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

<b>Value:</b>	<b>Consultant:</b>
\$245,985	PricewaterhouseCoopers

**Project Description:** Report on alliance leadership team task force review process.

### Overseas travel

In May 2010, water treatment technologist Russell Mack travelled to Hamilton, New Zealand to attend the Water Industry Operations Group New Zealand 'Operations for the future' Conference. Russell attended this conference as a representative of the Water Industry Operators Association of Australia (WIOA). Various tours of water and wastewater treatment plants in the surrounding area was also included. This development activity was funded by WIOA, with Gippsland Water providing in kind support.

### 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:

Protected Disclosure Coordinator:

Tony Staley  
General Manager Finance, Regulation and Assets  
03 5177 4719  
Tony.staley@gippswater.com.au

Protected Disclosure Officer:

Lynley Keene  
Manager Commercial Services  
03 5177 4735  
Lynley.keene@gippswater.com.au

The Ombudsman Victoria  
Level 22  
459 Collins Street  
MELBOURNE VIC 3000

\*\* See page 79 for the full Whistleblowers Protection Policy

### Public Administration Act 2004

The *Public Administration Act 2004* lists principles that must be observed by public sector organisations and their employees. Gippsland Water staff observe these principles.

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;
- employees have a reasonable avenue of redress against unfair or unreasonable treatment; and
- a career in the 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.

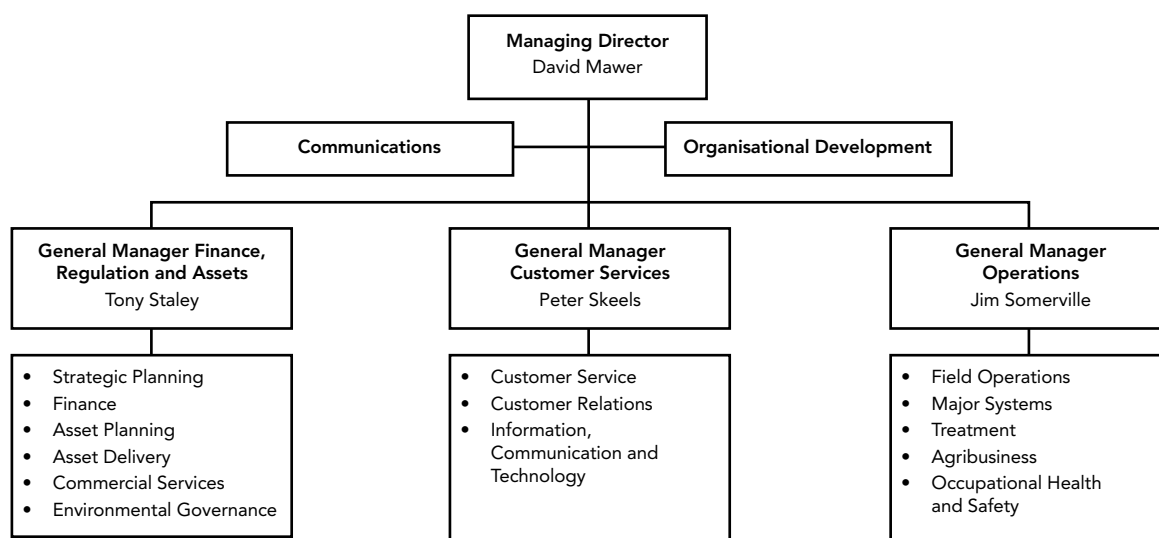
The Code of Conduct for the Victorian Public Sector is issued to all employees at their induction to promote integrity and conduct standards. Required behaviours are set out in all staff performance plans.

For more information on the Code of Conduct, visit the State Services Authority's website [www.ssa.vic.gov.au](http://www.ssa.vic.gov.au).

# 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.

## Organisational structure as at 30/06/2010



## Employment by category

Category	Number as at 30 June of each year				
	2010	2009	2008	2007	2006
Full-time male	166	156	149	159	146
Full-time female	52	51	51	49	49
Part-time male	0	1	1	2	3
Part-time female	26	21	24	17	14
Casual male	6	1	5	4	0
Casual female	6	7	8	7	7
Total employees	256	237	238	238	219
Full-time equivalent	226.56	211	208	220	204
% Full-time equivalent female employees	26.7	29	28.6	27.3	28.4

## Equal employment opportunity

Gippsland Water complies with Equal Employment Opportunity (EEO) legislation, the Victorian Public Service Code of Conduct and the *Charter of Human Rights and Responsibilities Act 2006*. The organisation has a program to provide information and support for staff who feel harassed or bullied at work. There were no formal complaints of workplace bullying or EEO incidents at Gippsland Water for the reporting period.

## Community inclusiveness

Gippsland Water has recruitment policies that ensure a fair and open opportunity for all potential employees. The corporation attended the Koorie Footprints to Monash Camp Career Expo to provide information on career opportunities in the water industry for indigenous students in Years 9 – 12 from Gippsland schools. Gippsland Water has also supported the Australian Career and Employment (ACE) program which aims to inspire, guide and empower new migrants and refugees to secure sustainable employment.

A total of 84 females were employed at Gippsland Water during the reporting period, representing 26.7% of full-time equivalent workforce. Women work in management, team leadership, professional, engineering, scientific, technical and administrative roles. During 2009–10, Gippsland Water assisted several women return from maternity leave through part time or other flexible working options, including working from home and extended maternity leave for up to an additional 12 months. Gippsland Water continues to encourage women to participate in networking and development opportunities.

## Employment and development opportunities for young people

Opportunities for young people at the corporation include:

- Work experience
- Vacation employment
- Industry Placement Program Monash University Gippsland
- Gippsland Youth Commitment
- Participation in a number of career expos including those supported by the H2OZ recruitment campaign

## Occupational Health and Safety

Gippsland Water's Safety Strategic Plan 2009–10 focussed on improvement areas, safe systems of work, contractor management, training administration systems and behavioural safety.

Major achievements against the 2009–10 Safety, Health and Environment Committee Strategic Plan include:

- Conducting a safe system review, where areas for improvement were identified in Gippsland Water's Safety Management System;
- Lock out/tag out training was completed for the Treatment group, including our major contractor, and behavioural audits commenced to review the operation and identify areas for improvement;
- Completion of site risk assessments for the treatment group in accordance with Safe System Development Plans;
- Conducting a review of OH&S system for project development;
- Developing a comprehensive Gippsland Water Factory Safety Management System, based on Gippsland Water's existing systems;
- Progressing with a behavioural safety program based on the safety culture review; and
- Excellent participation in the Corporate Health Program.

## Occupational Health and Safety Risk Management

Risk assessments for the Treatment group have been completed in accordance with Safe System Development Plans. Progress of works against the plan were measured and reported as part of safety performance on a monthly basis.

Managers have committed to the completion of risk assessments and procedures in accordance with the Safe System Development Plans across the other areas of Gippsland Water's business during the year 2010–2011.

The leadership group has also demonstrated their commitment to the program with their involvement in site safety and risk assessment inspections during the year.

## Training

In line with the Operations OH&S Training Plan 2009–2013, developed in 2009, the following OH&S training was completed during the year:

- Traffic control
- Traffic management
- OH&S representatives five-day course
- OH&S refresher one-day training
- Asbestos awareness
- Hazardous substances/dangerous goods awareness
- Confined space refresher

### Consultation and communication

The occupational health and safety committees encourage employee participation and a team-based consultative approach to occupational health and safety. The objectives of the committees are to provide an avenue for employee and management representatives to monitor and evaluate safety performance, consult and communicate changes in occupational health and safety.

The committees consist of 25 employee and management representatives. Workgroup committees are established for:

- Traralgon office
- Operations
- Agribusiness
- Soil and Organic Recycling Facility

Representatives from each of the workgroup committees form the Safety Health and Environment Committee.

The Safety Health and Environment Committee addresses strategic areas of occupational health, safety and environmental issues and makes recommendations to management.

### Measurement and evaluation

Safety performance is measured, evaluated and monitored through key performance indicators including incident reports, training attendance, site safety inspections and injury frequency rate.

The target of zero for the number of lost time injuries and lost days was not met in 2009–10, with three lost time injuries resulting in 10 days of lost time.

An employee slipped on wet treated pine steps, which resulted in five days lost time. Slip-proof treads have been installed on the steps.

Employees were working on a pipe when water sprayed out. One employee took a step backwards and stepped into an excavation, twisting his left knee. The hole had been excavated by a Gippsland Water contractor working nearby.

The injury resulted in two days' lost time. Corrective action included ensuring staff and contractors are aware of the need to protect open excavations and complete Job Safety Environment Analysis that include the entire surroundings, and conducting four behavioural audits per month.

A staff member strained their back after trying to remove a pump stuck in mud at the base of a pit. The injury resulted in three days' lost time, and corrective action included the need for two people to attend these jobs.

### Health and wellbeing

The corporate health and wellbeing program for 2009–10 included:

- Seminars on stress resilience (Lighten Up) and sleeping well;
- Biggest Improver program;
- Healthy BBQ demonstration;
- 10,000 Step Challenge;
- Sessions of yoga and core strength; and
- Ergonomic assessments

This year also saw the completion of biannual health checks for field-based personnel, inclusive of lung function and audiometry, and executive medicals. A number of corporate health issues were identified as 'above average' for focus in future health and wellbeing programs.

### Safety Strategic Plan 2010–11

Gippsland Water's Safety Strategic Plan for 2010–11 has been established and approved by the Safety, Health and Environment Sub-Committee. This plan will build on the successes of the 2009–10 plan. In summary the areas of focus include the following objectives:

#### Safe systems of work

- complete the rollout of the lock-out tag-out procedure and devices across work sites;
- identify areas for improvement in Gippsland Water's safety management system;
- complete risk assessments for site plant and tasks in line with the plan targets;
- develop a comprehensive safety management system, based on Gippsland Water's existing system, for the Gippsland Water Factory; and
- review contractor safety management across the organisation.

#### Safety culture and leadership

- develop an improvement program for safety culture;
- enhance safety leadership via tailored courses for managers;
- enhance awareness and create interest around safety; and
- manage safety behaviours, recognising good behaviour and consequences for safety inaction

#### Health and wellbeing

- implement an invigorated employee health program with a number of new and engaging elements and activities linked to the corporate health risks; and
- implement an operational based proactive injury management program with a focus on employees involved in manual handling.



## Risk management

Gippsland Water's strong risk management culture is critical to achieving its strategic plan objectives.

During 2009-10 Gippsland Water reviewed its consolidated business-wide risk management framework to align with the new International Standard for Risk Management ISO 31000:2009, which succeeded AS/NZS 4360:2004. The key change of ISO 31000:2009 is the inclusion of explicit principles for managing risk and the required framework for effective risk management. Gippsland Water's Risk Management Strategy, Policy and Procedure were updated accordingly.

Gippsland Water's Risk Management Committee met four times during 2009-10 to review and manage current and new risk exposures facing the organisation, following the completion of each quarterly departmental risk management review process. The composition of Gippsland Water's Risk Management Committee included the Managing Director and General Managers.

Following the Risk Management Committee, further reviews were completed by Gippsland Water's Audit Committee and Board on a quarterly basis. The Audit Committee reviewed all inherent very high, and controlled very high and high rated risks, and Gippsland Water's risk register to assure risk control and compliance. The Board received a quarterly report focusing on the very high and high controlled risks, and also received a copy of the entire risk register at the May 2010 Board meeting.

As at June 2010, Gippsland Water's Risk Register contained 69 active risks: 1 risk rated as Very High, 17 risks rated as High, 31 risks rated as Medium, and 20 risks rated as Low in the controlled environment with the consideration of all current controls upon assessing each risk.

The outcome of an independent VMIA review highlighted two areas on which to focus to improve risk management culture and awareness.

The first area is to strengthen the integration of risk management into Gippsland Water's strategic and operational planning processes. The second objective is to develop the maturity of Gippsland Water's risk management process to include the assessment of risk within the treated environment.

To support these recommendations the following activities will be implemented in 2010-11:

- develop a specific risk management induction presentation for new employees;
- develop a one page risk management overview handout for Gippsland Water's induction kits;
- attend specific workgroup meetings to promote risk management behaviour to existing employees;
- work in conjunction with Gippsland Water's OH&S workgroup to highlight risk management awareness within programs such as WorkSafe week;
- establish a formal control testing program that will workshop how the targeted workgroup monitors and evaluates the effectiveness of controls; and
- develop a corporate risk trigger/indicator measure and trigger action/response against each existing 'Very High' and 'High' controlled risks to formally document that a risk is occurring.

The Board continues to support the corporation's Risk Management Framework and provides a risk management attestation consistent with the Victorian Government Risk Management Framework. This attestation formalises compliance to a common risk management standard and provides a focus towards an enterprise-wide approach to managing risk.

The key elements of risk management attestation are:

- risk management processes are consistent with International Standard ISO 31000:2009;
- an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures; and
- the risk profile of the organisation has been critically reviewed within the last 12 months and the Audit Committee verifies this assurance.

An audit of Gippsland Water's Financial Management Compliance Framework found that Gippsland Water's Risk Management Framework complied with the requirements of the Victorian Government Risk Management Framework.

The outcome from the compliance audit assists Gippsland Water to satisfy the elements of the risk management attestation. This assurance is further supported by the risk management governance structure and quarterly risk management review process which actively engages the General Management, Audit Committee and Board in a critical review of the organisation's risk profile.

In satisfying the elements of the risk management attestation, Gippsland Water Chairman Richard McDowell has formally endorsed the corporation's risk management activities as outlined above for the 2009-10 Annual Report.

**RISK MANAGEMENT ATTESTATION**

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 *International Standard for Risk Management ISO 31000:2009* 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 12 months.



**Richard McDowell**  
Chairman  
Central Gippsland Region Water Corporation



**David Mawer**  
Managing Director  
Central Gippsland Region Water Corporation

Dated the 10th day of August 2010.

# Financial performance

## Financial Report For The Year Ended 30 June 2010

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## Statement of Comprehensive Income the Year Ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
<b>Revenue from Operating Activities</b>			
Service Charges	1(b) 4(a)	57,140	46,996
Volumetric Charges	1(b) 4(a)	29,579	24,670
Government Contributions	1(b) 4(a)	–	42
Interest	1(b) 4(a)	621	859
Developer Contributions	1(b) 4(a)	7,503	6,492
Other Revenue	1(b) 4(a)	10,356	5,959
<b>Total Operating Revenue</b>		<b>105,199</b>	<b>85,018</b>
<b>Revenue from Non-Operating Activities</b>			
Other Revenue	1(b)	1,508	1,141
<b>Total Revenue from Non-Operating Activities</b>		<b>1,508</b>	<b>1,141</b>
<b>Total Revenue</b>		<b>106,707</b>	<b>86,159</b>
<b>Expenses</b>			
Employee Benefits	1(r)	20,226	18,664
Direct Expense	1(p)	27,871	28,370
Environmental Contribution	1(f)	2,793	2,793
Depreciation	1(d) 4(c)	18,953	22,183
Amortisation	1(d) 4(c)	837	805
Net loss on disposal of assets	4(b)	282	151
Impairment Loss	4(c)	2,575	1,954
Borrowing Costs	1(c) 4(c)	12,090	9,823
<b>Total Expenses</b>		<b>85,627</b>	<b>84,743</b>
<b>Net Result before Tax</b>		<b>21,080</b>	<b>1,416</b>
Income Tax Expense	1(u) 5	–	–
<b>Net Result</b>	19	<b>21,080</b>	<b>1,416</b>
<b>Other Comprehensive Income</b>		<b>–</b>	<b>–</b>
<b>Total Comprehensive Income for Period</b>		<b>21,080</b>	<b>1,416</b>

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

## Balance Sheet as at 30 June 2010

	Note	2010 \$'000	2009 \$'000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	1(g) 6	5,976	12,246
Receivables	1(h) 1(i) 7	13,709	12,475
Prepayments		270	415
Inventories	1(j) 8	1,777	1,459
Biological Assets	1(n) 11	701	874
Other Financial Assets	1(k) 9	89	6
<b>Total Current Assets</b>		<b>22,522</b>	<b>27,475</b>
<b>Non Current Assets</b>			
Other Financial Assets	1(k) 1(l) 9	10,061	1,072
Property, Plant and Equipment	1(m) 10	740,471	724,148
Biological Assets	1(n) 11	1,729	1,084
Intangible Assets	1(o) 12	2,522	2,396
<b>Total Non-current Assets</b>		<b>754,783</b>	<b>728,700</b>
<b>TOTAL ASSETS</b>		<b>777,305</b>	<b>756,175</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables	1(p) 13	8,352	8,845
Interest Bearing Liabilities	1(q) 14	29,500	30,000
Employee Benefits	1(r) 15	4,552	4,250
Provisions	1(s) 1(t) 16	80	100
<b>Total Current Liabilities</b>		<b>42,484</b>	<b>43,195</b>
<b>Non Current Liabilities</b>			
Interest Bearing Liabilities	1(q) 14	140,000	139,500
Employee Benefits	1(r) 15	517	483
Provisions	1(s) 1(t) 16	1,195	968
<b>Total Non-current Liabilities</b>		<b>141,712</b>	<b>140,951</b>
<b>TOTAL LIABILITIES</b>		<b>184,196</b>	<b>184,146</b>
<b>Net Assets</b>		<b>593,109</b>	<b>572,029</b>
<b>Equity</b>			
Contributed Capital	17	252,895	252,895
Reserves	18	23,300	23,300
Accumulated Funds	19	316,914	295,834
<b>TOTAL EQUITY</b>		<b>593,109</b>	<b>572,029</b>

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

## Statement of Changes in Equity for the Year Ended 30 June 2010

		Equity at 1 July 2009 \$'000	Total Comprehensive Income \$'000	Transactions with Owners \$'000	Equity at 30 June 2010 \$'000
<b>Contributed Capital</b>	17	252,895	–	–	252,895
Capital appropriations		–	–	–	–
		252,895	–	–	252,895
<b>Accumulated Funds</b>	19	295,834	21,080	–	316,914
<b>Asset Revaluation Reserve</b>	18	23,300	–	–	23,300
Revaluation increment / decrement		–	–	–	–
		23,300	–	–	23,300
<b>Total equity at end of financial year</b>		<b>572,029</b>	<b>21,080</b>	<b>–</b>	<b>593,109</b>

		Equity at 1 July 2008 \$'000	Total Comprehensive Income \$'000	Transactions with Owners \$'000	Equity at 30 June 2009 \$'000
<b>Contributed Capital</b>	17	252,895	–	–	252,895
Capital appropriations		–	–	–	–
		252,895	–	–	252,895
<b>Accumulated Funds</b>	19	294,418	1,416	–	295,834
<b>Asset Revaluation Reserve</b>	18	23,300	–	–	23,300
Revaluation increment / decrement		–	–	–	–
		23,300	–	–	23,300
<b>Total equity at end of financial year</b>		<b>570,613</b>	<b>1,416</b>	<b>–</b>	<b>572,029</b>

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



## Cash Flow Statement for the Year Ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Fees and Charges		96,341	78,587
Interest Received		623	875
GST Received		4,813	2,246
Developer Contributions		1,908	1,201
Government Contributions	4(a)	–	42
		<b>103,685</b>	<b>82,951</b>
<b>Payments</b>			
Payments to Suppliers		(31,385)	(28,403)
Payments to Employees		(19,848)	(18,892)
GST Paid		(751)	(371)
Interest and Other Costs of Finance Paid		(12,041)	(9,465)
Environmental Contributions		(2,793)	(2,793)
		<b>(66,818)</b>	<b>(59,924)</b>
<b>Net Cash Flows from Operating Activities</b>	25	<b>36,867</b>	<b>23,027</b>
<b>Cash Flows from Investing Activities</b>			
Payments for Infrastructure, Property, Plant and Equipment		(33,682)	(101,399)
Payments for Intangible Assets		(1,228)	(661)
Proceeds from Sale of Property, Plant and Equipment	4(b)	710	404
Payments from Investments	9	(8,937)	–
<b>Net Cash Flows from Investing Activities</b>		<b>(43,137)</b>	<b>(101,656)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from Borrowings		–	80,500
Proceeds from Contributed Capital by State Government	17	–	8,245
<b>Net Cash Flows From Financing Activities</b>		<b>–</b>	<b>88,745</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>(6,270)</b>	<b>10,116</b>
Cash and Cash Equivalents at Beginning of Year	5	12,246	2,130
<b>Cash and Cash Equivalents at End of Year</b>	5	<b>5,976</b>	<b>12,246</b>

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

## Notes to the Financial Report for the Year Ended 30 June 2010

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 2010.

### Note 1 Significant Accounting Policies

#### (a) Basis of Accounting

##### General

The financial report includes separate financial statements for the corporation as an individual reporting entity. This financial report is a general purpose financial report that consists of a Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these Statements. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. Where applicable, these paragraphs of the AAS's applicable to not-for-profit entities have been applied.

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.

##### Functional and presentation currency

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

##### Classification between current and non-current

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

##### Rounding

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

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

##### Financial statement presentation

The entity has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the entity had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

#### (b) Revenue Recognition

##### Water and sewerage charges

Service charges are recognised as revenue when levied or determined.

Volumetric water usage and sewerage (non residential customers only) charges by measure are recognised as revenue when the water is provided. Meter reading is undertaken progressively throughout the year. For the 2009-10 financial year the corporation estimated the outstanding revenue in respect of water meters which had not been read at balance date of \$2,460,159, (2008-09 \$1,911,571), by multiplying the number of days since the last reading by each customer's average service usage.

##### Developer contributions and 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.

##### Government grants and 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 Statement of Comprehensive Income as *Government Grants and Contributions*. However, grants and contributions received from the Victorian State Government which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and/or the Minister for Water have indicated are in the nature of owners' contributions are accounted for as *Equity – Contributions by Owners*.

##### Interest

Interest income is recognised using the effective interest rate method.

##### Lease or Rental Income

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

##### 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.

#### (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. Also refer to Note 14 Interest Bearing Liabilities.

#### (d) Depreciation and Amortisation of Non-current Assets

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

Land is not depreciated. Depreciation on other non-current physical assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

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

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	3 years with Residual Value (2009: 8 years)
– Furniture & Computers	3 → 10 years
Intangibles	
– Software	3 → 5 years

Previously, motor vehicles were depreciated over 8 years. As part of the corporation's annual review of assets' useful lives, it changed the depreciation to 3 years together with a residual value, to enhance the accuracy of the allocation of motor vehicle cost over our estimated period of use. The change in estimate is not material in relation to the current period, nor is expected to have a material effect on future periods.

#### (e) 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 Statement of Comprehensive Income 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.

##### *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.

#### (f) Environmental Contributions

The *Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water 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. The contribution period has been extended to cover the period 1 July 2008 until 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.

#### (g) Cash and Cash Equivalents

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, but are included within cash and cash equivalents for Cash Flow Statement presentation purposes.

#### (h) 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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of the 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 Statement of Comprehensive Income.

#### (i) 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 Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows arising from operating activities are disclosed in the Cash Flow Statement on a gross basis – i.e., 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.

#### (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 current replacement cost. Costs are assigned to inventory quantities on hand at balance date on a weighted average cost basis.

#### (k) Financial Instruments

##### *Recognition*

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

##### *Financial assets at fair value through profit and loss*

Financial assets at fair value through the profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables and other financial assets in the Balance Sheet.

##### *Held-to-maturity investments*

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the corporation's management has the positive intention and ability to hold to maturity. If the corporation were to sell other than an insignificant amount of held to maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets. Any held to maturity investments held by the corporation are stated at amortised cost.

##### *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. Gains or losses arising from changes in fair value are taken directly to equity and recycled to the Statement of Comprehensive Income upon disposal or the financial asset is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Statement of Comprehensive Income of the period.

##### *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 equity investment, a significant or prolonged decline in value of the instrument below its cost is considered as an indicator that the investment is impaired. If any such evidence exists for available for sale assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Statement of Comprehensive Income is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses are recognised in the Statement of Comprehensive Income on equity instruments classified as available for sale are not reversed through the Statement of Comprehensive Income.

##### *Derivatives*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument.

**(l) Environmental Bond**

The corporation operates a prescribed (industrial) waste treatment and storage facility at its Dutson Downs property, which falls under EPA Licence CL62999, and is required to meet the conditions of Section 67B of the Environment Protection Act 1970 which requires a financial assurance for an occupier of a landfill. 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) and is disclosed on the Balance Sheet as a non-current financial asset. (Refer Note 9)

**(m) 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 (2009: \$500) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Where assets are constructed by the corporation, the cost at which they are recorded includes an appropriate share of fixed and variable overheads. Assets are capitalised from capital work in progress when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

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

**Repairs and maintenance**

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

**Measurement of non-current physical assets (Excludes biological assets – Note 1 (n))**

All non-current assets except land under water and wastewater infrastructure assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of FRD 103D.

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. Depreciated replacement cost has been adopted as an estimate of fair value under the revaluation model adopted for these assets.

Plant, equipment and vehicles are measured at fair value.

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

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.

For Whole-of-government reporting at 30 June 2009 and 30 June 2010, water infrastructure assets are measured at fair value less any accumulated depreciation and any accumulated impairment losses, in accordance with FRD 121 *Infrastructure Assets (Water/Rail)*.

During 2009, the Minister for Finance issued two new FRDs in relation to non-current physical assets that are relevant to water infrastructure assets. FRD103D *Non-current Physical Assets* ("FRD 103D"), as revised in March 2009, requires all non-current physical assets to be measured using the revaluation model unless the entity has received prior written approval of the Minister for Finance to measure the assets at cost. FRD 103D is applicable for reporting periods commencing on or after 1 July 2008, superseding FRD 103C. However, in recognition of the initial workload and heavy demand on resources within a relatively tight timeframe for implementation, transitional dispensation was available to relieve measurement at fair value at the entity reporting level until the temporary exemption is withdrawn. This temporary exemption is made under FRD 121 *Infrastructure Assets (Water/Rail)*.

During the year, this temporary exemption was extended until the financial year ending June 2011 at the direction of DTF.

**Revaluation of non current physical assets**

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

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

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

**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 and;
- non-current assets held for sale.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying amount exceeds its recoverable amount, the difference is written-off by a charge to the Statement of Comprehensive Income 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 Statement of Comprehensive Income.

**Assets classified as Held for Sale**

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

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 disposal.

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.

**(n) Biological Assets**

Biological Assets are measured at fair value determined to market prices for similar assets in the active market normally utilised by the corporation, less costs to sell.

**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 fair value less estimated costs to sell.

The net increment / decrement in market value from the previous valuation is recognised in the Statement of Comprehensive Income, less the cost of acquiring and planting trees in the period.

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

Plantations have been independently 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 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 markets for each category of produce.

**Livestock**

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

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 were taken into consideration in calculating their net market value.

**(o) Intangibles**

Intangible assets represent identifiable non-monetary assets without physical substance.

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the corporation.

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

Amortisation Basis	Software Costs
Useful Life	Finite
Method Used	3-5 years – straight line
Internally generated/acquired	Internally generated and acquired
Impairment Test/ Recoverable Amount Test	Amortisation method reviewed annually together with indicators of impairment

**(p) Payables**

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

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

**(q) Interest Bearing Liabilities**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income 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.

**(r) Employee Benefits****Wages and salaries, annual leave and sick leave**

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

**Long Service Leave**

Current Liability – unconditional long service leave (representing more than 7 years' of continuous service) is disclosed as a current liability even where the corporation does not expect to settle the liability within 12 months because it does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current long service leave liability are measured at:

- Present value – component that the corporation does not expect to settle within 12 months; and
- Nominal value – component that the corporation expects to settle within 12 months.

Non-current Liability – conditional long service leave (representing less than 7 years' of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional long service leave is required to be measured at present value.

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

1 Gippsland Water Enterprise Agreement 2007.

**Superannuation**

The amount charged to the Statement of Comprehensive Income in respect of superannuation represents the contributions made by the corporation to the superannuation plan in respect to the current services of corporation staff. Superannuation contributions are made to the plans on the relevant rules of each plan. For those employees in accumulation funds the corporation contributes 9% of employee earnings under the *Superannuation Guarantee Administration Act 1992*.

The amount charged to the Statement of Comprehensive Income in respect of superannuation represents the contributions made to the superannuation plan, adjusted by any 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.

**(s) Provisions**

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

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



**(t) Dutson Downs Rehabilitation Provisions**

The corporation operates a prescribed (industrial) waste treatment and storage facility at its Dutson Downs property. Historically, the 350ha site was established in order to dispose of industrial wastes using landfill technology. The facility is approved by the EPA for this purpose due to its large buffer distances, its thick clay overlays and its well developed management practices.

Two provisions have been established to recognise the future rehabilitation costs associated with its closure:

**(i) Bioremediation Pond Rehabilitation**

On 30 June 2008 the Bioremediation Pond (cardboard pond) ceased operating. The corporation recognised through the establishment of a provision the liability for the rehabilitation of the Bioremediation Pond site. The provision is revalued each year to ensure that it is of sufficient value to cover the actual cost associated with the final rehabilitation of the site. Remediation of the site will commence in 2010–11.

**(ii) Land Fill Site Rehabilitation**

Licensed by the EPA, the corporation continues to operate at Dutson Downs land fill technology for the disposal of inorganic waste. Land fill sites can remain open for many years, this provision recognises the final restoration cost to close and restore the land fill site. Based upon current utilisation management has estimated the land fill site has 13 years of remaining life. This provision will be reviewed annually to ensure it adequately covers the rehabilitation costs and satisfies any changes to environmental regulations which may be enforced in subsequent years.

**(u) Taxation**

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

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 Statement of Comprehensive Income, Balance Sheet and Statement of Changes in Equity as it is not probable that future taxable amounts will be available to utilise those temporary differences. Refer to Note 5.

**(v) 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 of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

**(w) 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.

**(x) Comparative Amounts**

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

**(y) Operating Results of Retail Services**

The financial report includes a note reporting the retail services of the Corporation, in accordance with the Ministerial Direction under Section 51 of the *Financial Management Act 1994*.

**(z) New Accounting Standards and Interpretations issued that are not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. As at 30 June 2010, the following standards and interpretations had been issued but were not mandatory for the financial year 30 June 2010. The corporation has not and does not intend to adopt these standards early.



Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on financial statements
AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	In May 2009, the AASB issued a number of improvements to existing Australian Accounting Standards. The entity will apply the revised standards from 1 July 2010.	1 Jan 2010	The corporation does not expect that any adjustments will be necessary as result of applying the revised rules.
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2]	The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction.	1 Jan 2010	Not applicable.
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.	1 February 2010	The entity has not made any such rights issues, therefore the amendment will not have any effect on the financial statements.
AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the entity's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.	1 January 2013	The entity is yet to assess its full impact. However, initial indications are that it may affect the entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards	In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party.	1 January 2011	When the amendments are applied, the entity and the parent will need to disclose any transactions between its subsidiaries and its associates. However, it has yet to put systems into place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.
AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19	AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.	1 July 2010	It is not expected to have any impact on the entity's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the entity has not entered into any debt for equity swaps since that date.
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.	1 January 2011	The entity does not make any such prepayments. The amendment is therefore not expected to have any impact on the entity's financial statements.

## Notes to the Financial Statements for the Year Ended 30 June 2010

**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 carrying amounts of the corporation's contractual financial assets and financial liabilities by category are in the table below:

Financial Instrument	2010 Carrying Amount \$'000	2009 Carrying Amount \$'000
<b>Financial Assets</b>		
Cash and Cash Equivalents	5,976	12,246
<i>Loans and receivables:</i>		
– Trade Receivables	10,116	8,127
– Other Receivables	12,944	3,295
<b>Total Financial Assets (a)</b>	<b>29,036</b>	<b>23,668</b>
<b>Financial Liabilities</b>		
<i>At Amortised Cost:</i>		
Payables	8,352	8,845
Interest Bearing Liabilities	169,500	169,500
<b>Total Financial Liabilities (b)</b>	<b>177,852</b>	<b>178,345</b>

(a) Total financial assets exclude statutory receivables (GST input tax credit recoverable).

(b) Total financial liabilities exclude statutory payables (Taxes payable).

**Net holding gain/loss on financial instruments by category:**

Financial Instrument 2010	Total Interest Income and Expense \$'000	Fee Income Expense \$'000	Impairment Loss \$'000	Total \$'000
<b>Contractual Financial Assets</b>				
Cash and Cash Equivalents	362	–	–	362
Trade Receivables	–	–	21	21
Other Receivables	259	–	–	259
<b>Total Financial Assets</b>	<b>621</b>	<b>–</b>	<b>21</b>	<b>642</b>
<b>Financial Liabilities</b>				
Payables	–	–	–	–
Interest Bearing Liabilities	10,870	1,220	–	12,090
<b>Total Financial Liabilities</b>	<b>10,870</b>	<b>1,220</b>	<b>–</b>	<b>12,090</b>

## Notes to the Financial Statements for the Year Ended 30 June 2010

## Net holding gain/loss on financial instruments by category (continued):

Financial Instrument 2009	Total Interest Income and Expense \$'000	Fee Income Expense \$'000	Impairment Loss \$'000	Total \$'000
<b>Contractual Financial Assets</b>				
Cash and Cash Equivalents	804	–	–	804
Trade Receivables	–	–	(44)	(44)
Other Receivables	55	–	–	55
<b>Total Financial Assets</b>	<b>859</b>	<b>–</b>	<b>(44)</b>	<b>815</b>

**Financial Liabilities**

Payables	–	–	–	–
Interest Bearing Liabilities	8,861	962	–	9,823
<b>Total Financial Liabilities</b>	<b>8,861</b>	<b>962</b>	<b>–</b>	<b>9,823</b>

**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 interest rate risk, foreign exchange 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 government's 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 is 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) Borrowing 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.

Management has also concluded cash at bank and cash deposits with TCV can be left at floating rates without necessarily exposing the corporation to significant risk, management monitors the movements in these floating rates on a regular basis.

## Notes to the Financial Statements for the Year Ended 30 June 2010

## 2.1 Risk Exposures (continued)

## (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.

Should a significant foreign currency exposure arise the corporation is authorised to enter into a derivative instrument to limit the effect of foreign currency movements. The corporation did not enter into any derivative instruments during the year.

## (iii) Equity Price Risk

The corporation is not holding any investments in listed or unlisted shares or managed investment schemes and is not exposed to equity price risk.

## (iv) Other Price Risk

The corporation may be exposed to movements in commodity prices as they impact the costs of raw materials. Where possible the corporation limits its exposure to these price movements by entering into commercial contractual arrangements.

At the reporting date the corporation had 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.

While the current forecast from TCV indicates borrowings for 3 year and 10 year TCV bonds may edge slightly higher over the next year. Management considers the corporation will be exposed to a wider range of interest rate movements than to the narrower TCV forecast of approximately 0.4% (TCV, 10 year bond).

High levels of government debt across the developed world and the ongoing economic instability within certain European countries is of concern. Management believes there will be further upward pressure on interest rates in Australia over the next 12 months. Loans totalling \$29.5M will be renegotiated during 2010–11 most likely with longer term maturities. These loans have interest rates which are above and also below the current TCV forecast. It is 'reasonably possible' to expect the weighted average cost of borrowings for these loans to increase above the general market by a further 0.8%.

The sensitivity analysis set out below applies a weighted average possible increase in interest of 0.8% (2009: 1.5%) over the financial instruments and shows a net loss of \$109,000 (2009: \$251,000) to Net Result and Equity. A slight chance remains that interest rates may decrease, management considers rates are unlikely to reduce by more than 0.5%. The impact of lower interest rates would generate a net gain of \$68,000 (2009: \$84,000) to Net Result and Equity.

The carrying value of the fixed interest bearing instruments valued at fair value would be impacted by a change in interest rates. If interest rates increase, the carrying value of the instrument would decrease. The sensitivity analysis cannot accurately calculate a potential movement in the carrying value.

At the reporting date the corporation had no exposure to foreign currencies. A sensitivity calculation has not been performed. Foreign currency exposure at 2009 was also nil.

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

The table below sets out for each financial instrument the potential impact on the Net Result and Equity held by the corporation for interest rate risk which management consider to be 'reasonably possible' at 30 June 2010.

## 2010

		Carrying Amount	Interest Rate Risk			
			+ 0.8% Result \$'000	+ 0.8% Equity \$'000	– 0.5% Result \$'000	– 0.5% Equity \$'000
		\$'000				
<b>Financial Assets</b>						
Cash and Cash Equivalents	(1)	5,976	48	48	(30)	(30)
Trade Receivables	(2)	10,116	–	–	–	–
Other Receivables	(2)	3,007	–	–	–	–
Other Receivables – TCV Deposit		9,937	79	79	(50)	(50)
<b>Financial Liabilities</b>						
Payables	(2)	8,352	–	–	–	–
Interest Bearing Liabilities – Fixed		140,000	–	–	–	–
Interest Bearing Liabilities – Maturing		29,500	(236)	(236)	148	148
Interest Bearing Liabilities – Variable		–	–	–	–	–
<b>Total</b>			<b>(109)</b>	<b>(109)</b>	<b>68</b>	<b>68</b>

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

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

## Notes to the Financial Statements for the Year Ended 30 June 2010

## 2.1 Risk Exposures (continued)

The table below sets out for each financial instrument the estimated impact on the Net Result and Equity held by the corporation for interest rate risk at 30 June 2009.

2009

2009		Carrying Amount  \$'000	Interest Rate Risk			
			+ 1.5% Result \$'000	+ 1.5% Equity \$'000	– 0.5% Result \$'000	– 0.5% Equity \$'000
Financial Assets						
Cash and Cash Equivalents	(1)	12,246	184	184	(61)	(61)
Trade Receivables	(2)	8,127	–	–	–	–
Other Receivables	(2)	2,295	–	–	–	–
Other Receivables – TCV Deposit		1,000	15	15	(5)	(5)
Financial Liabilities						
Payables	(2)	8,845	–	–	–	–
Interest Bearing Liabilities – Fixed		139,500	–	–	–	–
Interest Bearing Liabilities – Maturing		10,000	(150)	(150)	50	50
Interest Bearing Liabilities – Variable		20,000	(300)	(300)	100	100
Total			(251)	(251)	84	84

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

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

## (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 (when / if applicable).

The corporation measures credit risk on a fair value basis and monitors risk on a regular basis. The Credit and Finance departments meet quarterly, where the Credit department present movements in ageing, values for time extensions, payment arrangements and impaired debt. The credit management reviews are not showing any deterioration in customer payment behaviour resulting from the changed economic environment. 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 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 for impairment for financial assets is 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.

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

For cash at bank it's the corporation's policy to only deal with Australian banks with high credit ratings.

## Notes to the Financial Statements for the Year Ended 30 June 2010

## 2.1 Risk Exposures (continued)

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 careful maturity planning of its financial obligations based on forecasts of future cash flows, monitoring of short and long term borrowings with regular reviews of current and future borrowing levels and requirements, maintenance of adequate reserves and ensuring sufficient standby credit facilities are available to ensure the corporation has sufficient funding available to meet obligations as they fall due on a day to day basis.

Cash at bank being liquidity on hand is held with one of Australia's top four leading banks. The current Standard & Poor's long term credit rating of our banker is AA and stable.

## Financing arrangements

Annually, the corporation completes a Corporate Plan which includes financial estimates for a five year period. This plan incorporates a cashflow forecast that then facilitates application to DTF for any necessary Financial Accommodation. Financial Accommodation establishes the corporation's approval to enter borrowing arrangements with TCV. The corporation does not have approved borrowing facilities with other financial institutions. At 30 June 2010, the corporation held approved undrawn Financial Accommodation from 2009-10 of \$28M (excluding the undrawn Temporary Purpose funding of \$5M).

In light of the corporation's planned capital expenditure program, and the ongoing need for debt funding to support this program, the organisation's ability to meet liabilities as they fall due is reliant upon the ongoing DTF approval of the Corporate Plan, and the approval of the Treasurer of Victoria's accompanying Financial Accommodation.

At the reporting date the corporation had the following undrawn borrowing facilities.

Borrowing Facility	2010 \$'000	2009 \$'000
Temporary Purpose Financial Accommodation	5,000	5,000
Annual Financial Accommodation	28,000	10,000
Total Undrawn Approved Borrowings	33,000	15,000

## Maturity analysis of contractual financial liabilities

2010	Less than 6 months \$'000	6-12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Carrying Amount \$'000
<b>Financial Liabilities</b>						
Payables	8,352	–	–	–	–	8,352
Borrowings	29,500	–	20,000	50,000	70,000	169,500
Total Financial Liabilities	37,852	–	20,000	50,000	70,000	177,852

2009	Less than 6 months \$'000	6-12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Carrying Amount \$'000
<b>Financial Liabilities</b>						
Payables	8,845	–	–	–	–	8,845
Borrowings	30,000	–	29,500	50,000	60,000	169,500
Total Financial Liabilities	38,845	–	29,500	50,000	60,000	178,345



**Notes to the Financial Statements for the Year Ended 30 June 2010****Note 2 Financial Risk Management Objectives and Policies (continued)****2.2 Fair Value**

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. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is considered not significant.

At balance date the corporation did not hold any financial instruments which have been measured at fair value through the profit and loss. Consequently no fair value hierarchy disclosures are required.

Comparison between carrying amount and fair value.

Financial Instrument	2010 Carrying Amount \$'000	2010 Fair Value \$'000	2009 Carrying Amount \$'000	2009 Fair Value \$'000
<b>Financial Assets</b>				
Cash and Cash Equivalents	5,976	5,976	12,246	12,246
Loans and receivables				
– Trade Receivables	10,116	10,116	8,127	8,127
– Accrued Revenue/Other Receivables	3,007	3,007	2,295	2,295
– Deposits at TCV	9,937	9,970	1,000	1,003
<b>Total Financial Assets</b>	<b>29,036</b>	<b>29,069</b>	<b>23,668</b>	<b>23,671</b>
<b>Financial Liabilities</b>				
Payables	8,352	8,352	8,845	8,845
Interest Bearing Liabilities	169,500	177,469	169,500	174,811
<b>Total Financial Liabilities</b>	<b>177,852</b>	<b>185,821</b>	<b>178,345</b>	<b>183,656</b>

**Note 3 Critical Accounting Estimates and Judgements**

In the application of AASs management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revisions, and future periods if the revision affects both current and future periods.

## Notes to the Financial Statements for the Year Ended 30 June 2010

## Note 4 Operating Statement – Disclosures

## (a) Significant Revenues

	Note	2010 \$'000	2009 \$'000
<b>Service Charges</b>			
– Water Charges		15,539	13,220
– Wastewater Charges		41,408	33,631
– Trade Waste Charges		193	145
<b>Total Service Charges</b>	<b>1(b)</b>	<b>57,140</b>	<b>46,996</b>
<b>Volumetric Charges</b>			
– Water		24,520	20,444
– Wastewater		5,059	4,226
<b>Total Volumetric Charges</b>	<b>1(b)</b>	<b>29,579</b>	<b>24,670</b>
<b>Government Contributions</b>			
– Operating		–	–
– Non Operating		–	42
<b>Total Government Contributions</b>	<b>1(b)</b>	<b>–</b>	<b>42</b>
<b>Developer Contributions</b>			
– Fees Paid by Developers		1,900	1,191
– Assets Received from Developers		5,603	5,301
<b>Total Developer Contributions</b>	<b>1(b)</b>	<b>7,503</b>	<b>6,492</b>
<b>Interest received from financial assets not at fair value through Profit/Loss</b>		<b>621</b>	<b>859</b>
<b>Other Revenue – Operating</b>			
– Agriculture pursuits		2,138	1,660
– Prescribed Waste		3,813	2,160
– Rechargeable Works		2,792	600
– Other Fees		1,613	1,539
<b>Total Other Revenue – Operating</b>	<b>1(b)</b>	<b>10,356</b>	<b>5,959</b>

## (b) Net Gain/(Loss) on disposal of non-current assets

The surplus/(deficit) from ordinary activities includes the following specific net gains and expenses

## Net Gain (Loss) on Disposal of Property, Plant and Equipment

– Proceeds on Sale	709	404
– Written Down Value	(991)	(555)
<b>Net Gain (Loss) on Disposal of Property, Plant and Equipment</b>	<b>(282)</b>	<b>(151)</b>

## Notes to the Financial Statements for the Year Ended 30 June 2010

(c) Expenses	Note	2010 \$'000	2009 \$'000
Employer defined benefit and superannuation contribution expense	23	1,477	1,358
Net (gain)/loss arising from revaluation of Long Service Leave		(89)	157
Operating lease rental expense		74	61
Bad and doubtful debts			
– Written off		69	146
– Written off by mutual agreement		82	35
Auditors Remuneration			
– Auditor General for Audit of Financial Statements		61	50
– Internal Audit		93	129
Depreciation			
– Buildings		642	515
– Water Infrastructure		6,540	8,458
– Wastewater Infrastructure		9,712	11,235
– Plant and Equipment		1,467	1,485
– Motor Vehicles		592	490
<b>Total Depreciation</b>	1(d)	<b>18,953</b>	<b>22,183</b>
Amortisation			
– Software	12	837	805
<b>Total Depreciation and Amortisation</b>	25	<b>19,790</b>	<b>22,988</b>
Borrowing Cost not at fair value through the profit and loss			
– Interest on TCV borrowings	1(c)	10,870	8,861
– Financial Accommodation Levy	1(c)	1,220	962
<b>Total Borrowing Cost</b>		<b>12,090</b>	<b>9,823</b>
Impairment Loss			
– Non-financial assets	10(b)	2,554	1,998
– Financial assets – receivables	1(k) 7	21	(44)
<b>Total Impairment Loss</b>		<b>2,575</b>	<b>1,954</b>
Write down of inventory		53	39
Deemed Cost of Biological Assets Sold – Timber		97	81
Deemed Cost of Biological Assets Sold – Livestock		744	1,047

## Notes to the Financial Statements for the Year Ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
(d) Individually Significant Expenditure for 2010			
Fair value decrement of plantations being revalued to the current market value.		–	833
Capital Projects – Discontinued		–	473
– Thorpdale Bore. Lower than expected water flow and quality issues.		–	739
– Warragul Sewer Upgrade. New property developments changed the proposed strategy.			
Impaired Assets			
– SWOP. Section of the pipeline replaced during the year.		612	
– Hazelwood Emergency Storage. Become obsolete due to its condition and the development of new assets.		546	
– Software development costs deemed to be operating expenditure.	12	265	–

## Note 5 Income Tax

The estimated deferred tax asset at 30 June 2010 in respect of tax losses not brought to account is \$45,477,000 (2008–09: \$47,267,000). 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 Statement of Comprehensive Income and Balance Sheet as the corporation is likely to make ongoing tax losses and settlement of these items is not assured beyond reasonable doubt.

	2010 \$'000	2009 \$'000
<b>Reconciliation of Income Tax to Prima Facie Tax Payable</b>		
Net result before income tax expense	21,080	1,416
Tax at the Australian tax rate of 30% (2009: 30%)	6,324	425
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Expenditure not allowable for income tax purposes	23,847	27,488
Expenditure allowable for income tax purposes	(38,961)	(39,718)
Benefit of tax losses not brought to account	8,790	11,805
Income tax expense as reported in the Comprehensive Income	–	–

**Notes to the Financial Statements for the Year Ended 30 June 2010****Note 6 Cash and Cash Equivalents**

	2010 \$'000	2009 \$'000
Cash on Hand (a)	1	2
Cash at Bank (b)	5,975	12,244
Total Cash and Cash Equivalents	5,976	12,246
<b>(a) Cash on Hand</b>		
Cash on Hand is non interest bearing		
<b>(b) Reconciliation to cash at the end of year</b>		
The above figures are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement, as follows:		
Balances as above	5,976	12,246
Balances as per Cash Flow Statement	5,976	12,246
<b>(c) Deposits at call</b>		
The deposits are bearing floating interest rates between 2.89% and 4.51% (2009 2.89% and 7.45%)		

**Note 7 Receivables***Current*

Trade Receivables	10,239	8,229
Provision for impaired receivables (a)	(123)	(102)
Goods and Services Taxation Refund Due	799	2,131
Accrued Revenue	2,794	2,217
<b>Total Receivables</b>	<b>13,709</b>	<b>12,475</b>
<b>(a) Movement in provision for impaired receivables</b>		
Opening balance at 1 July	(102)	(146)
(Increase)/decrease in allowance recognised in profit or loss	(172)	(137)
Amounts recovered during the year.	(30)	(36)
Amounts written off during the year	181	217
Closing balance at 30 June	(123)	(102)
A provision has been made for estimated irrecoverable Trade Receivables, determined by reference to past default experience. The movement in the provision was recognised in the net result for the financial year.		
The carrying amount of Trade Receivables that would otherwise be past due or impaired whose terms have been renegotiated.	922	678
<b>(b) Trade Receivable Past Due But Not Impaired</b>		
30 – 60 Days	1,223	844
60 – 90 Days	230	171
Over 90 Days	393	478
<b>Total Trade Receivables past due but not impaired</b>	<b>1,846</b>	<b>1,493</b>

## Notes to the Financial Statements for the Year Ended 30 June 2010

## Note 7 Receivables (continued)

Total impaired Trade Receivables at 30 June were \$123,000 (2009: \$102,000). 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 then made as to the ultimate collectability of such aged customer accounts.

The Accrued Revenue does not contain impaired assets and is not past due.

(c) Foreign Exchange Risk: At 30 June 2010 (2009: Nil) the corporation had no receivable denominated in a foreign currency.

(d) Fair Value and Credit Risk: Receivables by their nature have short term maturities, the carrying value is assumed to reflect the fair value.

	2009 \$'000	2008 \$'000
<b>Note 8 Inventories</b>		
Stores and Consumables – at Cost	1,777	1,459
<b>Total Inventories</b>	<b>1,777</b>	<b>1,459</b>
There were no inventories pledged as security for liabilities (2009: Nil)		
<b>Note 9 Other Financial Assets</b>		
<i>Current Other Financial Assets at Amortised Cost</i>		
Private Schemes Unmatured Capital	5	5
Other	84	1
<b>Total Current Other Financial Assets</b>	<b>89</b>	<b>6</b>
<i>Non-current Other Financial Assets at Amortised Cost</i>		
Private Schemes Unmatured Capital	65	72
Deposit – TCV Small Town Water and Sewerage Program	8,937	–
Deposit – TCV Environmental Bond	1,000	1,000
Other Long Term Receivable	59	–
<b>Total Non-Current Other Financial Assets</b>	<b>10,061</b>	<b>1,072</b>
<b>Total Other Receivables</b>	<b>10,150</b>	<b>1,078</b>

**Private Schemes**

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.

**Other Current Receivables**

VRET certificates and sundry receivables due from employees of the corporation.

**Deposit – TCV Small Town Water and Sewerage Program**

Represents a contribution from owners to be used specifically for a small town water and sewerage program. Conditions and milestones have been set by the Department of Sustainability and Environment on this contribution.

**Deposit – TCV Environmental Bond**

This deposit with TCV has no specified maturity date, but has specific terms and conditions in as specified in Note 1(l).

**Total Other Receivables**

The maximum exposure to credit risk at the reporting date is the carrying amount of these assets and the assets are not impaired and are not past due. The corporation does not hold any collateral over these assets. Based on the credit history, the receivables are expected to be received when due.

The assets are in Australian dollars and there are no foreign currency exposures and no exposure to price risk.

Other Financial Assets and Private Schemes	154	78
Deposit – TCV Small Town Water and Sewerage Program	8,970	–
Deposit – TCV Environmental Bond	1,000	1,003
Other Long Term Receivable	59	–
<b>Total Other Receivables at Fair Value</b>	<b>10,183</b>	<b>1,081</b>



## Notes to the Financial Statements for the Year Ended 30 June 2010

## Note 10 Property, Plant and Equipment

(a) Classes of Property, Plant and Equipment

	2010 \$'000	2009 \$'000
Land		
At Cost	1,673	1,372
At Fair Value (2007: 30 June 2007 Valuation)	25,928	25,928
	27,601	27,300
Buildings		
At Cost	4,095	3,868
At Fair Value (2007: 30 June 2007 Valuation)	9,934	10,084
Less: Accumulated Depreciation	(1,631)	(1,025)
	12,398	12,927
Water Infrastructure		
At Cost	264,511	259,638
Less: Accumulated Depreciation	(44,243)	(37,938)
	220,268	221,700
Wastewater Infrastructure		
At Cost	285,688	276,993
Less: Accumulated Depreciation	(53,247)	(44,036)
	232,441	232,957
Plant, Equipment and Other		
At Fair Value	15,827	14,904
Less: Accumulated Depreciation	(9,595)	(8,150)
	6,232	6,754
Motor Vehicles		
At Fair Value	4,031	3,845
Less: Accumulated Depreciation	(858)	(993)
	3,173	2,852
Under Construction (Work In Progress) (i)	238,358	219,658
	238,358	219,658
Total Property, Plant and Equipment	740,471	724,148

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

(i) Capital works 'Under Construction' includes \$215,376,594 (2009: \$203,651,803) for the Gippsland Water Factory project.

## Notes to the Financial Statements for the Year Ended 30 June 2010

## Note 10 Property, Plant and Equipment

(b) Movements during the reporting period

	Opening WDV 1 July 2009 \$'000	Additions \$'000	Disposals \$'000	Net Revaluation \$'000	Transfers Between Categories \$'000	Impairment (ii) \$'000	Depreciation \$'000	Closing WDV 30 June 2010 \$'000
<b>Land</b>								
At Cost	1,372	85	–	–	216	–	–	1,673
At Independent Valuation	25,928	–	–	–	–	–	–	25,928
	27,300	85	–	–	216	–	–	27,601
<b>Buildings</b>								
At Cost	3,815	–	–	–	221	(108)	(185)	3,743
At Independent Valuation	9,112	–	–	–	–	–	(457)	8,655
	12,927	–	–	–	221	(108)	(642)	12,398
<b>Water Infrastructure</b>								
At Cost	221,700	1,729	–	–	4,390	(1,011)	(6,540)	220,268
At Deprival Value	–	–	–	–	–	–	–	–
	221,700	1,729	–	–	4,390	(1,011)	(6,540)	220,268
<b>Wastewater Infrastructure</b>								
At Cost	232,957	3,789	–	–	6,842	(1,435)	(9,712)	232,441
At Deprival Value	–	–	–	–	–	–	–	–
	232,957	3,789	–	–	6,842	(1,435)	(9,712)	232,441
<b>Plant, Equipment &amp; Other</b>								
At Fair Value	6,754	–	(2)	–	947	–	(1,467)	6,232
	6,754	–	(2)	–	947	–	(1,467)	6,232
<b>Motor Vehicles</b>								
At Fair Value	2,852	–	(989)	–	1,902	–	(592)	3,173
	2,852	–	(989)	–	1,902	–	(592)	3,173
<b>Under Construction</b>								
	219,658	33,407	–	–	(14,707)	–	–	238,358
	219,658	33,407	–	–	(14,707)	–	–	238,358
<b>Total Property, Plant &amp; Equipment</b>	<b>724,148</b>	<b>39,010</b>	<b>(991)</b>	<b>–</b>	<b>(189)</b>	<b>(2,554)</b>	<b>(18,953)</b>	<b>740,471</b>

(ii) Impairment during the year was mainly due to an emergency storage becoming obsolete and a section of large pipe being deemed not fit for purpose and being replaced.

## Notes to the Financial Statements for the Year Ended 30 June 2010

## Note 10 Property, Plant and Equipment (continued)

(b) Movements during the reporting period

	Opening WDV 1 July 2008 \$'000	Additions \$'000	Disposals \$'000	Net Revaluation \$'000	Transfers Between Categories \$'000	Impairment (iii) \$'000	Depreciation \$'000	Closing WDV 30 June 2009 \$'000
<b>Land</b>								
At Cost	106	–	–	–	1,266	–	–	1,372
At Independent Valuation	25,928	–	–	–	–	–	–	25,928
	26,034	–	–	–	1,266	–	–	27,300
<b>Buildings</b>								
At Cost	770	–	–	–	3,092	–	(47)	3,815
At Independent Valuation	9,580	–	–	–	–	–	(468)	9,112
	10,350	–	–	–	3,092	–	(515)	12,927
<b>Water Infrastructure</b>								
At Cost	225,471	1,673	–	–	4,809	(1,795)	(8,458)	221,700
At Deprival Value	–	–	–	–	–	–	–	–
	225,471	1,673	–	–	4,809	(1,795)	(8,458)	221,700
<b>Wastewater Infrastructure</b>								
At Cost	234,011	3,672	(14)	–	6,726	(203)	(11,235)	232,957
At Deprival Value	–	–	–	–	–	–	–	–
	234,011	3,672	(14)	–	6,726	(203)	(11,235)	232,957
<b>Plant, Equipment &amp; Other</b>								
At Cost	6,468	–	(21)	–	1,792	–	(1,485)	6,754
	6,468	–	(21)	–	1,792	–	(1,485)	6,754
<b>Motor Vehicles</b>								
At Cost	2,868	–	(520)	–	994	–	(490)	2,852
	2,868	–	(520)	–	994	–	(490)	2,852
<b>Under Construction</b>								
	152,980	86,949	–	–	(20,271)	–	–	219,658
	152,980	86,949	–	–	(20,271)	–	–	219,658
<b>Total Property, Plant &amp; Equipment</b>	<b>658,182</b>	<b>92,294</b>	<b>(555)</b>	<b>–</b>	<b>(1,592)</b>	<b>(1,998)</b>	<b>(22,183)</b>	<b>724,148</b>

(iii) Impairment during the year was mainly due to the redundancy of a decommissioned raw water basin.

## Notes to the Financial Statements for the Year Ended 30 June 2010

## Note 11 Biological Assets

	2010 \$'000	2009 \$'000
<b>Current – Plants</b>		
Fodder	201	10
Crops – Feed Grade	110	20
Plantation Softwood	78	159
	389	189
<b>Current – Animals</b>		
Cattle	235	618
Sheep	77	67
	312	685
<b>Total Current Biological Assets</b>	<b>701</b>	<b>874</b>
<b>Non-current</b>		
Plantation Softwood	573	62
Cattle	1,156	1,022
<b>Total Non-current Biological Assets</b>	<b>1,729</b>	<b>1,084</b>
<b>Total Biological Asset Carrying Amount at 30 June</b>	<b>2,430</b>	<b>1,958</b>
<b>Movement in Carrying Amount</b>		
Carrying amount at 1 July	1,958	3,122
Increases due to:		
Purchases	150	177
Natural Increase	1,402	965
New Crops	–	–
Fair Value increase – Livestock and Plantations	336	(688)
Decreases attributable to:		
Sales	(1,383)	(1,558)
Deaths	(33)	(60)
<b>Carrying amount at 30 June</b>	<b>2,430</b>	<b>1,958</b>

## Notes to the Financial Statements for the Year Ended 30 June 2010

## Note 11 Biological Assets (continued)

(a) Plants (i)	2010 \$'000	2009 \$'000	2010 Qty	2009 Qty
<b>Consumable Assets</b>				
<b>Mature Assets</b>				
Fodder				
Silage – (Qty Bales)	39	10	721	160
Cereal and Legume Silage (Tonnes)	140	–	1,400	–
Hay	22	–	565	–
Crops				
Feed Wheat (Qty Tonnes)	26	14	129	50
Feed Barley (Qty Tonnes)	70	6	410	25
Canola	14	–	37	–
Softwood Pinus Radiata (Qty Ha)	78	159	8	22
<b>Total Consumable Assets</b>	<b>389</b>	<b>189</b>		
<b>Non-bearer Assets</b>				
<b>Immature Assets</b>				
Softwood Pinus Radiata (Qty Ha)	573	62	469	411
<b>Total Non-bearer Assets</b>	<b>573</b>	<b>62</b>		
<b>(b) Animals (ii)</b>				
<b>Consumable Assets</b>				
<b>Immature Assets</b>				
Mixed sex weaners	235	222	379	447
Lambs	77	67	1,191	1,407
	312	289		
<b>Mature Assets</b>				
Bullocks	–	396	–	495
<b>Total Consumable Assets</b>	<b>312</b>	<b>685</b>	<b>1,570</b>	<b>2,349</b>
<b>Bearer Assets</b>				
<b>Immature Assets</b>				
Heifers	552	633	751	919
<b>Mature Assets</b>				
Cows and Bulls	604	389	633	409
<b>Total Bearer Assets</b>	<b>1,156</b>	<b>1,022</b>	<b>1,384</b>	<b>1,328</b>
<b>Output</b>				
Crops and Livestock	1,402	965	600	774

Fair value of output was determined at closing market value

(i) Sam Paton & Associates Pty, Ltd, Certified Practicing Valuers, completed an independent valuation of plantations as at 30 June 2010.

(ii) Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2010.

## Notes to the Financial Statements for the Year Ended 30 June 2010

## Note 11 Biological Assets (continued)

The Gippsland Water Agribusiness is operated across 12 broad acre land assets (10,000ha) owned or vested in the corporation. These lands support a large mixed farming enterprise, encompassing livestock, plantation, grain and fodder. These form integrated components of the land management business, with each enterprise providing support services to Gippsland Water in the provision of sustainable water and wastewater services to the region.

The crops produced at Dutson Downs are irrigated by treated wastewater. This source of irrigation water determines the crops can only be sold as stock feed which impacts the fair value of the harvest.

The corporation protects its agricultural pursuits through the following financial risk management strategies. For forestry the corporation has taken out insurance policies to cover the potential risk of fire. Fodder crops are grown at Dutson Downs principally to supplement the feed for livestock thereby ensuring the animals reach their optimum weights for market. Market conditions are frequently monitored and livestock sales are conducted to take advantage of seasonal conditions.

## Note 12 Intangible Assets

(a) Classes of Intangible Assets	2010 \$'000	2009 \$'000
Software at Cost	8,650	7,552
Accumulated amortisation	(6,729)	(5,892)
	<b>1,921</b>	<b>1,660</b>
Software Development (Work in Progress)	601	736
<b>Total Intangible Assets</b>	<b>2,522</b>	<b>2,396</b>

## (b) Movements during the reporting period

	2009-10			
	Opening WDV 1 July 2009 \$'000	Additions \$'000	Transfers \$'000	Closing WDV 30 June 2010 \$'000
Software at Cost	7,552	–	1,098	8,650
Accumulated amortisation	(5,892)	–	–	(6,729)
	1,660	–	1,098	1,921
Software Development (Work in Progress)	736	1,228	(1,363)	601
<b>Total Intangible Assets</b>	<b>2,396</b>	<b>1,228</b>	<b>(265)</b>	<b>2,522</b>

(i) Upon Capitalisation under FRD 109 this was deemed to be expenditure

	2008-09			
	Opening WDV 1 July 2008 \$'000	Additions \$'000	Transfers \$'000	Closing WDV 30 June 2009 \$'000
Software at Cost	7,055	–	497	7,552
Accumulated amortisation	(5,087)	–	–	(5,892)
	1,968	–	497	1,660
Software Development (Work in Progress)	572	661	(497)	736
<b>Total Intangible Assets</b>	<b>2,540</b>	<b>661</b>	<b>–</b>	<b>2,396</b>

**Notes to the Financial Statements for the Year Ended 30 June 2010****Note 13 Payables**

	2010 \$'000	2009 \$'000
<i>Current</i>		
Trade Creditors	620	120
Accrued Expenses	5,313	6,050
Other		
Security Deposits	1,098	1,526
Retentions	207	203
Overpaid Rates and Charges	929	780
Unclaimed Monies	2	4
Other	183	162
<b>Total Current Payables</b>	<b>8,352</b>	<b>8,845</b>

Total Payables do not include any foreign currency denominated liabilities (2009: Nil).

**Note 14 Interest Bearing Liabilities**

<i>Current Secured</i>		
Borrowing – TCV	29,500	30,000
<b>Total Current Secured Interest Bearing Liabilities</b>	<b>29,500</b>	<b>30,000</b>
<b>Total Current Interest Bearing Liabilities</b>	<b>29,500</b>	<b>30,000</b>
<i>Non-current Secured</i>		
Borrowing – TCV	140,000	139,500
<b>Total Non-current Secured Interest Bearing Liabilities</b>	<b>140,000</b>	<b>139,500</b>
<b>Total Non-current Interest Bearing Liabilities</b>	<b>140,000</b>	<b>139,500</b>
<b>Total Interest Bearing Liabilities</b>	<b>169,500</b>	<b>169,500</b>
<i>Term to Maturity</i>		
0 – 1 Year	29,500	30,000
1 – 4 Years	70,000	69,500
4 – 8 Years	40,000	50,000
8 Years and over	30,000	20,000
<b>Total Interest Bearing Liabilities</b>	<b>169,500</b>	<b>169,500</b>
<i>Credit Standby Arrangements</i>		
Total facilities – TCV	5,000	5,000
Unused at balance date	(5,000)	(5,000)
	–	–



## Notes to the Financial Statements for the Year Ended 30 June 2010

## Note 14 Interest Bearing Liabilities (continued)

	2010 \$'000	2009 \$'000
Bank Loan Facilities		
Total facilities	28,000	90,500
Used at balance date	–	80,500
Unused at balance date	28,000	10,000
Fair Value		
Non Traded Financial Liabilities		
Borrowing – TCV	177,469	174,811

The fair values of borrowings are based on cash flows discounted using borrowing rates varying from 4.84% to 5.69%, (2009: 3.17% to 6.56%).

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.

On 25 June 2010 the Treasurer of Victoria approved all loans maturing in 2010–11 will be refinanced with TCV. These maturing loans have been reported as non-current liabilities as they are under an existing loan facility.

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

## Note 15 Employee Benefits

	2010 \$'000	2009 \$'000
<i>Current</i>		
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.	2,030	1,880
Other long-term employee benefits that do not fall due within 12 months after the end of the period, measured at present value.	2,522	2,370
Other long-term employee benefits that do not fall due within 12 months after the end of the period, measured at present value.		
<b>Total Current Employee Benefits</b>	<b>4,552</b>	<b>4,250</b>
<i>Non-current</i>		
Conditional Long Service Leave, measured at present value	517	483
<b>Total Non-current Employee Benefits</b>	<b>517</b>	<b>483</b>
<b>Total Employee Benefits</b>	<b>5,069</b>	<b>4,733</b>
Employee numbers at end of financial year (FTE)	226	211
The following assumptions were adopted in measuring the present value of long service leave and retirement gratuity entitlements:		
Weighted average increase in employee costs	4.45%	4.45%
Weighted average discount rates	4.39 – 5.79%	2.74 – 5.28%
Weighted average settlement period	13	13
The corporation made the following ex-gratia payments (\$'000) (i).	–	–

(i) These ex-gratia payments were mainly for employee retirement.

## Notes to the Financial Statements for the Year Ended 30 June 2010

## Note 16 Provisions

	2010 \$'000	2009 \$'000
<i>Current</i>		
Bioremediation Pond (a)	50	100
Land Fill Site Rehabilitation (b)	30	
Total Current Other Provisions	80	100
<i>Non-current</i>		
Bioremediation Pond (a)	896	868
Land Fill Site Rehabilitation (b)	299	100
Total Non-current Other Provisions	1,195	968
<b>Total Other Provisions</b>	<b>1,275</b>	<b>1,068</b>

(a) Bioremediation Pond  
Some trial rehabilitation works will commence in 2010–11 with most of the work to be completed in 2013–14 once the outcome of this trial is known.

(b) Land Fill Site Rehabilitation  
Based upon current utilisation, the estimated remaining useful life of the landfill site is 14 years. This will be reviewed annually.

## Movements in Provisions

	Bio-remediation Pond	Land Fill Site Rehabilitation	Total
Opening balance at 1 July	968	100	1,068
Additional provisions recognised	–	229	229
Payments or other sacrifices of economic benefits	–	–	–
Reductions from remeasurement or settlement without cost	(22)	–	(22)
<b>Closing balance at 30 June</b>	<b>946</b>	<b>329</b>	<b>1,275</b>

**Notes to the Financial Statements for the Year Ended 30 June 2010****Note 17 Contributed Capital**

	Note	2010 \$'000	2009 \$'000
Opening balance at 1 July		252,895	252,895
Capital contributions in the year		–	–
<b>Closing balance at 30 June</b>		<b>252,895</b>	<b>252,895</b>

**Note 18 Reserves**

## Asset Revaluation Reserve

– Land		20,487	20,487
– Buildings		2,813	2,813
<b>Total Reserves</b>		<b>23,300</b>	<b>23,300</b>

**Movements in Reserves**

## Asset Revaluation Reserve

Opening balance at 1 July		23,300	23,300
Revaluation on non-current assets		–	–
<b>Closing balance at 30 June</b>		<b>23,300</b>	<b>23,300</b>

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		295,834	294,418
Net Result for the period		21,080	1,416
<b>Closing balance at 30 June</b>		<b>316,914</b>	<b>295,834</b>

## Notes to the Financial Statements for the Year Ended 30 June 2010

## Note 20 Commitments

	2010 \$'000	2009 \$'000
<b>Non Cancellable Operating Lease Commitments</b>		
At 30 June, the corporation had operating lease commitments due for payment as follows:		
– within one year	54	54
– later than one year but not later than five years	217	230
– later than five years	164	188
<b>Total Operating Lease Commitments</b>	<b>435</b>	<b>472</b>
<b>Capital Expenditure Commitments (a)</b>		
Property, Plant and Equipment		
– within one year	13,323	8,851
– later than one year but not later than five years	–	–
– later than five years	–	–
<b>Total Capital Commitments</b>	<b>13,323</b>	<b>8,851</b>
<b>Other Commitments</b>		
Environmental contribution		
– within one year	2,793	2,793
– later than one year but not later than five years	2,793	5,586
– later than five years	–	–
<b>Total Environmental Contribution Commitment</b>	<b>5,586</b>	<b>8,379</b>

**(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. The domestic stream is commissioned and construction and commissioning of the industrial stream will be completed during the first quarter of 2010-11. The outstanding capital commitments at 30 June 2010 were \$13.1M, (2009: \$8.5M) 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 apart from the items listed below.

1. Potential claims may occur following the creation/extension of water and sewerage districts and declaration of properties serviced. Consistent with the requirements of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* no provision has been made on the basis that any potential claims can be reasonably and successfully defended by Gippsland Water.
2. In late 2008 the value of assets held by Vision Super's defined benefits fund was adversely affected by the fall in world equity markets. The fund has carried a deficiency since that time and has given notice it will seek a contribution from employers. At 30 June 2010 the value of the contribution has not been determined and not provided for in this Financial Report.

## Notes to the Financial Statements for the Year Ended 30 June 2010

## 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	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Revenue</b>								
Service Charges	15,539	13,220	41,601	33,776	–	–	57,140	46,996
Usage Charges	24,520	20,444	5,059	4,226	3,812	2,159	33,391	26,829
Contributions	2,771	2,298	4,732	4,236	–	–	7,503	6,534
Other	1,679	1,135	2,502	750	2,650	2,596	6,831	4,482
Inter-segment	–	–	–	–	331	360	331	360
Unallocated Revenue	–	–	–	–	1,841	1,319	1,841	1,319
<b>Total Revenue</b>	<b>44,509</b>	<b>37,097</b>	<b>53,894</b>	<b>42,988</b>	<b>8,634</b>	<b>6,434</b>	<b>107,037</b>	<b>86,519</b>
<b>Expenses</b>								
Operation & Maintenance	14,119	13,931	12,132	10,295	3,750	5,008	30,001	29,234
Administration	10,465	11,295	10,221	8,392	266	218	20,952	19,905
Depreciation	8,010	9,895	11,155	12,499	625	593	19,790	22,987
Borrowing Cost	5,831	5,143	5,986	4,567	273	114	12,090	9,824
Environmental Contribution	1,347	1,463	1,383	1,298	63	32	2,793	2,793
Inter-segment	–	–	–	–	331	360	331	360
<b>Total Expenses</b>	<b>39,772</b>	<b>41,727</b>	<b>40,877</b>	<b>37,051</b>	<b>5,308</b>	<b>6,325</b>	<b>85,957</b>	<b>85,103</b>
<b>Service Result</b>	<b>4,737</b>	<b>(4,630)</b>	<b>13,018</b>	<b>5,936</b>	<b>3,381</b>	<b>108</b>	<b>21,080</b>	<b>1,416</b>
Add Unallocated Revenue							–	–
Less Unallocated expenses							–	–
<b>Operating Surplus from Retail Operations</b>							<b>21,080</b>	<b>1,416</b>

The corporation does not have any material wholesale operation.

## Notes to the Financial Statements for the Year Ended 30 June 2010

## Note 23 Superannuation

## Post Employment Benefit

The corporation makes employer superannuation contributions in respect of most employees to Vision Super (The Fund). Obligations for contributions are recognised as an expense in the Statement of Comprehensive Income when they are due. The Fund has two categories of membership, accumulation and defined benefit, 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.

## Defined Benefit Plan

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Plan's assets and liabilities are pooled and are not allocated by the employer, the Actuary is unable to reliably 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 2008, the corporation makes the following contributions:

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

Fund surplus or deficit (ie the difference between fund assets and liabilities) are calculated differently for funding purposes (ie calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in the corporations financial statements. AAS 25 requires that the present value of the benefit liability which is calculated in respect of membership completed at the calculation date makes no allowance for future benefits that may accrue. The actuarial investigation concluded that although the Net Market Value of Assets was in excess of Accrued Benefits at 31 December 2008, based on the assumptions adopted, there was a shortfall of \$71 million when the funding of future benefits was also considered. However, the corporation has been advised that no additional contributions will be required as at 30 June 2010. The Actuary will undertake the next actuarial investigation at 30 June 2010 to ascertain if additional contributions are required.

The result of the actuarial review is expected to be finalised during October 2010. Should the review identify a funding shortfall requiring additional contributions, the corporation will be notified of any amount payable by November 2010 for payment on 1 July 2011. A further actuarial review will be undertaken as at 30 June 2011. Based on the result of this further review, a detailed funding plan will be developed and implemented to achieve the target of fully funding the Fund by 31 December 2013.

## Disclosure Requirements

The Fund's liability for accrued benefits was determined in the 31 December 2008 actuarial investigation pursuant to the then requirements of Australian Accounting Standard AAS 25 as follows:

	\$'000
Net Market Value of Assets	3,630,432
Accrued Benefits (per accounting standard)	3,616,422
Difference between Assets & Accrued Benefits	14,010
Vested Benefits (Minimum sum which must be paid to members when they leave the fund)	3,561,588

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

Net Investment Return	8.50%
Salary Inflation	4.25%
Price Inflation	2.75%

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

	Type of Scheme	Contribution Rate	2010 \$'000	2009 \$'000
Vision Super – Defined Benefits	Defined Benefit	9.25 – 15.25%	297	295
Vision Super – Super Saver	Accumulation	9%	877	837
EquipSuper Fund	Accumulation	9%	33	27
REST Superannuation	Accumulation	9%	17	19
VicSuper	Accumulation	9%	15	16
BT Superwrap	Accumulation	9%	18	14
Asgard Superannuation	Accumulation	9%	8	10
AustralianSuper	Accumulation	9%	37	20
Hostplus Superannuation	Accumulation	9%	16	11
CBUS Superannuation	Accumulation	9%	22	16
Colonial First State	Accumulation	9%	22	17
Other Retail Superannuation Funds	Accumulation	9%	60	31
Self Managed Superannuation Funds	Accumulation	Various	55	45
<b>Total (Refer Note 1(r) 3(c))</b>			<b>1,477</b>	<b>1,358</b>

## Notes to the Financial Statements for the Year Ended 30 June 2010

## 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. Tim Holding MP – Minister for Water. (1 July 2009 – 30 June 2010)

## Board Members

Richard McDowell (Chairperson)  
Leah Young (Deputy Chairperson)  
Janice van Reyk  
William (Peter) Day  
Kevin McKenzie  
Brendan Jenkins (Retired 30 June 2010)  
John Donovan (Appointed 28 January 2010)  
Duncan Malcolm (Appointed 1 July 2010)  
David Mawer (Managing Director)

## Remuneration of responsible persons

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

Remuneration received, or due and receivable from the corporation in connection with the management of the corporation (includes termination payments and bonuses paid at the end of contracts).

2010 \$'000	2009 \$'000
419	376

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

Income Band ('s)	Total Remuneration	
	2010	2009
	No.	No.
Up to 9,999	1	1
10,000 – 19,999	1	5
20,000 – 29,999	4	1
30,000 – 39,999	–	–
40,000 – 49,999	1	1
230,000 – 239,999	–	1
240,000 – 249,999	–	–
260,000 – 269,999	1	–
<b>Total Numbers</b>	<b>8</b>	<b>9</b>

## Retirement benefits of responsible persons

The retirement benefits paid by the corporation in connection with the retirement of responsible persons of the corporation for 2010 was \$nil (2009: \$nil).

## 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 (2009: \$nil).

## Other Transactions

Water and wastewater services were provided to responsible persons who reside within the region of the corporation under normal terms and conditions, no more favourable than to other parties. There were no other transactions with responsible persons and related entities.



## Notes to the Financial Statements for the Year Ended 30 June 2010

## b) Executive Officers' Remuneration

The number of contracted employees, other than responsible persons, filling an executive role whose total remuneration is above the executive remuneration threshold, as defined by the State Services Authority (2010: \$130,914, 2009: \$127,721) are set out in the table below:

Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

Income Band ('s)	Total Remuneration		Base Remuneration	
	2010	2009	2010	2009
	No.	No.	No.	No.
120,000 – 129,999	–	1	5	3
130,000 – 139,999	5	2	3	–
140,000 – 149,999	3	–	1	–
160,000 – 169,999	–	–	–	2
170,000 – 179,999	1	2	–	1
180,000 – 189,999	–	1	3	–
190,000 – 199,999	3	–	–	–
200,000 – 209,999	–	–	–	1
210,000 – 219,999	–	–	–	–
260,000 – 269,999	–	1	–	–
<b>Total Numbers</b>	<b>12</b>	<b>7</b>	<b>12</b>	<b>7</b>
<b>Total remuneration for the reporting period of executive officers included above amounted to (\$'000):</b>	<b>1,201</b>	<b>1,284</b>	<b>1,093</b>	<b>1,198</b>

**Notes to the Financial Statements for the Year Ended 30 June 2010****Note 25 Reconciliation of operating result for the period after related income tax to net cash flows from operating activities**

	Note	2010 \$'000	2009 \$'000
<b>Net Result for Period</b>	19	<b>21,080</b>	<b>1,416</b>
Add/(Less) Non-cash Flows in operating activities			
Loss on Sale and Impairment of Property, Plant and Equipment	4(b) (c)	2,836	2,149
Depreciation and Amortisation	4(c)	19,789	22,988
Developer Contributions	4(a)	(5,596)	(5,291)
Provision for Impaired Receivables		21	(44)
Plantations Revenue non-cash		(430)	833
<b>Net Cash provided by Operating Activities before change in Assets and Liabilities</b>		<b>37,700</b>	<b>22,051</b>
<b>Changes in Operating Assets and Liabilities</b>			
(Increase)/Decrease in Trade Receivables		(1,255)	(1,419)
(Increase)/Decrease in Other Current Assets		517	1,812
(Increase)/Decrease in Inventory and Livestock		(360)	82
(Increase)/Decrease in Other Receivables		(59)	–
(Decrease)/Increase in Payables		(219)	278
(Decrease)/Increase in Provisions		207	52
(Decrease)/Increase in Employee Benefits		336	171
<b>Net Cash Flows From Operating Activities</b>		<b>36,867</b>	<b>23,027</b>

**Note 26 Dividends**

The Board's preliminary assessment for 2009–10 is that the corporation has met the Dividend Policy determination criteria and may be required to pay a dividend on the 2009–10 Operating Result. However no dividend has been provided for the current financial year as the process to determine the 2010 dividend has not been completed at the reporting date which requires the dividend be declared by resolution in a general meeting, following consultation between the Board, the relevant portfolio Minister and the Treasurer. The Corporation intends to negotiate with the Treasurer of Victoria for relief from any dividend payment, as part of the future funding requirements as outlined in the organisation's Corporate Plan.

**Note 27 Events Occurring After the Balance Sheet Date**

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

**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 Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Australian Accounting Standards, Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Statement of Comprehensive Income, 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 2010 and the financial position of the corporation as at 30 June 2010.

We are not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.



Richard McDowell  
Chairperson  
Central Gippsland Region Water Corporation



David Mawer  
Managing Director  
Central Gippsland Region Water Corporation



Anthony Staley  
Chief Financial Officer  
Central Gippsland Region Water Corporation

Dated the 10th day of August 2010

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Victorian Auditor-General's Office

## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Central Gippsland Region Water Corporation

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2010 of the Central Gippsland Region Water Corporation which comprises the statement of comprehensive income, 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 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 the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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

1

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au) Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

*Auditing in the Public Interest*

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Victorian Auditor-General's Office

## Independent Auditor's Report (continued)

### *Matters Relating to the Electronic Presentation of the Audited Financial Report*

This auditor's report relates to the financial report published in both the annual report and on the website of the Central Gippsland Region Water Corporation for the year ended 30 June 2010. 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.

### *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 the Central Gippsland Region Water Corporation as at 30 June 2010 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  
16 August 2010

*T. D. H.*  
for  
D D R Pearson  
Auditor-General

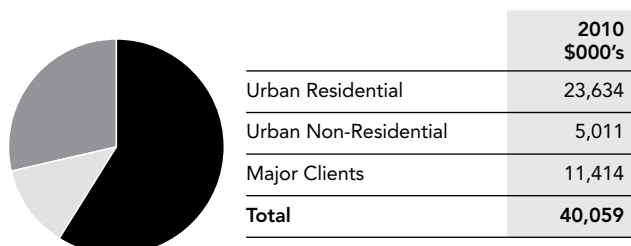
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Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au) Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

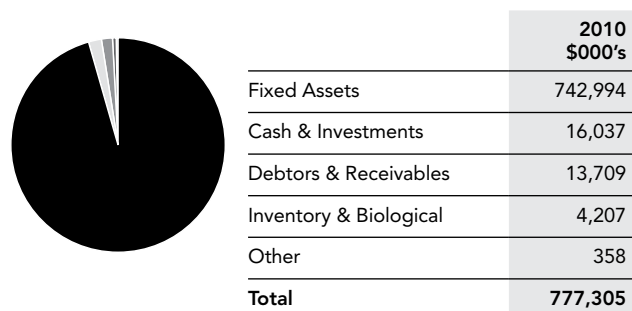
*Auditing in the Public Interest*

## Financial Performance and Business Indicators as at 30 June 2010

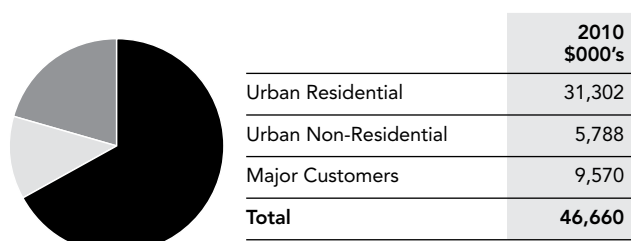
## Water Income from Service &amp; Volumetric Charges



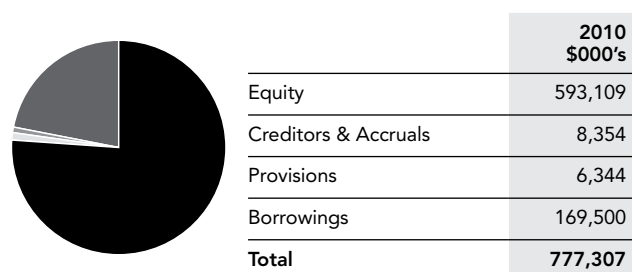
## Total Assets



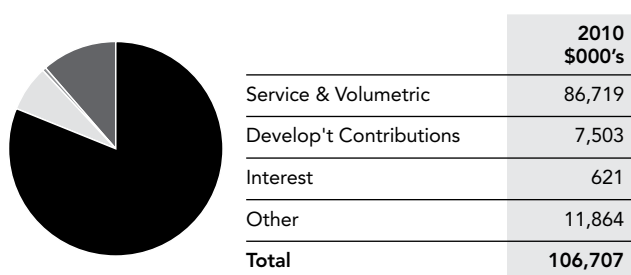
## Wastewater Income from Service &amp; Volumetric Charges



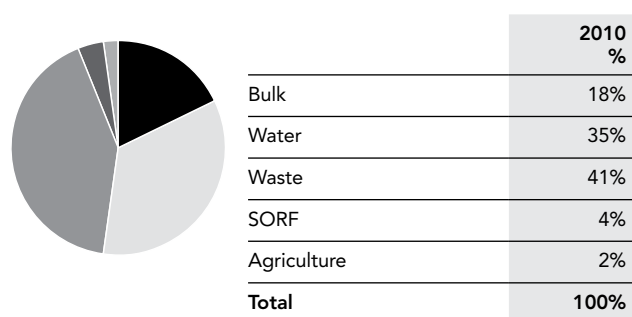
## Liabilities &amp; Equity



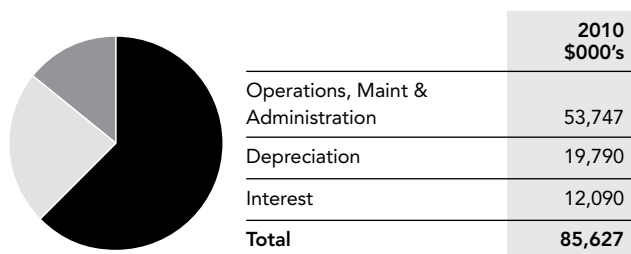
## Total Income from All Sources



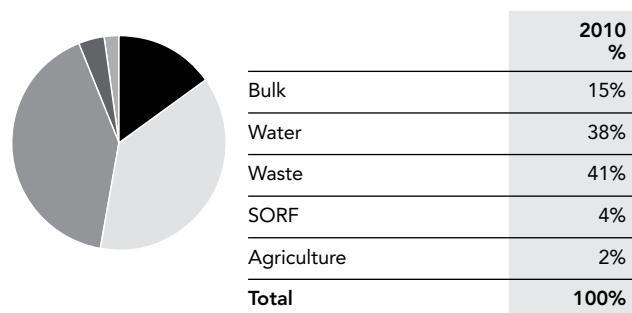
## Business Stream Revenue



## Total Expenses



## Business Stream Expenses



# Performance report

## Performance Report for the year ended 30 June 2010

Performance Indicator	2009 Result	2010 Result	2010 Target	% Variance	Note
<b>Part 1 – Financial Performance Indicators</b>					
<b>Long Term Profitability (Return on Assets)</b>					
Earnings before interest and tax / Average total assets	1.4%	4.2%	1.9%	124.8%	(1)
<b>Owner's Investment (Return on Equity)</b>					
Operating profit after tax/Average total equity	0.2%	3.6%	0.3%	976.7%	(1)
<b>Long Term Financial Viability</b>					
Total debt/Total assets	22.4%	21.8%	23.2%	5.9%	(2)
<b>Liquidity and Debt Servicing (Interest Cover)</b>					
Earnings before net interest & tax/ Net interest expense	1.2	2.8	1.2	-1.34%	(3)
<b>Immediate Liquidity and Debt Servicing (Cover Cash)</b>					
Cash flow from operations before net interest & tax/ Net interest payments	3.7	4.2	3.0	-0.42%	(4)

## Part 2 – Operating Efficiency Indicators (\$/ML)

### Water supply/wastewater collection

Operations, maintenance and administration expenses per ML transported or treated to be provided for each of:

Water supply bulk	101	119	93	-27.6%
Water supply reticulation	529	521	545	4.5%
Water supply treatment	503	462	429	-7.8%
Sewage reticulation	336	366	342	-7.0%
Sewage treatment	230	216	228	5.4%

### Notes

1. The Long Term Profitability indicator is favourable to the target due to the current year operating result. This result has occurred mainly by the deferral of the transition of the Gippsland Water Factory (GWF) to an operating asset. The target included depreciation and other operating costs for the GWF which were not incurred. Together with lower staff costs and higher revenues mainly from gifted assets and prescribed waste also contributed to the higher operating result.

Owners Investment was favourable with the current year's profit significantly higher than planned mainly due to the deferral of the capitalisation of the GWF project, lower staff costs and higher revenues as noted above.

2. Long Term Financial Viability improved as less borrowings were drawn down compared to the Corporate Plan due to the combined effect of higher cash flows from operations and a difference in the timing of capital expenditure. The impact of not transitioning the GWF project to an operating asset earlier in the year as planned was significant to this improved result.

3. Liquidity and Debt Servicing improved from a combination of favourable outcomes – higher earnings before interest resulting from the deferral of the GWF capitalisation (planned operational costs not incurred) and higher revenues. Interest expense was lower than planned as the early part of the year benefited from lower interest rates carried forward from the previous year due to the Global Financial Crisis. Interest in the second half of the year was lower due to a deferral of borrowings against the Corporate Plan.

4. Immediate Liquidity and Debt Servicing was better than target from a strong financial performance which is reflected through higher net operating cash flows and lower net interest expense. Higher revenues, lower staff costs and no GWF operating costs gave rise to the improved net operating cash flows. This higher net operating cash flow was also used to partially fund capital expenditure thereby lowering borrowings and ultimately interest payments for the year. Interest expense was also lower than planned due to the carry over of low interest rates resulting from the Global Financial Crisis.



## Performance Report for the year ended 30 June 2010

Performance Indicator	2009 Result	2010 Result	2010 Target	% Variance	Note
<b>Part 3 – Service and Environmental Performance Indicators</b>					
<b>Water supply interruptions</b>					
Number of customers experiencing more than 5 unplanned water supply interruptions in the year (number)	0	10	0	–	
<b>Interruption time indicators</b>					
Average duration of unplanned water supply interruption (minutes)	81.48	90.04	110.00	18.15	(1)
Average duration of planned water supply interruption (minutes)	143.80	145.78	130.80	-11.45	(2)
<b>Restoration of water supply</b>					
Unplanned water supply interruptions restored within 5 hours (%)	99.02%	98.40%	97.80%	0.78	
<b>Reliability of sewerage collection services indicators</b>					
Sewerage spills from reticulation and branch sewers (priority 1 and 2)	119	96	–	–	
Sewerage spilt from emergency relief structures and pumping stations (% of volume transported)	0	0	–	–	
<b>Containment of sewer spillages</b>					
Spills contained within 5 hours (%)	100%	100%	98%	2.04	
<b>Customer complaints indicators per 1000 customers</b>					
Water quality complaints	2.520	3.205	–	–	
Water supply reliability complaints	0.082	0.199	–	–	
Sewerage service quality and reliability complaints	0.076	0.015	–	–	
Affordability complaints	2.520	2.576	–	–	
Billing complaints	0.507	0.399	–	–	
Pressure complaints	1.342	1.380	–	–	
Sewerage odour complaints	0.956	0.567	–	–	
Other complaints	1.767	1.043	–	–	

**Notes**

- (1) Over the past two years Gippsland Water has introduced new work processes to reduce the impact upon customers when repairing a water supply fault or leak. In situations where the leak and/or fault is not causing damage to the property or the environment, Gippsland Water completes all necessary preparation work prior to isolating the water supply.
- (2) For the 2009–10 financial year the duration of planned water supply interruptions exceeded its target due to planned shutdowns associated with developer works (tie in of new water mains) and contractor works (water main replacement) often resulting in longer duration supply interruptions, which impacted a minimal number of customers.

## Performance Report for the year ended 30 June 2010

Reuse Indicator	2009 Result	2010 Result	2010 Target	% Variance	Note
<b>Part 3 – Service and Environmental Performance Indicators</b>					
<b>Effluent reused</b>					
Volume of effluent reused x 100					
Total volume of effluent produced					
Drouin	50%	37%	60%	-38.33%	(3)
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 Wastewater Outfall Pipeline	0%	0%	0%	-	
Stratford	100%	100%	100%	-	
Warragul	0%	0%	0%	-	
Willow Grove	100%	100%	100%	-	
<b>Biosolids reused</b>					
Dry Mass of Biosolids Reused					
Total Dry Mass of Biosolids 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 Wastewater Outfall Pipeline	0%	0%	0%	-	
Stratford	0%	0%	0%	-	
Warragul	100%	100%	100%	-	
Willow Grove	0%	0%	0%	-	
<b>Note</b>					
(3) Unseasonally high rainfall in late spring and early summer prevented irrigation during this period.					
<b>Sewerage treatment standards (by treatment or disposal facility)</b>					
Number of analyses complying with licence agreements as % of samples					
Drouin	100%	94%	100%	-6.00%	
Dutson Downs	96%	89%	100%	-11.00%	
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%	100%	100%	-	
Rawson	100%	100%	100%	-	
Saline Wastewater 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 2009-10**

In our opinion, the accompanying Statement of Performance of Central Gippsland Region Water Corporation, in respect of 2009-10 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 circumstances, 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 10th day of August 2010

## VAGO

Victorian Auditor-General's Office

## INDEPENDENT AUDITOR'S REPORT

**To the Board Members, Central Gippsland Region Water Corporation***The Statement of Performance*

The accompanying statement of performance for the year ended 30 June 2010 of the Central Gippsland Region Water Corporation comprises the statement, the related notes and the statutory certification.

*The Board Members' Responsibility for the Statement of Performance*

The Board Members of the Central Gippsland Region Water Corporation are responsible for the preparation and the fair presentation of the statement of performance in accordance with the *Financial Management Act 1994*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the statement of performance that is free of material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the statement of performance 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 statement of performance is free from material misstatement.

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

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

*Matters Relating to the Electronic Presentation of the Audited Statement of Performance*

This auditor's report relates to the statement of performance published in both the annual report and on the website of the Central Gippsland Region Water Corporation for the year ended 30 June 2010. The Board Members are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statement 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 statement of performance are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited statement of performance to confirm the information included in the audited statement of performance presented on the Central Gippsland Region Water Corporation website.

1

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au) Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)*Auditing in the Public Interest*

# 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 2010 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

MELBOURNE  
16 August 2010



D D R Pearson  
Auditor-General

# Disclosure index

The annual report of the corporation is prepared in accordance with all relevant Victorian legislation. This index facilitates identification of the corporation's compliance with statutory disclosure requirements.

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<b>Charter and purpose</b>		
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# Glossary

<b>Biosolids</b>	Organic solids and minerals that accumulate as a final product of wastewater treatment processes, and have been stabilised through treatment or long-term storage.
<b>Catchment</b>	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.
<b>CO<sub>2</sub>-equivalent</b>	A variety of atmospheric gas compounds, collectively known as greenhouse gases. As each component has a different level of impact on the environment, greenhouse gas emissions are converted to CO <sub>2</sub> - equivalents, which is the concentration of carbon dioxide (CO <sub>2</sub> ) that would contribute an equivalent degree of impact as the total amount of greenhouse gases emitted.
<b>CRSWS</b>	Central Region Sustainable Water Strategy.
<b>CTWSS</b>	Country Towns Water Supply and Sewerage Program.
<b>DSE</b>	Department of Sustainability and Environment.
<b>EIP</b>	Environmental Improvement Plans.
<b>EMS</b>	Environment Management System. The system includes organisational structure, planning activities, responsibilities, practices, procedures, processes and resources for developing, implementing, achieving, reviewing and maintaining the environmental policy.
<b>EPA</b>	Environment Protection Authority, Victoria.
<b>EREP</b>	Environment and Resource Efficiency Plans (an EPA initiative to help businesses meet climate change and resource scarcity challenges).
<b>ESC</b>	Essential Services Commission.
<b>EWOV</b>	Energy and Water Ombudsman (Victoria).
<b>GWF</b>	Gippsland Water Factory.
<b>Gigalitre (GL)</b>	One billion litres.
<b>ISO</b>	International Standards Organisation.
<b>Kilolitre (KL)</b>	One thousand litres.
<b>Megalitre (ML)</b>	One million litres.
<b>Ocean outfall</b>	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.
<b>Regional Outfall Sewer (ROS)</b>	The ROS pipeline transports approximately 50% of Central Gippsland's wastewater to Dutson Downs Wastewater Treatment Facility.
<b>Saline Wastewater Outfall Pipeline (SWOP)</b>	A Gippsland Water pipeline used to transfer saline wastewater from the Loy Yang Ash Pond to Bass Strait.
<b>SORF</b>	Soil and Organic Recycling Facility.
<b>SPS</b>	Sewerage pump station.
<b>waterMAP</b>	Water Management Action Plan. A mandatory program implemented by the Department of Sustainability and Environment for all non-residential customers consuming more than 10 million litres per annum.
<b>WGCMA</b>	West Gippsland Catchment Management Authority.
<b>WSAA</b>	Water Services Association of Australia.



## Whistleblowers Protection Policy

### 1. POLICY STATEMENT AND PURPOSE

Gippsland Water is committed to the aims and objectives of the *Whistleblowers Protection Act 2001* (the Act). It does not tolerate improper conduct by its people, nor the taking of reprisals against those who come forward to disclose such conduct.

Gippsland Water recognises the value of transparency and accountability in its administrative and management practices, and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

Gippsland Water will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure.

### 2. OBJECTIVE OF THE ACT

The purpose of the *Whistleblowers Protection Act 2001* is to encourage and facilitate the making of disclosures of improper conduct by Gippsland Water and its employees and directors. The Act provides protection to whistleblowers that make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

### 3. KEY CONCEPTS AND DEFINITIONS

Three key concepts in the reporting system are improper conduct, corrupt conduct and detrimental action. Definitions of these terms are set out below.

#### Improper Conduct

Improper conduct means conduct that is corrupt, a substantial mismanagement of public resources, or conduct involving substantial risk to public health or safety or to the environment. The conduct must be serious enough to constitute, if proved, a criminal offence or reasonable grounds for dismissal.

#### Corrupt conduct

Corrupt conduct means:

- Conduct of any person (whether or not a public official) that adversely affects the honest performance of Gippsland Water or Gippsland Water's functions;
- The performance of director/employee/contractor's functions dishonestly or with inappropriate partiality;
- Conduct of a director/employee, former director/employee or Gippsland Water that amounts to a breach of public trust;
- Conduct by a director/employee, former director/employee of Gippsland Water that amounts to the misuse of information or material acquired in the course of the performance of their official functions; or
- A conspiracy or attempt to engage in the above conduct.

#### Detrimental action

The Act makes it an offence for a person to take detrimental action against a person in reprisal for a protected disclosure. Detrimental action includes:

- Action causing injury, loss or damage;
- Intimidation or harassment; and
- Discrimination, disadvantage or adverse treatment in relation to a person's employment, careers, profession, trade or business, including the taking of disciplinary action.

The following definitions also apply:

#### Public Interest Information

Public interest information is any information that relates to Gippsland Water currently being or has been involved:

- in an illegal activity
- in an irregular or unauthorized use of Gippsland Water's money in substantial mismanagement of Gippsland Water's resources
- conduct that causes a substantial risk to public health or safety, or to the environment; or
- that a director/employee/contractor is guilty of improper conduct in relation to the performance of their Gippsland Water functions.

#### Whistle blowing

The deliberate, voluntary disclosure by a director, employee or contractor about actual, suspected or anticipated improper conduct within or by Gippsland Water that is within its ability to control.

#### Whistleblower

A 'Whistleblower' is someone who makes an 'appropriate disclosure' of 'public interest information' which they believe, on reasonable grounds, is or may be true.

### 4. CONTACT PERSONS WITHIN GIPPSLAND WATER

Improper conduct or detrimental action by Gippsland Water or its employees may be disclosed to the following officers:

Protected Disclosure Coordinator:

Tony Staley  
General Manager Finance, Regulation and Assets  
03 51774719  
Tony.staley@gippswater.com.au

Protected Disclosure Officer:

Lynley Keene  
Manager Commercial Services  
03 51774735  
Lynley.keene@gippswater.com.au

Once a protected disclosure has been made, the protected disclosure coordinator will appoint a welfare manager for the whistleblower, unless the whistleblower is anonymous,

All correspondence, phone calls and emails from internal or external whistleblowers will be referred to the protected disclosure coordinator.

Where a person is contemplating making a disclosure and is concerned about approaching the protected disclosure coordinator or a protected disclosure officer in the workplace they can call the relevant officer and request a meeting in a discreet location away from the workplace.

Alternative contact persons:

Improper conduct or detrimental action by Gippsland Water or its employees may also be disclosed directly to the Ombudsman:

The Ombudsman Victoria  
Level 22  
459 Collins Street  
MELBOURNE VIC 3000

Internet [www.ombudsman.vic.gov.au](http://www.ombudsman.vic.gov.au)  
Email [ombudvic@ombudman.vic.gov.au](mailto:ombudvic@ombudman.vic.gov.au)  
Telephone 9613 6222  
Facsimile 9614 0246  
Toll Free 1800 806 314

### 5. ROLES AND RESPONSIBILITIES

#### 5.1 Employees

Employees are encouraged to report known or suspected incidents of improper conduct or detrimental action.

All employees of Gippsland Water have an important role to play in supporting those who have made a legitimate disclosure. They must refrain from any activity that is or could be perceived to be victimization or harassment of a person who makes a disclosure. Furthermore, they should protect and maintain the confidentiality of a person they know or suspect to have made a disclosure.

#### 5.2 Protected Disclosure Officers

Protected disclosure officer (Officer) at Gippsland Water will;

- Be a contact point for general advice about the Act for any person wishing to make a disclosure
- Arrange for a disclosure to be made privately and discreetly and, if needed, away from the workplace
- Receive any disclosure made orally or in writing
- Commit to writing any disclosure made orally
- Impartially assess the allegation and determine whether it is a disclosure made in accordance with Part 2 of the Act
- Take all necessary steps to keep confidential the identity of the whistleblower and the identity of the person who is the subject of the disclosure; and
- Forward all disclosures and supporting evidence to the protected disclosure coordinator.

#### 5.3 Protected Disclosure Coordinator

The protected disclosure coordinator (Coordinator) has a clearinghouse role in the internal reporting system. They will:

- Receive all disclosures forwarded from the protected disclosure officers
- Receive all phone calls, emails and letters from members of the public or employees seeking to make a disclosure
- Impartially assess each disclosure to determine whether it is a public interest disclosure
- Refer all public interest disclosures to the Ombudsman
- Be responsible for carrying out or appointing an investigator to carry out an investigation referred to Gippsland Water by the Ombudsman
- Be responsible for overseeing and coordinating an investigation where an investigator has been appointed
- Appoint a welfare manager to support the whistleblower and to protect them from any reprisals

- Advise the whistleblower of the progress of an investigation into the disclosed matter
- Establish and manage a confidential filing system
- Collate and publish statistics on disclosures made
- Take all necessary steps to keep confidential the identity of the whistleblower and the identity of the person who is the subject of the disclosure
- Liaise with the Managing Director or Chairman or Board as appropriate

#### 5.4 Investigator

The investigator will be responsible for carrying out an internal investigation into a disclosure where the Ombudsman has referred a matter to, or back to Gippsland Water. An investigator may be a person within Gippsland Water or a consultant engaged for that purpose.

#### 5.5 Welfare Manager

The welfare manager is responsible for looking after the general welfare of the whistleblower. The welfare manager will:

- Examine the immediate welfare and protection needs of a whistleblower who has made a disclosure and seek to foster a supportive work environment
- Advise the whistleblower of the legislative and administrative protections available to them;
- Listen and respond to any concerns of harassment, intimidation or victimization in reprisal for making a disclosure;
- Ensure the expectations of the whistleblower are realistic
- Keep contemporaneous notes of all contact and follow-up action

#### 6. CONFIDENTIALITY

Gippsland Water will take all reasonable steps to protect the identity of the whistleblower. Maintaining confidentiality is crucial in ensuring reprisals are not made against a whistleblower.

Where anonymous disclosures are made, Gippsland Water will not generally attempt to communicate with or respond to the anonymous whistleblower because the recipient of any such contact is unknown and confidentiality obligations may be breached through such an attempt.

- A person may disclose information obtained about a protected disclosure in the following circumstances:
- Where exercising the functions of Gippsland Water under the Act
- When making a report or recommendation under the Act
- When publishing statistics in the annual report of Gippsland Water; and
- In criminal proceedings for certain offences under the Act

However a person must not include information in any report or recommendation that is likely to lead to the identification of the whistleblower.

Gippsland Water will take reasonable steps to ensure all files, whether paper or electronic are kept secure. Gippsland Water will not email documents relevant to a whistleblower matter and will ensure all phone calls and meetings are conducted in private.

#### 7. COLLATING AND PUBLISHING STATISTICS

The Coordinator will establish a secure register to record the information required to be published in the annual report and to keep account of the status of whistleblower disclosures. The register will be confidential and will not record any information that may identify the whistleblower.

#### 8. RECEIVING AND ASSESSING DISCLOSURES

##### 8.1 Has the disclosure been made in accordance with Part 2 of the *Whistleblowers Protection Act 2001*?

Where a disclosure has been received by the Coordinator they will assess whether the disclosure has been made in accordance with Part 2 of the Act and is therefore a protected disclosure.

##### 8.1.1 Has the disclosure been made to the appropriate person

For the disclosure to be responded to by Gippsland Water it must concern an employee or director of Gippsland Water. If the disclosure concerns an employee or director of another public body the person who has made the disclosure must be advised of the correct person or body to whom the disclosure should be directed. If the disclosure has been made anonymously, it should be referred to the Ombudsman.

##### 8.1.2 Does the disclosure contain the essential elements of a protected disclosure

To be a protected disclosure it must satisfy the following criteria:

- A natural person made the disclosure
- The disclosure related to conduct of Gippsland water or a director/employee acting in their official capacity
- The alleged conduct is either improper conduct, or detrimental action taken against a person in reprisal for making a protected disclosure

- The person making a disclosure has reasonable grounds for believing the alleged conduct has occurred.

Where a disclosure is assessed to be a protected disclosure, it is referred to the Coordinator. The protected disclosure coordinator will determine whether the disclosure is a public interest disclosure.

Where a disclosure is assessed not be a protected disclosure, the matter **does not need to be dealt with under the Act**. The Coordinator will decide how the matter should be responded to.

#### 8.2 Is the disclosure a public interest disclosure?

Where the Coordinator has received a disclosure that has been assessed to be a protected disclosure, the Coordinator will determine whether the disclosure amounts to a public interest disclosure. This assessment will be made within 45 days of the receipt of the disclosure.

In reaching a conclusion as to whether a protected disclosure is a public interest disclosure, the Coordinator will consider whether the disclosure shows or tends to show, that the director/employee to whom the disclosure relates:

- Has engaged, is engaging or proposes to engage in improper conduct in their capacity as an employee/director of Gippsland Water
- Has taken, is taking or proposes to take detrimental action in reprisal for the making of the protected disclosure.

Where the Coordinator concludes that the disclosure amounts to a public interest disclosure, they will:

- Notify the person who made the disclosure of that conclusion
- Refer the disclosure to the Ombudsman for a determination as to whether it is a public interest disclosure

Where the Coordinator concludes that the disclosure is not a public interest disclosure, they will:

- Notify the person who made the disclosure of that conclusion
- Advise the person that
  - They may request Gippsland Water to refer the disclosure to the Ombudsman for a formal determination as to whether it is a public interest disclosure
  - The persons request must be made within 28 days of the notification

In either case the Coordinator will make the notification and the referral within 14 days of the conclusion being reached by Gippsland Water.

#### 9. INVESTIGATIONS

Where the Ombudsman refers a protected disclosure to Gippsland Water for investigation the Coordinator will appoint an investigator to carry out the investigation.

The objectives of an investigation will be:

- To collate information relating to the allegation as quickly as possible
- To consider the information collected and to draw conclusions objectively and impartially
- To maintain procedural fairness in the treatment of witnesses and the person who is the subject of the disclosure
- To make recommendations arising from the conclusions drawn concerning remedial or other appropriate action.

##### 9.1 Terms of Reference

Before commencing the investigation the Coordinator will develop terms of reference and obtain authorisation for those terms by the Managing Director or Chairman or Board as appropriate. The terms of reference will set a date by which the investigation report is to be concluded and identify the resources available to the investigator to complete the investigation within the time set.

##### 9.2 Investigation Plan

An investigation plan will need to be approved by the Coordinator and address the following:

- What is being alleged
- What are the possible findings or offences
- What are the facts in issue
- How is the inquiry to be conducted
- What resources are required

At the commencement of the investigation the whistleblower should be:

- Notified by the investigator that they have been appointed to conduct the investigation
- Asked to clarify any matters
- Provide any additional material they might have

The investigator will be sensitive to the whistleblower's possible fear of reprisals and will be aware of the statutory protections provided to the whistleblower.

### 9.3 Conduct of the Investigation

The principles of natural justice will be followed in any investigation of a public interest disclosure (procedural fairness and ensuring a fair decision is reached by an objective decision maker).

The investigator will make contemporaneous notes of all discussions and phone calls and all interviews with witnesses will be recorded. All information gathered in an investigation will be stored securely. Interviews will be conducted in private and the investigator will take all reasonable steps to protect the identity of the whistleblower.

### 9.4 Referral of an investigation to the Ombudsman

The Coordinator will make a decision regarding the referral of an investigation to the Ombudsman where on the advice of the investigator

- The investigation is being obstructed by the non cooperation of key witnesses
- The investigation has revealed conduct that may constitute a criminal offence

### 9.5 Reporting Requirements

The Coordinator will ensure the whistleblower is kept regularly informed concerning the handling of a public interest protected disclosure and the investigation. The Coordinator will report to the Ombudsman about the progress of a public interest protected disclosure investigation. The Coordinator will report to the Managing Director, Chairman or Board (as appropriate).

### 9.6 Protected Disclosure Investigation – not a public interest disclosure

Where the Coordinator concludes the disclosure is not a public interest disclosure an investigation will proceed in accordance with the above process. The Coordinator will report to either the Managing Director or Chairman or Board (as appropriate) about the progress of the investigation.

## 10. ACTION TAKEN AFTER AN INVESTIGATION

At the conclusion of the investigation a written report of the findings will be provided to the Coordinator and will be accompanied by transcript or other record of any oral evidence taken (including tape recordings), documents, statements or other exhibits received by the investigator during the course of the investigation.

Where the investigator has found that the conduct disclosed by the whistleblower has occurred, recommendations made by the investigator will include:

- Steps that need to be taken by Gippsland Water to prevent the conduct occurring in the future; and
- Any action that should be taken by Gippsland Water to remedy any harm or loss arising from the conduct.

Where the report includes any adverse comment against any person, that person should be given the opportunity to respond to the allegations made against them and to respond to any adverse evidence obtained.

The report should not disclose particulars likely to lead to the identification of the whistleblower.

### 10.1 Action to be taken

If the Coordinator is satisfied the investigation has found that the disclosed conduct has occurred, they will recommend to the Managing Director or Chairman or Board (as appropriate) the action that must be taken to prevent the conduct from continuing or occurring in the future. The Coordinator may also recommend that action be taken to remedy any harm or loss arising from the conduct.

The Coordinator will provide a written report setting out the findings of the investigation and any remedial steps taken to the Ombudsman, the whistleblower and the Minister for Water.

Where the investigation concludes that the disclosed conduct did not occur, the Coordinator will report these findings to the Ombudsman and to the whistleblower.

## 11. MANAGING THE WELFARE OF THE WHISTLEBLOWER

Gippsland Water is committed to:

- The protection of genuine whistleblowers
- Allocating a welfare manager to the whistleblower
- Prohibiting detrimental action against a whistleblower.

The Coordinator will ensure the whistleblower is kept informed of action taken in relation to their disclosure and the timeframes that apply. The whistleblower will be given reasons for decisions made by Gippsland Water in relation to a protected disclosure.

If a whistleblower reports an incident of harassment, discrimination or adverse treatment that would amount to detrimental action taken in reprisal for the making of the disclosure, the welfare manager will:

- Record details of the incident
- Advise the whistleblower of their rights under the Act
- Advise the Coordinator of the detrimental action

Where a person who makes a disclosure is implicated in misconduct, Gippsland Water will handle the disclosure and protect the whistleblower from reprisals in accordance with the Act, the Ombudsman's guidelines and procedures.

The Managing Director or Chairman or Board will make the final decision on the advice of the Coordinator as to whether disciplinary or other action will be taken against a whistleblower. Where disciplinary or other action relates to conduct that is the subject of the whistleblower's disclosure, the disciplinary or other action will only be taken after the disclosed matter has been appropriately dealt with.

The Coordinator will thoroughly document the process including the reasons why the disciplinary or other action is being taken, and the reasons why the action is not in retribution for the making of the disclosure. The Coordinator will clearly advise the whistleblower of the proposed action to be taken and of any mitigating factors that have been taken into account.

## 12. MANAGEMENT OF THE PERSON AGAINST WHOM A DISCLOSURE HAS BEEN MADE

Gippsland Water recognises that employees against whom disclosures are made must also be supported during the handling and investigation of disclosures. Gippsland Water will take all reasonable steps to ensure the confidentiality of the person who is the subject of the disclosure during the assessment and investigation process. Where investigations do not substantiate disclosures the fact that the investigation has been carried out, the results of the investigation and identity of the person who is the subject of the disclosure will remain confidential.

The Coordinator will ensure the person who is the subject of any disclosure investigated by or on behalf of Gippsland Water is:

- Informed as to the substance of the allegations
- Given the opportunity to answer the allegations before a final decision is made
- Informed of any adverse evidence obtained
- Given the opportunity to respond and have their defence set out fairly in any report

Where the allegations in a disclosure have been investigated and the person who is the subject of the disclosure is aware of the allegations or the fact of the investigation, the Coordinator will formally advise the person who is the subject of the disclosure of the outcome of the investigation.

## 13. CRIMINAL OFFENCES

Gippsland Water will ensure officers appointed to handle protected disclosures and all other employees are aware of the offences under the Act.

## 14. POLICY APPLICATION

All Gippsland Water directors, employees and contractors must comply with this Policy.

All directors, employees and contractors shall be required to undergo training in this Policy to ensure their understanding of their obligations under the *Whistleblowers Protection Act 2001*.

## 15. POLICY APPROVAL

This policy must be approved by the Board.

## 16. POLICY REVIEW

This policy shall be reviewed in line with the annual Board Policy review.

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