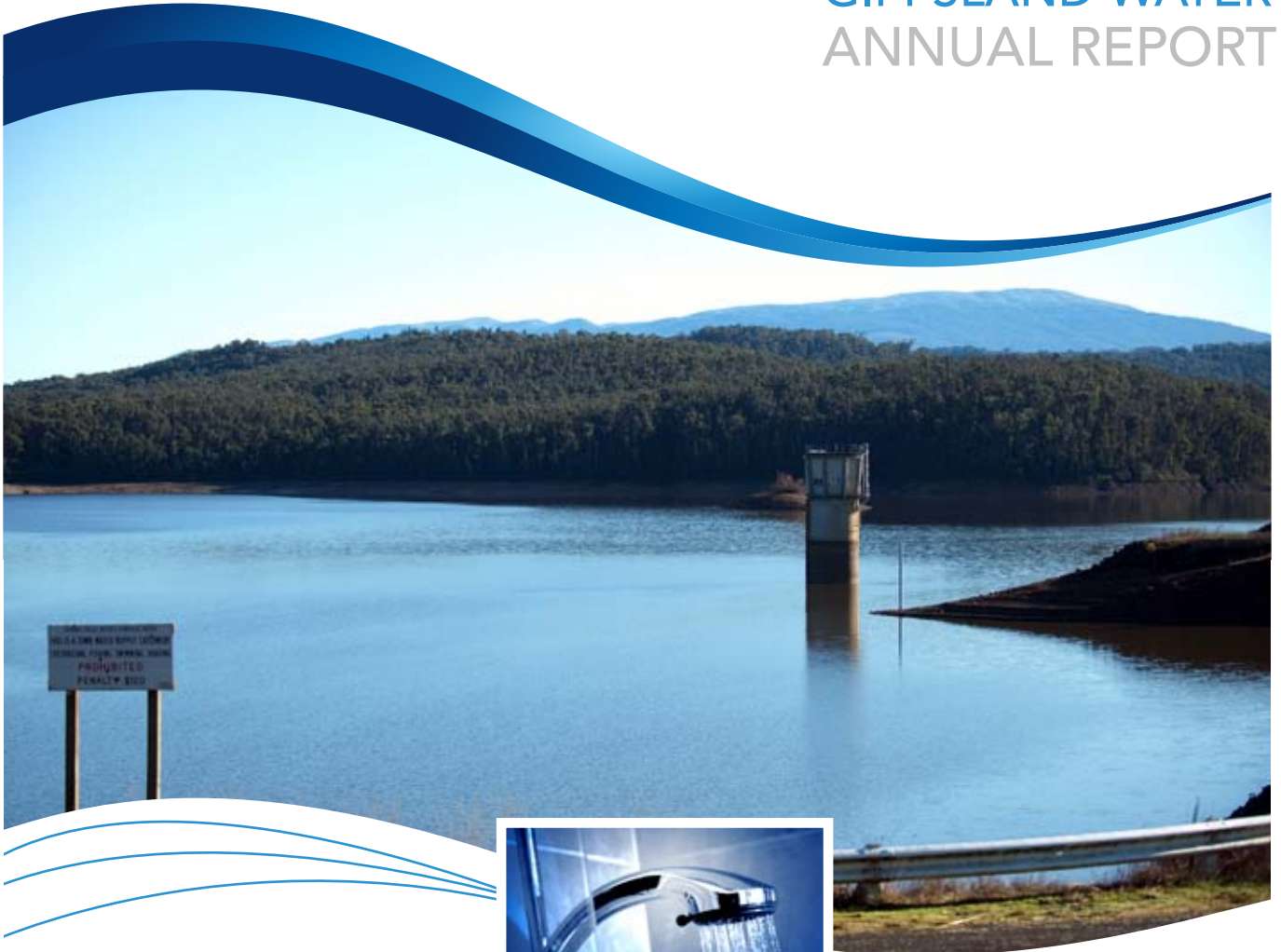


2010–11

GIPPSLAND WATER ANNUAL REPORT





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Profile of Gippsland Water

The Central Gippsland Region Water Corporation, trading as Gippsland Water, was constituted on 21 December 1994 under the *Water Act 1989*. During the reporting period the responsible ministers for Gippsland Water were the Honourable Tim Holding, Minister for Water (1 July 2010 to 2 December 2010) and the Honourable Peter Walsh, Minister for Water (2 December 2010 to 30 June 2011).

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 industrial waste detailed in Part 6 Section 122F, Division 5 of the *Water Act 1989*.
- 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 more than 140,000 people.
- Provides water to more than 63,000 customers and wastewater services to more than 54,000 customers.
- Manages 17 water treatment plants and 14 wastewater treatment plants, including two ocean outfalls.
- Operates a Soil and Organic Recycling Facility (SORF), which treats prescribed organic waste.
- Manages 12 agribusiness sites, which produce beef, 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 Chairperson and Managing Director

This year the corporation worked to get significant infrastructure projects across the line, and also managed its operations during one of the most economically challenging eras the Victorian water industry has seen. This financial year we have seen our corporation achieve significant milestones with the completion of the Gippsland Water Factory project and commencement of the Loch Sport and Coongulla/Glenmaggie sewerage scheme projects.

We are justifiably proud of our people, who worked as a team and in partnership with contractors, alliances and other stakeholders to ensure our service delivery is the best it can be for our customers.

Financial performance

We are pleased to report Gippsland Water's net operating result of \$1.3M for the 2010-11 year, which was in line with budget expectations.

Total revenue increased by \$2.9M in 2010-11 primarily due to core business revenue. Service charges increased in line with budget reflecting a strong increase in the number of connections and the increase in price reflected in the ESC price determination. Volumetric charges were significantly lower than budget, due to the higher rainfall than has been experienced in the region for many years which significantly impacted traditional consumption patterns.

While operating expenditure has increased by \$22.7M since 2009-10, this increase is in line with budget. The major variance between the two years can be attributed to the commencement of operations at the Gippsland Water Factory which has resulted in additional operating costs of \$5.9M and depreciation costs of \$4.8M. A further \$7.6M is a one-off impairment that can be attributed to assets damaged during the construction of the Gippsland Water Factory. These costs are subject to a significant insurance claim of \$7.6M which currently remains unresolved.

Gippsland Water Factory

This financial year we have seen Gippsland Water complete the infrastructure that will bring an end to the flow of untreated wastewater in the 40km open channel section of the Regional Outfall Sewer for the first time in over 50 years.

The Gippsland Water Factory is the largest capital project undertaken by Gippsland Water in the corporation's history, and has delivered a long-term wastewater treatment and water recycling system that services a population base of more than 48,000. The Gippsland Water Factory is currently progressing through a two year proving and optimising period which will identify opportunities for improvement in wastewater treatment processes used at the plant.

The Vortex, Gippsland Water's educational centre, opened to school groups in April 2010, and more than 1,500 children have been through its doors this financial year. Each student has participated in one of eight specially designed programs aimed at educating about water as a resource and the importance of saving water. Many technical tours have also taken place, showcasing the state-of-the-art facility to fellow water industry colleagues and stakeholder groups.

This facility has been embraced positively by the community and the Vortex Centre received national recognition when it was awarded the Green Building Award by the United Nations Association of Australia (UNAA) Victoria Division, as part of the World Environment Day Awards. The UNAA World Environment Day Awards were established in 2000 and acknowledge action taken at a local level to address global environmental issues.

Gippsland Water is extremely proud of the success of the Gippsland Water Factory project and the Vortex Centre.

Environmental performance

Gippsland Water's whole of business Environmental Management System (EMS) achieved *Australian Standard AS/NZS ISO 14001:2004 – Environmental Management Systems* accreditation for the first time this financial year, which is a positive step forward for the corporation. It will cover all of Gippsland Water's activities and lines of business.

Gippsland Water continued its commitment to the preservation of one of its largest natural assets; its Dutson Downs property. The Dutson Downs Conservation Action Plan was incorporated into the Dutson Downs Integrated Management Strategy in the 2010-11 financial year.

This action plan focuses on managing our biodiversity assets at this site in a complementary manner to the Agribusiness and SORF activities that also occur there.

Our biodiversity program featured many activities at Dutson Downs including protection of habitat for the Wellington Mint-Bush, Trailing Hop-Bush and Dwarf Kerrawang; and undertaking our first controlled ecological-burn in conjunction with the Department of Sustainability and Environment (DSE), Parks Victoria and Country Fire Authority (CFA).

The 22-hectare-burn was carried-out to rejuvenate habitat for the threatened New Holland Mouse species. The burn forms part of Gippsland Water's five-year bushfire management plan for its Dutson Downs property.

Our customers

This financial year, Gippsland Water's 63,000 customers benefited from an in-depth review of our current service delivery methods, including a major overhaul of the corporation's website, www.gippswater.com.au. The reviews were aimed at implementing process improvements, realising cost effectiveness, and further enhancing interactions with 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 2011.



Richard McDowell
Chairperson




David Mawer
Managing Director



Highlights of the year

Projects

It was an important year for projects, with Gippsland Water receiving government approvals for both the Loch Sport and Coongulla/Glenmaggie sewerage schemes. The two schemes will provide new reticulated sewerage systems to key priority towns identified in the Victorian Government's Country Towns Water Supply and Sewerage Program.

A new water interconnection project between Moe and Warragul is well into its first stage. The interconnection will improve supply security in the towns of Warragul and Drouin and provide greater flexibility for the entire system. This two-stage project will be rolled out over a number of years, with the first stage seeing the construction of a pipeline between Yarragon and Darnum.

Work also commenced on the interconnection pipeline between Yinnar and Boolarra, which will provide improved security of supply for customers in Boolarra. Construction of the pump station and the disinfection facility began this financial year and the project is scheduled to be finalised in 2011-12.

Delivery of customer service

Gippsland Water customers will benefit from several process improvements that were initiated throughout the past financial year. Over eight man-hours per day were saved through process efficiencies made in the customer billing system. Many other time-saving measures were also achieved across the corporation's customer service area.

Customers and stakeholders will experience greater interaction with Gippsland Water via the redeveloped website. The new website not only carries a fresh new look and feel, but also increases security and will positively enhance customer usability.

The corporation's information technology systems also received a boost with security upgrades that have enhanced remote access and increased the robustness of systems against unauthorised access.

From a water supply perspective, the corporation was successful in amending its bulk entitlements for Blue Rock Dam and Moondarra Reservoir to improve water supply security to towns and industrial customers in the Latrobe Valley. The corporation also worked proactively with major customers to invest more than \$3 million to improve water and wastewater system security within dedicated supply systems.

Overview of financials

Key results for the financial year

Financial Result	2010-11 (\$'M)	2009-10 (\$'M)	2008-09 (\$'M)	2007-08 (\$'M)	2006-07 (\$'M)
Core Business Revenue	99.1	96.2	76.7	62.6	58.7
Interest Revenue	0.8	0.6	0.9	0.9	1.8
Government Contributions	-	-	-	-	1.5
Non Government Contributions	7.6	7.5	6.5	5.3	4.9
Other Revenue (Farm & Gross Proceeds)	2.1	2.4	2.0	1.9	1.9
	109.6	106.7	86.1	70.6	68.8
Operations, Maintenance & Administration	70.8	53.7	51.9	46.8	45.2
Depreciation Expense	24.9	19.8	23.0	20.3	19.1
Finance Expenses	12.6	12.1	9.8	3.9	1.0
	108.3	85.6	84.7	70.9	65.3
Net Operating Result	1.3	21.1	1.4	(0.3)	3.5

Gippsland Water's net operating result of \$1.3M for 2010-11 met budget expectations

The five year price path approved in the June 2008 Water Price Review has been implemented to provide the forecast funds required for Gippsland Water to operate across its region. The plan enable sufficient funds to deliver a significant capital works program, as well as manage the increase in annual operating expenditure budgeted for the Gippsland Water Factory.

Total revenue increased by \$2.9M in 2010-11 primarily due to core business revenue. Service charges increased in line with budget reflecting a strong increase in the number of connections and the increase in price reflected in the ESC price determination. Volumetric charges were significantly lower than budget. This was due to the higher rainfall than has been experienced in the region for many years which significantly impacted traditional consumption patterns. Developer contributions were \$1.8M higher than budget reflecting stronger developer activity in the area than was anticipated by Gippsland Water at the start of the year, but were consistent with last year.

While operating expenditure has increased by \$22.7M since 2009-10, this increase is in line with budget. The major variance between the two years can be attributed to the commencement of operations at the Gippsland Water Factory. This has resulted in additional operating costs of

\$5.9M and depreciation costs of \$4.8M. A further \$7.6M is a one-off impairment that can be attributed to assets damaged during the construction of the Gippsland Water Factory. These costs are subject to a significant insurance claim of \$7.6M which currently remains unresolved. The claim has been identified as a contingent assets within the accounts. Any proceeds received from this claim will recognised as revenue in the year received.

Finance expense for the year was marginally higher than 2009-10 due to new loans of \$15.5M progressively being drawn down. While this expense was higher than last year, interest expense was still \$3.7M lower than budget. This was due to loan draw downs being \$27M lower than budget.

During 2010/11 Gippsland Water has undertaken a revaluation of its infrastructure assets. While the revaluation has seen an increase of \$211M on infrastructure assets, the impact of the revaluation on future operating results is not expected to be significant. The asset revaluation has resulted in a substantial increase in the useful lives for asset infrastructure and as a result the increase in depreciation charges are forecast to be in line with budget estimates.

Central Gippsland Region Water Corporation

Performance Report for the year ended 30 June 2011

Performance Indicator	2010 Result	2011 Result	2011 Target	% Variance	Note
Part 1 - Financial Performance Indicators					
Internal Financing Ratio Net operating cash flow / Capital expenditure	105.6%	72.5%	36.6%	98.2%	(2)
Gearing Ratio Total debt / Total assets	21.8%	18.2%	24.4%	25.3%	(1)
Interest Cover (EBIT) Earnings before net interest & tax / Net interest expense	2.8	1.1	1.1	0.0	
Interest Cover (Cash) Cash flow from operations before net interest & tax / Net interest payments	4.2	3.9	2.6	51.8%	(3)
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	119	105	100	-5.0%	
Water supply reticulation	521	569	486	-16.9%	
Water supply treatment	462	496	415	-19.5%	
Sewage reticulation	366	387	429	9.8%	
Sewage treatment	216	544	544	0.0%	

1. The Gearing Ratio indicator has improved from last year and is favourable to budget due also to an increase in the value of the asset base due to the infrastructure revaluation.
2. The Internal Financing Ratio is favourable to the target due to the higher cashflow from operations generated primarily through higher revenues, particularly through the non core business segments, and savings in interest expenses. There was also a favourable variance in capital expenditure primarily due to a deferral of capital expenditure into 2011-12.
3. Immediate Liquidity and Debt Servicing was better than target which is reflected through higher net operating cash flows and lower net interest expense. Higher cash flows have been generated through revenues, particularly through the non core business segments, which were higher than budget. Interest expense were lower than budget due to the carry over of low interest rates and the deferral of borrowings with a total of \$24M of the approved FAL not being drawn down this year.

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

Water conservation and community education

In August 2010 Gippsland Water gained final regulatory approval from the Victorian Department of Health for its Recycled Water Quality Management Plan allowing it to supply up to eight megalitres (ML) of recycled water per day from the Gippsland Water Factory to industry for re-use. By recycling domestic wastewater, Gippsland Water will free up 3,000ML of fresh water in the Latrobe/Moondarra system each year.

Gippsland Water continued to promote the water saving message throughout 2010-11, undertaking many activities to encourage water savings and promote water conservation across the service area.

The Gippsland community was invited to get an insider's view into the Gippsland Water Factory treatment plant when the corporation held a successful open day on 10 April 2011. More than 500 people attended to learn more about the region's newest wastewater treatment and water recycling facility, and the Vortex Centre.

Gippsland Water actively participated in National Water Week 2010, holding a poster competition that attracted more than 370 entries from primary schools across the service area. The corporation also teamed up with Southern Rural Water and West Gippsland Catchment Management Authority to deliver a series of education sessions at Cowwarr Weir for local primary school children.

More than 1,500 children visited the Vortex Centre this financial year to learn more about water conservation and Gippsland Water's services. There are eight specially designed programs available to students when they visit the centre including the water cycle, Gippsland's water catchment and the Gippsland Water Factory treatment process.

Customers demonstrated their commitment to saving water in the home and garden by taking full advantage of the free water-saving products Gippsland Water has on offer. Nearly 3,000 customers have now participated in the Showerhead Exchange Program since it began in 2006, trading their old showerheads for a more efficient model. Many customers also took-up the free trigger nozzle offer with more than 1,500 being distributed to customers during the financial year.

During 2010-11, Gippsland Water provided a total of \$62,920 worth of rebates as part of the Water Smart Gardens and Homes Rebate Scheme.

Drought Response Management Plan

Gippsland Water's Drought Response Plan (DRP) assists in the management of short-term water supply shortages. A key part of the DRP is the water restriction regime, governed by Gippsland Water's *By-Law No. 15*, which sets out four stages of restrictions regarding water use. The plan also details how Gippsland Water will communicate with its customers in relation to water restrictions. Restrictions apply to both residential and commercial customers and include limitations on garden watering times, car washing, cleaning paved areas, and the filling of pools and spas.

The 2010-11 financial year delivered significant and regular rainfall, with catchments initially still relatively dry from the preceding years of low rainfall. Stream flows initially remained lower than the long-term average however, as the good rainfalls continued and catchments became damper, stream flows increased and in some catchments (such as Gippsland Water's Moondarra catchment) monthly stream flows tripled the long-term Autumn average. With Gippsland Water's main storages reaching 100 per cent and with strong stream flows in the smaller catchments, Gippsland Water was not required to invoke its Drought Response Plan during 2010-11.

All systems in Gippsland Water's region remained on Permanent Water Saving Rules for the full financial year.

Draft Gippsland Region Sustainable Water Strategy

The Gippsland Region Sustainable Water Strategy (GRSWS) is one of four regional strategies being developed by the Victorian Government to secure water resources for the next 50 years. The strategy will respond to pressures facing water resources including climate change, drought, and land use changes. Ultimately, the Gippsland Region Sustainable Water Strategy is expected to secure water for towns, industry, the environment and agriculture.

A discussion paper was released in July 2009 as the first step in the development of the GRSWS. The discussion paper provided a review of water resources across the region, including an assessment of the risks to water availability in the future, and demonstrated the need to develop a long-term strategy at a regional level.

The discussion paper sought views on a range of issues, including what uses should be considered for the unallocated portion of Blue Rock Dam. Gippsland Water responded to many of the issues raised in the discussion paper. In relation to Blue Rock Dam, Gippsland Water indicated that a definitive outcome with respect to the unallocated water in the dam was essential.

The GRSWS Consultative Committee released the draft GRSWS report in September 2010. One of the many proposals presented in the draft report discussed the establishment of a drought reserve in Blue Rock Dam. In establishing the drought reserve, the draft report notes the Victorian Government proposes to make available for purchase by Gippsland Water, an additional share of Blue Rock Dam that is forecast to yield 3,000ML per year. This share of the storage would assist Gippsland Water to meet forecast growth in demand in the region.

Other issues and proposals discussed in the draft GRSWS that relate to Gippsland Water include improving the understanding of groundwater resources, as well as investigating infrastructure options for improving the yield capability of Moondarra and Blue Rock reservoirs.

Water Supply Demand Strategy

Gippsland Water's Water Supply Demand Strategy (WSDS) contains actions to manage and meet the water needs of its region over a planning horizon of 50 years. The WSDS's five aims are to:

- Build on actions identified in the Central Region Sustainable Water Strategy.
- Determine the expected available water supply to meet water demand, based on a medium climate change scenario and also a step change reduction in water supplies.
- Forecast the expected long-term water demand for Gippsland Water's region.
- Identify the range of potential water supply demand options and assess these against economic, environmental and social criteria.
- Recommend a series of actions to sustainably manage and meet the region's water needs over a 50 year planning period.

Gippsland Water's Asset Planning group completed its second internal update of this strategy in the 2010-11 financial year. The update incorporated the most recently available consumption, connection and yield information, as well as updated regional growth forecasts. The update will assist Gippsland Water in its planning activities.

All Victorian water corporations are now working towards the public release of the next major update of its WSDS. These documents will be prepared in accordance with newly revised guidelines provided by DSE and are due to be submitted to the Victorian Government by 31 March 2012.

As part of the process, Gippsland Water will embark on a program of public consultation to ensure all its customers' and stakeholders' views are considered in deciding the courses of action to secure water resources for the next 50 years.

Major customer consumption

As required under Part 6B Section 122ZJ of the *Water Act 1989*, the number of Gippsland Water customers who consume more than 200ML per annum are shown below:

Volume Range – ML per year	No. Customers
Equal to or greater than 200ML and less than 300ML	3
Equal to or greater than 300ML and less than 400ML	1
Equal to or greater than 400ML and less than 500ML	0
Equal to or greater than 500ML and less than 750ML	0
Equal to or greater than 750ML and less than 1,000ML	0
Greater than 1,000ML	5
Total no. customers	9

Water conservation program participation

The *Water Act 1989* requires water corporations to annually publish the water conservation programs its major non-residential water users have undertaken. The following table details the water conservation programs completed by Gippsland Water's major customers who consume more than 200ML per annum:

Name of Customers	Water Conservation Initiatives
Australian Paper (Maryvale Mill)	Australian Paper has been working in conjunction with Gippsland Water with regard to start-up and commissioning of the Gippsland Water Factory for the use of recycled water. This is an important project for the ongoing sustainability of the Gippsland region. Australian Paper has also introduced an accredited triple-bottom-line water consumption parameter, to further support Water Management Action Plan (waterMAP) activities.
Energy Brix Australia	An Environment and Resource Efficiency Plan (EREP) continues to be the major initiative to identify and drive water usage down. The two major water saving initiatives introduced in 2008 and 2009 continue to produce significant water savings. These projects combined are on target to recycle more than 1,000ML of raw water in the 2010-11 financial year. The site's usage of potable (treated) quality water is also on target to be less than 10ML per annum.
Fonterra Australia Pty Ltd (Darnum)	Work has continued on the completion of the identified EREP and waterMAP initiatives, with a number of additional opportunities identified throughout the year also being implemented. Work has continued on optimising some innovative water reclamation systems, as well as developing improved monitoring systems.
International Power Hazelwood	Medium-term water reductions of about 2,000-3,000ML per annum are planned however, there are potential drought and environmental impacts that may impact on those reductions periodically. Potable water efficiency is monitored through the waterMAP program, and raw water is reported through the Environment Protection Authority's EREP program. Employee awareness of water use and conservation is raised through internal communication processes on a regular basis. Water use is also considered during the planning stages of any major plant process change and before installation of new plant.
IPM Operation and Maintenance (Loy Yang B)	Permanent raw water savings of approximately 2,500ML per annum have been consolidated into standard operating practices at Loy Yang B (cooling tower operation/site drainage recycling scheme) and continue to be maintained. Conversion to AAA rated domestic water appliances is ongoing and due for completion in 2011. Internal business plans continue to track water efficiency performance for both raw and domestic water on a monthly basis to ensure best operating practice.
Loy Yang Power (Loy Yang A)	Loy Yang Power has ongoing maintenance and monitoring programs to maintain and improve the efficiencies already achieved. Water savings initiatives are covered in its EREP program, with the daily average consumption reduced by 0.5ML per day.
Murray Goulburn (Maffra)	Murray Goulburn has continued to focus on identifying resource improvement opportunities and implementing sustainable improvements. The site maintains a strong focus on utilising water efficiently and minimising wastewater generation. Murray Goulburn participates in the EREP program.
National Foods Limited (Morwell)	National Foods continues progression of its EREP with positive results. Since 2009, National Foods' consumption of five litres per kilogram of product has been reduced to an average 3.8 litres per kilogram. This was achieved through identifying and reviewing work processes and procedures throughout the manufacturing stream of the organisation. Continued focus will ensure they not only maintain but improve on litres per kilogram usage.
TRUenergy Yallourn Pty Ltd	TRUenergy Yallourn continued to reduce potable water consumption through the waterMAP program. Additional work groups have had old toilet cisterns replaced with new water saving or waterless urinals. Ongoing maintenance plans have been established to repair/replace ageing water infrastructure across the site. Ongoing water saving initiatives are covered in its EREP program.

Greenhouse gas emissions

The net greenhouse gas emissions, expressed as tonnes of CO₂ equivalent (t CO₂-equiv), for the whole business and its activities are expressed in the table below in the relevant Essential Services Commission indicator categories.

Activity	2010-11	2009-10	2008-09	2007-08	2006-07
Sewage Treatment and Management	52,366	56,960	51,642	58,216	54,338
Water Treatment and Supply	9,664	9,558	9,627	10,488	11,087
Transport	2,068	1,973	1,467	1,357	1,594
Other	4,689	4,796	6,096	6,536	6,841
Total	68,787	73,287	68,832	76,597	73,860

1 Methane and nitrous oxide gas emissions, electricity, gas.

2 Electricity, soda ash consumption.

3 Fuel - petrol, diesel, gas.

4 Methane from cattle and sheep, electricity and gas consumption in Traralgon office, SORF, and agribusiness operations.

Total net greenhouse gases from activities in 2010-11 can also be broken down according to the following categories.

Activity	T CO ₂ -equiv
Energy Use (non-fleet)	29,437
Vehicle Fleet	2,068
Wastewater Treatment	33,593
Waste Disposal	13
Offsets Purchased	0
Any Other Activities	3,676

There was a decrease in total greenhouse gas emissions, from 73,287 t CO₂-equiv in 2009-10, to 68,787 t CO₂-equiv in 2010-11. This was primarily due to the capturing and flaring of methane at the Gippsland Water Factory during its commissioning.

Beneficial re-use of treated wastewater and biosolids

During 2010-11 Gippsland Water re-used 1,134ML treated wastewater, equivalent to 4.2 per cent of wastewater treated in its service area. High rainfall during summer and autumn caused increased inflow to all wastewater treatment plants, and reduced the opportunity for irrigation of treated wastewater from Drouin, Willow Grove and Mirboo North wastewater treatment plants. This resulted in lagoons reaching capacity, requiring emergency discharge to nearby waterways following approval from the EPA.

The Gippsland Water Factory produced approximately 18ML of recycled water, pumped to Pine Gully Reservoir to supplement raw water from Moondarra Reservoir.

Treatment System	Final Fate of Treated Water	Volume Re-used (ML)		Volume Discharged (ML)		Compliance With EPA Water Quality Limits	
		2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Drouin	Irrigation to pasture or discharge to Shillinglaw Creek	45	177	945	304	99% ¹	94%
Heyfield	Irrigation to pasture	54	53	0	0	100%	100%
Maffra	Irrigation to pasture and sporting field	160	168	0	0	100%	100%
Mirboo North	Irrigation to pasture and sporting field or emergency discharge to Little Morwell River	83	34	23	0	100%	100%
Morwell	Supplement flow to wetlands	713	677	0	0	100%	100%
Stratford	Irrigation to pasture	57	55	0	0	100%	100%
Willow Grove	Irrigation to pasture or emergency discharge to Latrobe River	4	7	10	0	100%	100%
Neerim South	Discharge to Red Hill Creek	0	0	46	40	100%	100%
Rawson	Discharge to Coopers Creek	0	0	30	38	100%	100%
Warragul	Discharge to Hazel Creek	0	0	1,874	1,386	100%	100%
Moe	Discharge to Moe River	0	0	2,723	1,876	100%	100%
ROS	Recycle to Pine Gully (GWF) or discharge to Bass Strait (Delray Beach)	18	0	10,850	9,608	87% ¹	89%
SWOP	Discharge to Bass Strait (Golden Beach)	0	0	9,560	8,124	100%	100%
Total		1,134	1,171	26,061	21,376		
% Reuse		4.2%	5.2%				

¹ A number of incidents, particularly related to heavy rainfall and plant performance in these events, led to non-compliance with these targets.

Water consumption targets

Water consumption targets were set in the Central Region Sustainable Water Strategy which was released in 2006. Gippsland Water documented these targets alongside current consumption figures in the 2007 Water Supply Demand Strategy (WSDS). Targets for residential customers are based on mid-1990s water use of 244 litres per person per day. Gippsland Water is targeting a 25 per cent reduction by 2015 and a total reduction of 30 per cent by 2020. The target for reduction in major customer consumption is 15 per cent by 2020. Progress against these targets is shown in the table below.

While the WSDS stipulated a major customer target in terms of litres per person per day, it is important to understand the target is applicable only to the average level of industrial production (e.g. electricity generated or milk produced) in the 2005-06 financial year. Progress against this target may be affected by variations in industrial production. Gippsland Water is working with its major customers to improve reporting of major industry water conservation performance. This data will be presented in the 2012 WSDS.

	Target	Target	Actual	Actual	Actual	Actual	Actual
	2020 (l/p/d)	2015 (l/p/d)	2010-11 (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	171	183	175	193	218	211	233
Total Consumption (non-major industry)	296	317	210	233	324	292	344
Major Industry Consumption	836	n/a	817	831	921	895	985

Corporate water consumption

During 2010-11, Gippsland Water's water consumption was 17,091kL, which equates to 73.17kL per full-time employee or 4,794 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'Gradys Creek	145	95	<ul style="list-style-type: none"> • 11 ML / a temporary transfer to Corporation (2006-07 – 2010-11); 0 ML used in 2010-11 • Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>
CGRWA – Blue Rock ¹	Tanjil River	15,150	5,576 (855)	<ul style="list-style-type: none"> • Bulk Entitlement (CGRWA- Blue Rock) Conversion Order Minor Amendment 2011 • Location and volume of water taken pursuant to clause 10: <i>None</i> • Implementation of programs under sub-clause 12.3: <i>Implemented</i> • The Bulk Entitlement for Blue Rock is extracted from 2 point. Specified Point A is extracted directly from the reservoir. Specified Point B is extracted from the Tanjil River pump station. • Specified point A - Blue Rock Headworks Outlet (supply to Moondarra Reservoir and Willow Grove WTP): 2010-11 Total = 50 ML; 3 yr rolling avg.: = 4,071 ML. • Specified point B - Tanjil River Pump Station: 2010-11 Total = 805 ML; 3 yr rolling avg.: = 1,505 ML.
Erica-Rawson	Trigger Creek	340	87	<ul style="list-style-type: none"> • Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>
Mirboo North	Little Morwell River (North Arm)	270	190	<ul style="list-style-type: none"> • Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>
Moe – Narracan Creek	Narracan Creek	3,884	2,568	<ul style="list-style-type: none"> • Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>
Moondarra ²	Tyers River	62,000	48,277 (48,358)	<ul style="list-style-type: none"> • Bulk Entitlement (Moondarra Reservoir) Conversion Order Minor Amendment 2011 • Diversion at Tyers River pump station for 2010-11 = nil. • Approval, amendment and implementation of programs under clauses 12 & 13: <i>Implemented</i>
Noojee ³	Deep Creek/ Loch River	73	0	<ul style="list-style-type: none"> • Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>
Seaspray	Merrimans Creek	61	31	<ul style="list-style-type: none"> • Bulk Entitlement (Seaspray) Conversion Amendment Order 2010 gazetted 19 August 2010. • Approval, amendment and implementation of programs under clauses 9 & 10: <i>Metering improvements under development</i>
Tarago ⁴	Tarago River	4,825	3,168	<ul style="list-style-type: none"> • Approval, amendment and implementation of programs under clauses 11 & 13: <i>Metering system under development</i> • A record of daily extractions from the various off take points is maintained, which can be provided upon request. • Pederson Weir/Westernport Pipeline diversions 2010-11: 2,988 ML of 4,070 ML entitlement. • Labertouche Creek diversions 2010-11: 0 ML of 480 ML entitlement. • Tarago Reservoir (Neerim Sth) diversions 2010-11: 180 ML of 275 ML entitlement.
Thomson-Macalister	Thomson River/ Macalister River	2,335	1,402	<ul style="list-style-type: none"> • Change to reliability of supply under Schedule 2 of BE (Thomson/Macalister - SRW) Conversion Order 2001: <i>None</i> • Credits granted under clause 11: <i>None</i> • Approval, amendment and implementation of programs under clause 12: <i>Implemented</i> • Clause 13.1 (d) Annual amount and location of water taken at any other works of the corporation = Nil. • Clause 13.1 (g) Period and degree of restriction of supplies of annual entitlement: 1/7/2010 - 31/7/2010: 75% allocation 1/8/2010 - 15/8/2010: 85% allocation 16/8/2010 - 30/7/2011: 100% allocation
Thorpdale	Easterbrook Creek	80	17	<ul style="list-style-type: none"> • 5ML/a temporary transfer to Corporation (2010-11); 0.6ML used in 2009-10 • Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>

1 Bulk Entitlement volume calculated as three year rolling average (figure in brackets is volume for 2010-11).

2 Bulk Entitlement volume calculated as two year rolling average (figure in brackets is volume for 2010-11).

3 Noojee Bulk Entitlement not currently utilised.

4 Labertouche Creek component of Tarago Bulk Entitlement not currently utilised.

General Reporting Requirements**Temporary or Permanent Transfer of Corporation Entitlements**

No transfer of Corporation entitlements in 2010-11

Temporary or Permanent Transfers of Licences or Entitlements to Corporation

Boolarra: 11ML/y temporary transfer (2006-07 – 2010-11); OML used in 2010-11; Thorpdale: 5ML temporary transfer (2010-11); 0.6ML used in 2010-11

Amendments to Bulk Entitlements

Bulk Entitlement (Seaspray) Conversion Amendment Order 2010; Bulk Entitlement (CGRWA – Blue Rock) Conversion Order Minor Amendment 2011; Bulk Entitlement (Moondarra Reservoir) Conversion Order Minor Amendment 2011

New Bulk Entitlements

No new Bulk Entitlements in 2010-11

Failure by Corporation to Comply With Provisions of Bulk Entitlements

None

Difficulties Experienced in Complying With Entitlement and Remedial Actions

None

Customer committees

As part of Gippsland Water's commitment to improving community consultation, a review was undertaken of the community consultative committees in order to increase effectiveness of community engagement.

Gippsland Water has established the need for functioning consultative committees in the following areas; environment, customers and specific major projects. The Environment Consultative Committee has operated through the reporting period. The Customer Consultative Committee and specific major projects committees (Loch Sport and Coongulla/Glenmaggie) have been in the establishment phase during the reporting period. These committees give Gippsland Water the opportunity to seek and receive feedback about issues that impact customers and the environment. Membership for these committees is drawn from stakeholders throughout Gippsland Water's region.

Environment Consultative Committee

Gippsland Water's Environment Consultative Committee allows Gippsland Water to consult with the community and stakeholders about environmental issues regarding the corporation's operations and performance and helps to identify opportunities to improve the sustainability of the business.

The objectives of the Gippsland Water Environment Consultative Committee are to:

- Provide a forum for Gippsland Water to consult with the community and stakeholders on environmental issues pertaining to Gippsland Water's operation, including performance against criteria stated in the EPA corporate licence.
- Provide a forum for Gippsland Water to consult with the community and stakeholders on actions undertaken to improve the sustainability of the business, including reporting against actions identified in Part One of the EPA Corporate Licence.
- Provide advice to Gippsland Water regarding community and stakeholders concerns, expectations and needs relating to the environmental management of its operations.
- Provide advice to the Gippsland Water Board regarding policies and strategies for improving environmental performance.

The committee is comprised of 17 members representing Gippsland Water's stakeholders and the community.

Environmental Protection and Biodiversity Conservation Act 1999

No referrals were made during the reporting period to the Commonwealth Department of the Environment, Water, Heritage and the Arts for consideration under the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999*.

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 Group provides independent advice on the implementation of the plan.

Preliminary flora and fauna surveys have also been conducted at Moondarra Reservoir and a panel has been convened to develop a conservation action plan for Gippsland Water activities in this area.

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

Gippsland Water worked with the DSE and local government to ensure its activities met regulations such as the Victorian Native Vegetation Framework and *Flora and Fauna Guarantee Act 1988*.

The following management activities were undertaken in the 2010-11 financial year:

A threatened species, the Wellington Mint-Bush (*Prostanthera galbraithiae*), is listed as vulnerable under the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999*. Gippsland Water protects two known areas of Wellington Mint-Bush at its Dutson Downs property. Previous trials have determined that fencing reduces access by browsing animals to the plants. Gippsland Water applied to the West Gippsland Threatened Flora Network for funding to fence-off the remaining population and funding is approved for the 2011-12 financial year.

The Dwarf Kerrawang (*Rulingia prostrata*) is a threatened species that is listed as vulnerable under the *Environment Protection and Biodiversity Conservation Act 1999*. Gippsland Water has identified 16 sites where Dwarf Kerrawang is found at Dutson Downs. During this period a 10-year weed control management plan for this species has been developed and implemented.

A population of Trailing Hop-Bush (*Dodonaea procumbens*), listed as vulnerable under the *Environment Protection and Biodiversity Conservation Act 1999*, 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. A targeted survey for this species was carried out and confirmed this species in five wetlands and a further two populations on tracks leading into wetlands. The total number of known individuals is estimated to be 3,861 making this the largest known population of *Dodonaea procumbens* in Australia, comprising approximately 75 per cent of known plants. The Trailing Hop-Bush is being managed in accordance with the National Recovery Plan for Trailing Hop-Bush.

A research project has been developed between Gippsland Water, DSE and Melbourne University to investigate whether soil properties correlate with Trailing Hop-Bush occurrence. Field work for this study commenced in May 2011.

Gippsland Water maintains a number of sites (of varying ecological vegetation classes) across its region as part of its environmental offset management program. These sites have been established where the current or future impact of capital work on native vegetation cannot be avoided or minimised. These sites include Drouin Nature Reserve, Sunny Creek (Trafalgar), buffer sections of Moe Water Treatment Plant and Rawson Wastewater Treatment Plant, Pine Gully Reservoir and Bowmans Basin at Maffra.

Threatened fauna species management

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. One of the key threats identified for this species in the *Flora and Fauna Action Statement 74*, is that alteration of fire regimes through land management results in a reduction of suitable habitat for this species. During this reporting period a bushfire management plan for Dutson Downs was developed and an eco-burn was carried out in habitat identified as critical for the New Holland Mouse. New Holland Mouse surveys carried-out prior to the eco-burn found two individuals in the proposed burn area. Post-fire surveys will be carried-out to monitor population numbers in the area. Further burn sites have been identified for the upcoming financial year.

Habitat fragmentation has also been identified as a key threat to the New Holland Mouse. A wildlife corridor has been designed in collaboration with the Dutson Downs Biodiversity Technical Reference Group. This corridor will provide connectivity between two known populations which is currently cleared pasture impeding movement between the blocks. An application to fund this project has been submitted to the Commonwealth Caring for Our Country Program.

A single Green and Golden Bell Frog (*Litoria aurea*) has been identified in a temporary wetland at Dutson Downs. This species is listed as vulnerable under the *Environment Protection and Biodiversity Conservation Act 1999*. A survey of all suitable habitat for this species will be conducted according to *Department of the Environment, Water, Heritage and the Arts (2010)* survey guidelines for Australia's threatened frogs. This survey will determine the range and population sizes present on the property and what management strategies need to be implemented to manage population viability.

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 discharged 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 the health of the rivers and creeks is not adversely affected by the discharge.

Gippsland Water is an active supporter of 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 in 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:

- Continued collaboration with stakeholders on catchment management issues.
- Enhancement of the Moondarra management system regarding catchment monitoring activities.

Gippsland Water's 'whole of business' approach to customer relations reflects the changing needs and expectations of customers and stakeholders. The corporation recognises the importance of strengthening engagement with the community.

Social and economic impact

Customers in Gippsland Water's region have experienced a significant increase in tariffs over recent years. With this in mind, Gippsland Water continues to ensure its staff are familiar with all options and programs available to customers experiencing financial difficulty.

Gippsland Water staff are trained to ensure their dealings with customers are empathetic and non-judgmental. Assistance for customers in financial difficulty includes concessions, the Utility Relief Grant Scheme, various payment plans tailored to meet customer needs, and rebates offered through not-for-profit organisations.

Gippsland Water also provides independent referrals to fee-free financial support services within external agencies. Gippsland Water's Customer Charter outlines the rights of customers when dealing with the corporation.

Community service obligations

Value of Community Service Obligation Provided	2010-11	2009-10	2008-09	2007-08
Provision of concessions to pensioners	\$3,955,759	\$3,491,094	\$3,135,800	\$2,702,885
Rebates paid to not-for-profit organisations under the Water and Sewerage Rebate Scheme	\$214,938	\$210,134	\$175,200	\$162,600
Utility Relief Grant Scheme payments	\$88,415	\$96,437	\$30,900	\$12,635
Water concession on life support machines – Haemodialysis	\$2,252	\$2,098	\$1,900	\$1,716
Hardship Relief Grant Scheme (Water and Sewerage Connection Scheme)	\$0	\$0	\$0	\$0

Energy and Water Ombudsman (Victoria)

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

During 2010-11, EWOV handled 43 referrals on behalf of Gippsland Water customers, with 42 handled as enquiries requiring no further action and one referred for investigation which has now been resolved.

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 ⁵	Billed Volume (ML)	Billed Connections ⁵	Billed Volume (ML)	Billed Volume ⁶ (ML)	Volume (ML)	(ML)	(ML)	(ML)	
Boolarra	309	37.4	25	2.6	0.0	0.0	32.9	72.9	71.6	2%
Briagolong	367	46.0	22	3.5	0.0	0.0	16.3	65.8	71.3	-8%
Coongulla-Glenmaggie	475	30.8	10	5.1	0.0	0.0	7.7	43.7	49.8	-12%
Erica-Rawson	309	34.6	43	19.3	0.0	0.0	19.5	73.4	92.5	-21%
Heyfield	872	137.8	110	64.2	0.0	0.0	15.8	217.8	253.4	-14%
Maffra-Stratford ¹	2,943	512.7	308	77.7	330.1	7.9	94.1	1,022.4	1,151.7	-11%
Mirboo North	735	103.9	82	30.2	0.0	0.1	50.8	185.1	173.3	7%
Moe-Newborough ²	10,847	1,542.4	839	204.4	1,225.4	1.5	335.8	3,309.5	3,622.7	-9%
Moondarra ³	24,254	4,082.0	2,311	777.2	41,486.6	2.0	2,010.2	48,358.0	48,937.3	-1%
Neerim South-Noojee	647	134.9	71	25.2	0.0	0.1	18.9	179.1	203.5	-12%
Sale-Wurruk	6,759	1,074.9	801	276.2	251.0	3.7 ⁷	16.0	1,621.7	1,831.1	-11%
Seaspray	356	16.8	12	3.9	0.0	0.0	6.7	27.4	33.5	-18%
Thorpdale	80	7.7	19	3.2	0.0	0.4	0.8	12.1	14.1	-15%
Warragul-Drouin ⁴	11,376	1,575.2	1,121	332.6	464.2	12.0	199.5	2,583.5	2,762.6	-6%
Willow Grove	143	30.2	10	1.2	0.0	0.0	16.3	47.8	48.9	-2%
Total	60,472	9,367.3	5,784	1,826.4	43,757.2	27.8	2,841.3	57,820.1	59,317.2	-3%

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 and Yinnar.

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

5 Number of assessments includes both connected and non-connected customers.

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

7 Includes volumes transferred to other systems.

Gippsland Water's board and 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 a managing director.

The board needs to have members that have a mix of skills, experiences and a range of viewpoints. 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 governance of the corporation.

■ Richard McDowell (Chairperson)

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 more than 15 years' experience in the water industry through his previous role as Deputy Chairperson of East Gippsland Water and his membership of audit committees of both East Gippsland Water and Gippsland Water. He has also been Audit Committee Chairperson 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 Chairperson of the board in October 2007.

■ Leah Young (Deputy Chairperson)

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

Leah Young has been a director on the board of Gippsland Water for the past 11 years. Business management and governance are her key areas of contribution. She holds a Bachelor of Business, a Graduate Diploma of Business, an AICD Company Directors Course Diploma, a Chartered Secretaries Australia Certificate in Governance Practice and Administration and is a Fellow of the AICD as well as a member of the Australian Institute of Management. Ms Young has been Business Manager/Company Secretary at St Paul's Anglican Grammar School since 1996. She has lived in Gippsland all her life. Before joining St Paul's, Leah had more

than 13 years of experience in local government, holding senior positions in key areas such as financial and corporate planning, capital works development, administration and human resource management. She has also been a director of Westernport Water Corporation for the past 6 years and is currently a director of the Latrobe Regional Hospital. Leah has been a member of the Audit and Risk Committees on all three Boards.

■ Janice van Reyk

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

Safety Health and Environment Committee Chairperson, Janice has a background as a senior executive in listed industrial companies as well as consulting experience in environmental and stakeholder management, public policy and urban infrastructure projects. She is a non-executive director of Citywide and Chairperson of its Finance and Operations Committee.

■ 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 Chairperson of the Australian Accounting Standards Board and was Deputy Chairperson 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.

■ 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.

■ Duncan Malcolm

AM, JP

Duncan is the former Chairperson of the Gippsland Coastal Board, the East Gippsland Catchment Management Authority and the Rural Water Corporation of Victoria. He is a former member of the Victorian Coastal Council and the board of East Gippsland Water. During May 2011, Duncan completed his

role as Chairperson of the East Gippsland Recreational Fishery Management Plan Steering Committee.

Duncan's current positions include Chairperson of the Victorian Environmental Assessment Council, and Trustee of the Australian Landscape Trust and the McPherson Smith Rural Scholarship Fund.

■ 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 Eligible	Attendance	SHE Committee Eligible	Attendance	Audit Committee Eligible	Attendance	Exec Remuneration Committee Eligible	Attendance
Richard McDowell	11	10	0	0	0	1	1	1
Leah Young	11	9	0	0	5	5	1	1
Duncan Malcolm	11	11	4	4	0	0	1	1
Janice van Reyk	11	11	4	4	0	1	1	1
David Mawer	11	11	4	4	5	5	0	0
Peter Day	11	10	0	1	5	5	1	1
Kevin McKenzie	11	11	4	4	0	1	1	1
John Donovan	11	11	0	0	5	5	1	1

Profile of the executive team

Managing Director

■ David Mawer

Refer to the 'Profile of the board' section of this report 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 and information communication 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 management roles.

He has a solid background in strategic and business planning, financial and management accounting, contract management and customer service.

General Manager Planning and Development

■ Svetla Petkova

M Science and Eng, M Law, Ph.D.

Svetla is responsible for the organisation's long-term asset planning and management, and the delivery of the capital works program. She has more than 10 years' experience as a small business owner and CEO of two private companies. She graduated as a biomechanical engineer and her Masters and PhD are in the area of fluid mechanics. Svetla completed a Masters in Law in 2000 with specific interests in property and commercial law.

Her strengths and passion are in the areas of long-term planning, people and process development, asset management and optimisation. Prior to joining Gippsland Water in 2010, Svetla was the Strategic Asset Manager at Grampians Wimmera Mallee Water for more than three years, where she was responsible for the asset management and capital works planning activities of the corporation.

General Manager Finance and Regulation

■ 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, and organisational development.

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 fulfil its corporate governance responsibilities and supports the board in relation to financial reporting, internal controls, and risk management systems along with internal and external audit functions.

The Audit Committee is responsible for a range of activities including:

- Reviewing significant accounting policy changes and matters.
- Reviewing the scope of internal auditor, including the three year rolling Strategic Audit Plan.
- Reviewing the adequacy of financial management information, including the annual financial statements.
- Reviewing and assessing the organisation's risk management framework and business continuity framework.

- On a separate basis, meeting separately with the internal and external auditors away from management, to discuss any matters the committee or auditors believe should be discussed privately.
- Providing a forum for the internal and external auditors to present audit findings and recommendations.
- Reviewing the effectiveness of the organisation's processes and systems for monitoring compliance with laws and regulations and the results of any investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Regularly reporting to the board of directors about committee activities, issues, and related recommendations.
- In accordance with the *Financial Management Act 1994*, confirming that all the committees responsibilities have been carried-out by submitting to the board an annual attestation.
- Overseeing the investigation of any suspected cases of fraud within the organisation and monitor the progress of any major law suits facing the board.

During the 2010-11 financial year, the Audit Committee met five times.

Audit Committee members for 2010-11:

Ron Gowland, Independent Chairperson

(November 2007 – June 2011)

(Attended five 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.

Joanne Booth, Independent Member

(August 2010 – current)

(Attended five meetings during the reporting year).

Joanne is an experienced company director and former chief executive within the health, public and not-for-profit sectors. She currently operates a business consultancy in East Gippsland and Melbourne. Joanne is Chairperson, Gippsland Lakes Community Health; Director, Victorian Healthcare Association; Director, Workways Australia; and Member, Lord Mayor's Charitable Foundation Health Grants Panel. She is also a member of audit, finance and governance committees for the boards on which she serves.

Joanne's formal qualifications include Master of Public Health, Graduate Diploma in Occupational Health, Bachelor of Arts (Sociology/Politics) and Certificate in Perioperative and General Nursing. Joanne is a Graduate of the Australian Institute of Company Directors and a member of Women on Boards and the Institute of Arbitrators and Mediators Australia.

Rob Dickens, Independent Member

(August 2010 – current)

(Attended four meetings during the reporting year).

Rob Dickens currently manages the Compliance and Legislation Division at the State Revenue Office, Victoria which is the focal point for industry liaison and the provision of advice and assistance to a range of customers and stakeholders on more complex areas of the law.

Rob joined the SRO from the Tasmanian Department of Treasury and Finance, where he held the position of Assistant Director, Revenue Policy. He also worked in gaming, superannuation and inter-government relations policy, as well as working on the Tasmanian Review of State Taxes.

Rob has a Bachelor of Business Degree in Public Administration and is a Certified Compliance Professional.

Audit Committee Board members for the 2010–11 financial year comprised:

- **Peter Day** – Board member
- **Leah Young** – Board member
- **John Donovan** – Board member

Alternate Audit Committee Board member for the 2010–11 financial year:

- **Kevin McKenzie** – Board member

Board Safety, Health and Environment Committee

The Safety, Health and Environment (SHE) Committee provides reports and recommendations to the board regarding a range of strategic and performance issues relating to occupational health and safety (OH&S), environmental and emergency management at Gippsland Water.

The SHE 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.
- Receiving and reviewing community and stakeholder issues and concerns regarding Gippsland Water's overall OH&S and environmental performance.
- Reviewing the Environmental Management System to ensure progress on the management of environmental risk.
- Reviewing performance against the Safety Strategic Plan and the OH&S Performance Index.

Other activities the SHE Committee undertook include reviews of the:

- Greenhouse Gas Management Plan and Climate Variability Adaptation Plan.
- Catchment Management Five Year Action Plan.
- Outcomes of water efficiency and trade waste management programs.
- Environmental performance reporting to regulatory stakeholders.

SHE Committee members for this reporting period were:

- **Janice van Reyk** – Board member (Chairperson)
- **Kevin McKenzie** – Board member
- **Duncan Malcolm** – 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 (excluding the Managing Director) and met once during the 2010–11 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 the 2010–11 reporting period, 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	2010-11 Target	Year to Date Performance at 30 June 2011	2009-10	2008-09	2007-08	2006-07
Water								
1	Unplanned water supply interruptions	per 100km	45	18.52	18.42	20.32	17.12	24.94
2	Average time taken to attend to bursts and leaks (priority 1)	minutes	40	30.27	32.00	33.77	31.38	27.26
3	Average time taken to attend to burst and leaks (priority 2)	minutes	150	101.44	307.00	115.42	115.41	62.63
4	Average time taken to attend to burst and leaks (priority 3)	minutes	2300	2,008.11	1,976.20	1,352.40	1,149.50	1,015.57
5	Unplanned water supply interruptions restored within 5 hours	per cent	97.8	97.87%	96.80%	99.02%	98.83%	100%
6	Planned water supply interruptions restored within 5 hours	per cent	87	98%	96.44%	98.13%	98.45%	99.52%
7	Average unplanned customer minutes off water supply	minutes	15.4	9.53	8.34	9.41	8.83	15.28
8	Average planned customer minutes off water supply	minutes	26.2	15.08	10.51	12.08	12.22	8.43
9	Average frequency of unplanned water supply interruptions	number	0.1	0.1412 ¹	0.1048	0.1150	0.1024	0.1630
10	Average frequency of planned water supply interruptions	number	0.2	0.0957	0.0752	0.0840	0.0869	0.0740
11	Average duration of unplanned water supply interruptions	minutes	110	67.45	80.00	81.48	86.20	93.72
12	Average duration of planned water supply interruptions	minutes	130.8	157.57 ²	140.00	143.80	140.51	113.96
13	Number of customers experiencing more than 5 unplanned water supply interruptions in the year	number	0	0	10	0	0	0
14	Unaccounted for water	per cent	14.3	10.6%	10.6%	9.8%	10.9%	7.3%
Sewerage								
15	Sewerage blockages	per 100 km	25	14.64	17.00	19.00	18.25	19.50
16	Average time to attend sewer spills and blockages	minutes	35	34.43	32.05	28.99	29.91	28.21
17	Average time to rectify a sewer blockage	minutes	130	100.90	96.18	85.48	90.05	92.20
18	Spills contained within 5 hours	per cent	98	100%	98.90%	100%	98.79%	100%
19	Customers receiving more than 3 sewer blockages in the year	number	0	0	0	0	0	0
Customer Services								
20	Complaints to EWOV	per 1000 customers	0.7	0.015	0.078	0.080	0.096	0.110
21	Telephone calls answered within 30 seconds	per cent	80	83.84%	83.95%	83.45%	87.47%	84.30%

KPI No.	Key Performance Indicator	Unit of Measure	2010-11 Target	Year to Date Performance at 30 June 2011		2009-10	2008-09	2007-08	2006-07					
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%	100%	99.81%	99.82%					
24	EPA discharge quality licence compliance	per cent	100	95.00% ³		99.40%	98.70%	99.50%	100%					
25	Population receiving water meeting turbidity standards	per cent	100	100%		100%	100%	100%	100%					
26	Total CO ₂ equivalent emissions	Tonne (000s)	73.86	68.78		73.29	70.88	New KPI 2008-09						
27	Recycled water target	per cent	20.0	4.2% ⁴		5.2%	5.9%	New KPI 2008-09						
28	Bio-solids re-use	per cent	100	100%		100%	100%	New KPI 2008-09						
29	Sewer backlog connections	number	16	29		29	2	New KPI 2008-09						
30	CTWSS connections	number	0	0		0	342	New KPI 2008-09						
Our People														
31	The number of incidents	number of LTIs	0	3 ⁵		3	2	15	5					
	Days lost due to lost time injuries (LTIs)	days lost	0	25 ⁵		11	11	Not reported	Not reported					
32	Injury frequency rate	number	35	28.00		15.00	11.00	5.30	17.06					
33	OH&S leading index ⁶	colour		A	B	C	D	A	B	C	D	Not reported	Not reported	26.00
34	Employee availability	hours	≤34 annually per employee	30.53		32.93		33.62	34.02	30.75				

- 1 An increase in water main bursts through the reporting period, combined with an increase in the size and location of the water supply interruptions led to non-compliance with this KPI. Gippsland Water continues to closely monitor water main bursts and implement better maintenance schedules to minimise interruptions.
- 2 This KPI is driven by the number and duration of supply interruptions associated with new development and contractor works. Gippsland Water continues to work with developers to better advise customers of planned interruptions.
- 3 A number of incidents, particularly related to heavy rainfall and plant performance in these events, led to the non-compliance with this target.
- 4 Delays in receiving approval for the Recycled Water Quality Management Plan impacted the production of recycled water at GWF.
- 5 All injuries to employees have been investigated and remedial actions implemented.
- 6 This KPI represents four OH&S measures covering scheduled safety inspections, training attendance, incident reporting and incident management. Green indicates the measures are meeting expectations. Yellow indicates the measures are partially meeting expectations and supervisory intervention is required. Red indicates the measures are not meeting expectations and management intervention is required.

Freedom of Information Act 1982

Gippsland Water is considered a government agency under the terms of the *Freedom of Information Act 1982* 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 1982*:

- 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 its 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.
- 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 the 2010-11 reporting period Gippsland Water received two requests for information under the *Freedom of Information Act 1982*. Full access was granted to one of these applications, whilst the second application was withdrawn. Responses were prepared within the statutory reporting period of 45 days.

Requests for information held by Gippsland Water under the *Freedom of Information Act 1982* should be made in writing to:

Authorised FOI Officer:

Manager Commercial Services

Gippsland Water,

PO Box 348

Traralgon VIC 3844

Contact: 03 5177 4600 or contactus@gippswater.com.au

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 its buildings.

Conflict of interest

Managing conflicts of interest is an important aspect of Gippsland Water's operations. The integrity of the organisation relies on public confidence that employees and board members will act fairly, impartially and in the best interests of its customers, community and stakeholders. Gippsland Water has a Conflict of Interest Policy which provides a framework for all employees and board members in managing conflicts of interest.

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 it offers best value for money.

Gippsland Water is required to apply the policy in all tenders over \$1 million, and reported on six tenders during the 2010-11 financial year:

- Watermain Upgrade Program 2011-13.
- Lodge Drive sewer pump station (Traralgon).
- Yarragon to Darnum water distribution main.
- Yinnar to Boolarra water distribution main.
- Warragul Central distribution main augmentation – Stage 1.
- Mirboo North sludge handling system upgrade.

Consultant services

During the 2010-11 financial year, \$494,207 was spent on a total of 42 consultancy services, compared with \$665,178 on a total of 29 consultancy services in 2009-10.

There were no consultancy expenses exceeding a value of \$100,000 during the reporting period.

Overseas travel

In September 2010, the annual Hansen Australia/New Zealand users conference was held in Queenstown, New Zealand. Two employees, Daniel Grendon (Information, Communication and Technology) and Ian Duncan (Asset Planning), presented a paper on Gippsland Water's Infor Hansen 8 Asset Management System (Hansen 8 AMS) implementation project. The conference provided an opportunity to liaise with other Infor users and Infor executive management to understand and align with best practice, see what modules other authorities are implementing, including pitfalls and learnings, and assist the business to best utilise future changes and enhancements.

In May 2011, Russell Mack (WIOA Executive Funded), Wayne Shaw (PASS Award Winner Funded), Dale Yeates and John Kliche (Gippsland Water Funded) attended the Water Industry Operators Association (WIOA) NZ tour and conference. WIOA run four relevant and practical events throughout each year to enhance the development of water treatment operators that assist in complying with accreditation requirements of the Victorian Framework for Water Treatment Operator Competencies – Best Practice Guidelines and the *Safe Drinking Water Act 2003*.

In May 2011, the Government of the United States of America invited the Australian Government to nominate a number of persons to attend the Idaho National Laboratories (INL) Industrial Control Systems Advanced Cyber Security Training – held from 20 to 24 June 2011. The course was offered to critical infrastructure owners and operators, and provided training and information regarding the latest tools and strategies for mitigating cyber security risks and threats.

Domenic Garraffo (Senior Information Systems Officer (Security)) was selected to attend this training. The Auditor General's Department provided a grant of up to \$5,000 inclusive of GST to assist Gippsland Water and Domenic with travel expenses incurred in attending the training camp.

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 this 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 and Regulation
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
03 9613 6222

Toll Free 1800 806 314
ombudvic@ombudsman.vic.gov.au

** See page 85 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 its 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.
- A career in the public service is fostered (in the case of public service bodies).

Employees must demonstrate:

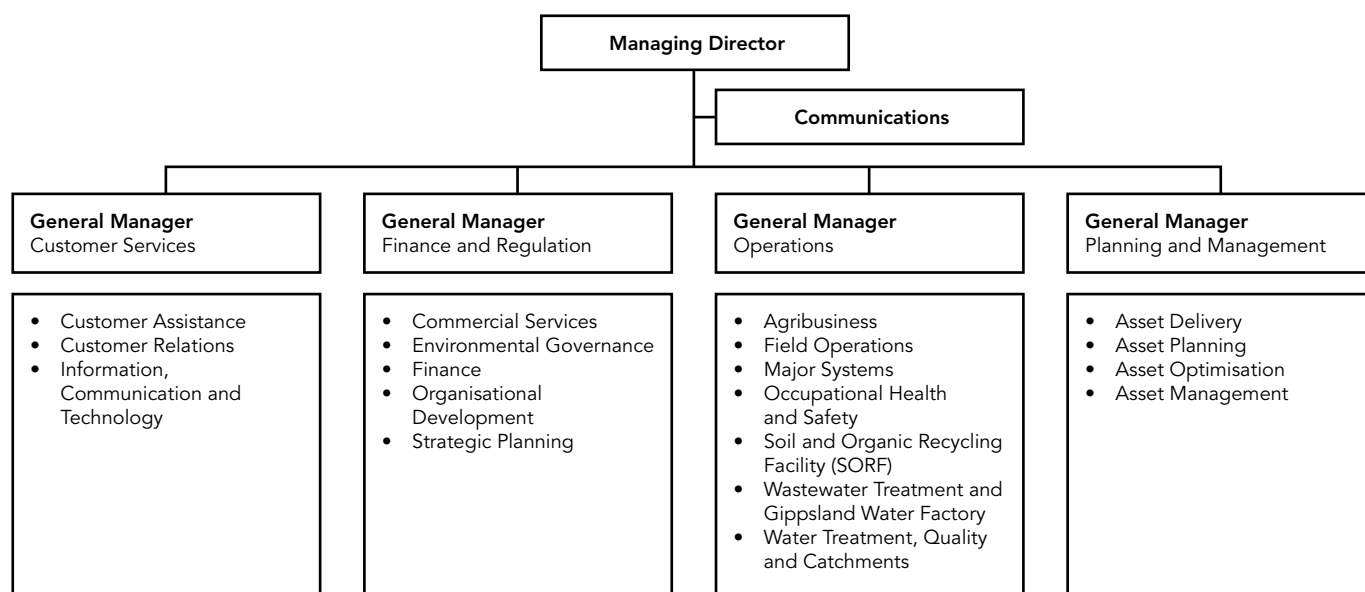
- Responsiveness.
- Integrity.
- Impartiality.
- Accountability.
- Respect.
- Leadership.
- Commitment to human rights.

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.

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

Organisational structure as at 30/06/2011



Employment by Category

Category	Number as at 30 June of Each Year				
	2011	2010	2009	2008	2007
Full-time male	171	166	156	149	159
Full-time female	43	52	51	51	49
Part-time male	0	0	1	1	2
Part-time female	20	26	21	24	17
Casual male	6	6	1	5	4
Casual female	3	6	7	8	7
Total employees	253	256	237	238	238
Full-time equivalent	233.59	226.56	211	208	220
% Full-time equivalent female employees	24.66	26.7	29	28.6	27.30

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*. During the 2010-11 reporting period the organisation revised and refreshed the Discrimination, Bullying, Harassment and Violence Procedure including the Contact Officer Program to provide information and support for staff who feel harassed or bullied at work. There was one formal EEO complaint at Gippsland Water for the reporting period.

Gender equity

A total of 66 females were employed at Gippsland Water during the reporting period, representing 24.66% of full-time equivalent workforce. Women work in management, team leadership, professional, engineering, scientific, technical and administrative roles. During the 2010-11 reporting period, Gippsland Water assisted several women to return from maternity leave through part-time or other flexible working options, including working from home and a part-time external secondment within the water industry.

Gippsland Water continues to encourage women to participate in networking and development opportunities.

Community inclusiveness

Gippsland Water has recruitment policies that ensure a fair and open opportunity for all potential employees. Gippsland Water has supported a number of career initiatives, including the Re-Invent Your Career Expo in Melbourne by assisting the H₂Oz stalls with the promotion of careers both at Gippsland Water and more generally across the water industry.

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.

Occupational Health and Safety

Gippsland Water's Safety Strategic Plan for 2010-11 focused on the following areas:

- Safety system review.
- Safe systems of work.
- Contractor management and project delivery.
- Behavioural safety.
- Corporate health program.

Major achievements against the 2010-11 Gippsland Water Safety Strategic Plan include:

- Second stage of the lock out/tag out training completed, continuing with behavioural audits to review the operation and identify areas for improvement.
- Completion of site risk assessments for the Agribusiness, SORF, Bulk Systems and Gippsland Water Factory in accordance with Safe System Development Plans.
- Review of service contracts and contractor management across the organisation to determine gaps and develop an action plan to address identified gaps.
- Full integration of the Safety Management System at the Gippsland Water Factory into Gippsland Water's existing systems.
- A behavioural safety program based on previous safety culture review findings.
- The implementation of an operational based proactive injury management program with a focus on staff involved in manual handling.
- Excellent engagement in the Corporate Health Program.

Occupational health and safety risk management

According to the commitment made by managers at the start of the year, risk assessments have been progressed for Agribusiness, SORF, Bulk Systems and Gippsland Water Factory 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.

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

Training

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

- OH&S representatives five-day course.
- OH&S refresher one-day training.
- Manual handling.
- Gas monitor and rescue (GWF).
- Hydrogen sulphide and self-contained breathing apparatus (GWF).
- Construction induction.
- Hazardous zone awareness.
- Snake awareness.
- Maintain safety at an incident scene.
- Senior first aid.
- Confined space entry (initial and refresher).

Consultation and communication

The OH&S committees encourage employee participation and a team-based consultative approach. 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 employee and management representatives. Workgroup committees are established for:

- Traralgon office.
- Operations.
- Agribusiness.
- SORF.

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 targets of zero for the number of lost time injuries and lost days were not met in 2010-11, with three lost time injuries resulting in 25 days of lost time.

An employee rolled his ankle on a hose that was not rolled up as required when called out to a water treatment plant after hours, resulting in a single day of lost time. The importance of good housekeeping was reinforced to all workgroups after this injury.

The importance of prompt injury reporting to allow proactive injury management was reinforced at this time also.

An employee tripped up the stairs at a service basin and fell awkwardly onto his hand. Injury management via general practitioners and physiotherapy provided no relief. The employee was referred to a hand surgeon in Melbourne, who operated on the fractured hamate bone. Following surgery, the employee was required to have a month (21 days) away from work.

A staff member reported back and neck pain, without being able to pinpoint any particular incident. This resulted in three days lost time and continues to be managed through a variety of specialists outside the organisation.

Health and wellbeing

The corporate health and wellbeing program for 2010-11 included:

- Health and Wellbeing Expo.
- Tai Chi.
- The Biggest Improver program.
- Party Smart and Treat Your Liver Right desk drop.
- Information on sticking to new years resolutions.
- Healthy heart seminar and assessments.
- Fun run/walk with training sessions.
- Trade in your toothbrush.
- Boosting your immunity/winter wellness session.

During Worksafe week (25 October 2010 to 29 October 2010), Gippsland Water's safety slogan was launched.



This slogan was developed using a competition held earlier in the year, asking for contributions from Gippsland Water employees, with the slogan being a combination of two entries, one from field-based employees and one from office-based staff. Safety slogan launches were held at the Traralgon, Sale and Warragul offices, with excellent attendance and feedback.

Heath Brew spoke at all launches. Heath was severely burned during the Longford Gas Plant explosion on 25 September 1998 and gave an honest insight into the accident, his injuries, rehabilitation and learnings, with an overwhelming response from all attendees.

Gippsland Water's Safety Strategic Plan

Gippsland Water's Safety Strategic Plan and the communication of the direction of safety for Gippsland Water was overhauled during this reporting period. The overhauled plan covers the period 2011-2014.

The communication of the direction of safety at Gippsland Water will be included in the launch of the Safety Blueprint, a single page document that summarises where safety is now, where the corporation wants to be, and how to get

there. This will be launched, with endorsement from the executive team and the board of Gippsland Water.

The Gippsland Water Safety Strategic Plan has been revamped into three key areas of focus with the following objectives:

- **Active leadership and communication**, covering:
 - enhanced safety culture; and
 - clearly defined OH&S responsibilities and accountabilities.
- **Effective systems and programs**, covering:
 - legislative and management system changes identified and measured;
 - introduction of risk-base programs for individual work groups; and
 - streamlined and traceable OH&S training records.
- **Asset maintenance, development and delivery**, ensuring:
 - OH&S is considered in all aspects of asset planning, design, construction, operations and maintenance; and
 - Gippsland Water's contractors and service partners are aligned with Gippsland Water's safety systems and culture.

Asset planning

The Assets group undertook a number of projects to assist in the future planning and prioritisation of asset renewal programs.

Camera inspections of 18.6 kilometres of high risk reticulation sewers were undertaken throughout 2010-11. This information will be used to develop and prioritise the sewer rehabilitation and renewal programs for future years.

Detailed asset system reviews - a 20 year plus strategic planning process - were undertaken in the following systems:

- Moe Water
- Morwell Wastewater
- Warragul/Drouin Water
- Warragul Waste
- Drouin Wastewater
- Willow Grove Wastewater

These reviews identify potential capital projects, improvements in maintenance programs and opportunities to achieve greater efficiencies within the systems.

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

Gippsland Water endorses the Victorian Government's initiative of adopting good practice in public sector risk management. To support this initiative Gippsland Water has implemented a consolidated business-wide risk management framework that aligns with the Victorian Government's Risk Management Framework and *AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines*.

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

Gippsland Water's Risk Management Committee met four times during the 2010-11 financial year to review and manage current and new risk exposures facing the corporation, 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.

Further risk management governance reviews were completed by Gippsland Water's Audit Committee and Board on a quarterly basis. Gippsland Water's Audit Committee reviewed all inherent very high, and controlled very high and high rated risks, and Gippsland Water's overall risk register to assure risk control and compliance. Gippsland Water's Board received a quarterly risk management report focusing on the very high and high controlled risks, and also received a copy of the entire risk register at the May 2011 board meeting.

Gippsland Water's Risk Register as at June 2011 contained 59 active risks; 13 risks rated as 'high', 29 risks rated as 'medium' and 17 risks rated as 'low' in the controlled environment, with consideration of current controls upon the risk assessment.

The Statement of Obligations issued by the Minister for Water requires water corporation adherence to sound risk management practices. To assist continuous improvement, the diverse risk frameworks and risk data that is reported to the boards of each water corporation has been brought together by DSE to provide a state-wide picture of risks managed by water corporations.

The statewide register:

- Identifies and compares water industry risks and mitigation measures across the state.
- Provides a better understanding of the risks within the water sector and tests the effectiveness of mitigation measures.
- Enables and assists water corporations to continuously improve risk management methodologies, systems, processes and procedures.
- Makes better use of resources by sharing knowledge and experience throughout the water sector.

During October 2010, as part of the Three Year Strategic Internal Audit Plan, Gippsland Water's internal auditors conducted a review of the corporation's risk management framework against the requirements of the International Standard ISO 31000:2009 and the Victorian Government Risk Management Framework. The review concluded that Gippsland Water's risk management structure and processes were appropriate for the corporation and contained many positive attributes were noted. The review identified a small number of potential areas for improvement, all of which have been addressed by the corporation.

The review supports the corporation's risk management attestation through determination that the risk management framework is in operation and reporting processes are adequate.

RISK MANAGEMENT ATTESTATION

I, Central Gippsland Region Water Corporation Board Chairperson, 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
Chairperson
Central Gippsland Region Water Corporation



David Mawer
Managing Director
Central Gippsland Region Water Corporation

Dated the 26th day of August 2011

Financial Report for the Year Ended 30 June 2011

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Operating Statement for the Year Ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Revenue from Operating Activities			
Service Charges	1(b) 4(a)	61,587	57,140
Volumetric Charges	1(b) 4(a)	29,899	29,579
Interest	1(b) 4(a)	797	621
Developer Contributions	1(b) 4(a)	7,568	7,503
Other Revenue	1(b) 4(a)	8,107	10,356
Total Operating Revenue		107,958	105,199
Revenue from Non-Operating Activities			
Other Revenue	1(b)	1,623	1,508
Total Revenue from Non-Operating Activities		1,623	1,508
Total Revenue		109,581	106,707
Expenses			
Employee Benefits	1(r)	24,724	20,226
Direct Expense	1(p)	35,425	27,871
Environmental Contribution	1(f)	2,793	2,793
Depreciation	1(d) 4(c)	24,168	18,953
Amortisation	1(d) 4(c)	743	837
Net loss on disposal of assets	4(b)	134	282
Impairment Loss	4(c)	7,690	2,575
Borrowing Costs	1(c) 4(c)	12,632	12,090
Total Expenses		108,309	85,627
Net Result before Tax		1,272	21,080
Income Tax Expense	1(u) 5(a)	–	–
Net Result	19	1,272	21,080

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

Statement of Comprehensive Income for the Year Ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Net Result		1,272	21,080
Other Comprehensive Income			
Gain on revaluation of land and buildings	18	1,260	-
Gain on revaluation of infrastructure	18	211,327	-
Income tax relating to components of other comprehensive income	5(b)	(70,766)	-
Total Other Comprehensive Income		141,821	-
Total Comprehensive Income		143,093	21,080

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

Balance Sheet as at 30 June 2011

	Note	2011 \$'000	2010 \$'000
Assets			
Current Assets			
Cash and Cash Equivalents	1(g) 6	10,631	5,976
Receivables	1(h) 1(i) 7	12,109	13,709
Prepayments		379	270
Inventories	1(j) 8	1,938	1,777
Biological Assets	1(n) 11	644	701
Other Financial Assets	1(k) 9	157	89
Total Current Assets		25,857	22,522
Non - Current Assets			
Other Financial Assets	1(k) 1(l) 9	9,305	10,061
Property, Plant and Equipment	1(m) 10	975,724	740,471
Biological Assets	1(n) 11	2,205	1,729
Intangible Assets	1(o) 12	1,604	2,522
Total Non-current Assets		988,838	754,783
TOTAL ASSETS		1,014,696	777,305
Liabilities			
Current Liabilities			
Payables	1(p) 13	15,060	8,352
Interest Bearing Liabilities	1(q) 14	45,000	29,500
Employee Benefits	1(r) 15	4,695	4,258
Provisions	1(s) 1(t) 16	330	80
Total Current Liabilities		65,085	42,190
Non - Current Liabilities			
Interest Bearing Liabilities	1(q) 14	140,000	140,000
Employee Benefits	1(r) 15	929	811
Provisions	1(s) 1(t) 16	929	1,195
Deferred Tax Liability	5(b)	70,766	–
Total Non-current Liabilities		212,624	142,006
TOTAL LIABILITIES		277,709	184,196
Net Assets		736,987	593,109
Equity			
Contributed Capital	17	253,680	252,895
Reserves	18	165,121	23,300
Accumulated Funds	19	318,186	316,914
TOTAL EQUITY		736,987	593,109

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

Statement of Changes in Equity for the Year Ended 30 June 2011

		Equity at 1 July 2010 \$'000	Total Comprehensive Income \$'000	Transactions with Owners \$'000	Equity at 30 June 2011 \$'000
Contributed Capital	17	252,895	–	–	252,895
Capital appropriations		–	–	785	785
		252,895	–	785	253,680
Accumulated Funds	19	316,914	1,272	–	318,186
Asset Revaluation Reserve	18	23,300	–	–	23,300
Revaluation increment / decrement		–	141,821	–	141,821
		23,300	141,821	–	165,121
Total equity at end of financial year		593,109	143,093	785	736,987

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

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 2011

	Note	2011 \$'000	2010 \$'000
Cash Flows from Operating Activities			
Receipts			
Fees and Charges		103,694	96,341
Interest Received		780	623
GST Received		3,891	4,813
Developer Contributions		2,054	1,908
		110,419	103,685
Payments			
Payments to Suppliers		(36,171)	(31,385)
Payments to Employees		(24,096)	(19,848)
GST Paid		(770)	(750)
Interest and Other Costs of Finance Paid		(12,528)	(12,041)
Environmental Contributions		(2,793)	(2,793)
		(76,358)	(66,818)
Net Cash Flows from Operating Activities	24	34,060	36,867
Cash Flows from Investing Activities			
Payments for Infrastructure, Property, Plant and Equipment		(46,813)	(33,682)
Payments for Intangible Assets		(173)	(1,228)
Proceeds from Sale of Property, Plant and Equipment	4(b)	599	710
Proceeds from/(payments to) Investments	9	697	(8,937)
Net Cash Flows from Investing Activities		(45,690)	(43,137)
Cash Flows from Financing Activities			
Proceeds from Borrowings		15,500	–
Proceeds from Contributed Capital by State Government	17	785	–
Net Cash Flows From Financing Activities		16,285	–
Net Increase / (Decrease) in Cash and Cash Equivalents		4,655	(6,270)
Cash and Cash Equivalents at Beginning of Year	6	5,976	12,246
Cash and Cash Equivalents at End of Year	6	10,631	5,976

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 2011

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 2011.

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 an Operating Statement, 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.

The annual financial statements were authorised for issue by the Managing Director on the 2nd September 2011.

Accounting Policies

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year.

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. In the case of current liabilities the accounts comply with AASB101 paragraph 69.

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 for the reporting periods beginning on or after 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 wastewater (non residential customers only) charges are recognised as revenue when the water is provided. Meter reading is undertaken progressively throughout the year. For the 2010-11 financial year the corporation estimated the outstanding revenue in respect of water meters which had not been read at balance date of \$2,639,147 (2009-10 \$2,460,159), 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 wastewater 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 Operating Statement as *Government Grants and Contributions*. However, grants and contributions received from the Victorian State Government which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and/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.

(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
- Furniture & Computers	3 > 10 years
Intangibles	
- Software	3 > 5 years

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

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 period, from 1 July 2008 to 30 June 2012 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation.

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

The environmental contributions are disclosed separately within the Operating Statement.

(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.

(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 Operating Statement.

(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 cash flows 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 measured 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. Loans and receivables are recorded at amortised cost less impairment.

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 measured at fair value. Gains or losses arising from changes in fair value are taken directly to equity and recycled to the Operating Statement 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 Operating Statement 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 of financial assets

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 profit and loss is removed from equity and recognised in the Income Statement. Impairment losses are recognised in the Operating Statement. Impairment losses recognised in the Operating Statement on equity instruments classified as available for sale are not reversed through the Operating Statement.

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 physical assets comprising land, buildings, water, sewerage, plant, equipment and motor vehicles, used by the corporation in its operations. Items with a cost or value in excess of \$500 (2010: \$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 component of the asset is expensed.

Measurement of non-current physical assets

All non-current 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 recognised initially at cost and subsequently measured at fair value less accumulated depreciation and impairment.

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 is used to represent a reasonable approximation of fair value.

FRD103D (Non Current Physical Assets) prescribes that infrastructure assets should be recognised at fair value less accumulated depreciation and an asset revaluation process should occur as part of a five year cycle. These assets may comprise substructures or underlying systems held to facilitate the harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie wastewater systems.

In 2008-09, FRD121 Infrastructure Assets (Water/Rail) was released which granted a transitional period of two years for the water and rail sectors to adopt fair value level. The two year transition period was to enable the water sector to meet the periodic revaluation outlined in the five year cycle set out in FRD 103D Non Current Physical Assets.

In 2010-11, the Water Minister confirmed that the Infrastructure assets would be revalued during 2010-11 at fair value. The Valuer General Victoria was assigned the management role in a valuation process. The Victorian Auditor General, Vic Water (on behalf of the Water Industry) and the Department of Sustainability & Environment (DSE) were involved in the scoping of the review and determining the methodology (along with the Valuer General).

The valuation was commissioned by the Valuer General Victoria and performed by AECOM on a portfolio basis for various categories of water infrastructures. Details of the outcomes of the valuation exercise are provided in Note 10(b).

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.

The relevant tax effect entries are also made in respect of any revaluations.

Impairment of assets

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

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

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

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

An impairment loss on a revalued asset is recognised directly against any revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for the same class of asset. When the impairment loss exceeds the amount in the revaluation reserve for the same class of asset that portion of the impairment will then be recognised in the 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, which is the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction, less the estimated 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 in market value from the previous valuation is recognised in the Operating Statement, 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 was 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	Intangible Assets (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 Operating Statement over the period of the borrowings, using the effective interest method.

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

(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 years¹ 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 years¹ 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 2010.

Superannuation

The amount charged to the Operating Statement 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*.

Employee Benefit On-costs

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

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 this site:

(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 commenced in 2010-11.

(ii) Land Fill Site Rehabilitation

Licensed by the EPA, the corporation continues to operate a land fill 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 12 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 income tax expense or revenue for the period is the tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses *only* if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

No deferred tax assets or liabilities have been recognised for deductible temporary differences, other than revaluations of assets, as the corporation has carry forward tax losses it is not probable that they will be recouped. A deferred tax liability has been recognised for revalued assets, as future depreciation on revalued assets will not be deductible for tax purposes.

(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.

No material reclassifications have been made in these accounts.

(y) 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 2011 reporting period. As at 30 June 2011, the following standards and interpretations had been issued but were not mandatory for the financial year 30 June 2011. 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 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The group has not yet decided when to adopt AASB 9.	1 January 2013	The entity is yet to assess its full impact. However, initial indications are that it may affect the entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
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	The entity will apply the amended standard from 1 July 2011. When the amendments are applied, the entity will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.
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.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on financial statements
AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.	1 July 2013	The impact of this standard will depend on instructions provided by DTF on its applicability to the entity. The entity will assess its impact once DTF has provided guidance on this standard
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvement project.	1 January 2011	These amendments are not expected to have any significant impact on the entity's disclosures.
AASB 2010-6 Amendments to Australian Accounting Standards- Disclosure on Transfers of Financial Assets (AASB 1 & AASB 7)	In November 2010, the AASB made amendments to AASB 7 Financial Instruments: Disclosures which introduces additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.	1 July 2011	These amendments are not expected to have any significant impact on the entity's disclosures.
AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets (AASB 112)	In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale.	1 January 2012	The entity will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.
AASB 2010-9 Amendments to Australian Accounting Standards- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (AASB 1) and AASB 2010-10 Further Amendments to Australian Accounting Standards- Removal of Fixed Dates for First-time Adopters (AASB 2009-11 & AASB 2010-7)	AASB 1 First-time Adoption of Australian Accounting Standards was amended in December 2010 by eliminating references to fixed dates for one exemption and one exception dealing with financial assets and liabilities. The AASB also introduced a new exemption for entities that resume presenting their financial statements in accordance with Australian Accounting Standards after having been subject to severe hyperinflation.	1 January 2011 / 1 January 2013	Neither of these amendments will affect the financial statements of the entity.

Notes to the Financial Statements for the year ended 30 June 2011

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 Board has also established an Audit Committee to ensure effective financial and risk management, compliance with legislation and maintenance of an effective audit system.

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

Financial Instrument 2011	2011 Carrying Amount \$'000	2010 Carrying Amount \$'000
Financial Assets		
Cash and Cash Equivalents	10,631	5,976
<i>Loans and receivables:</i>		
– Trade Receivables	7,981	10,116
– Other Receivables	12,406	12,944
Total Financial Assets (a)	31,018	29,036
Financial Liabilities		
<i>At Amortised Cost:</i>		
Payables	15,060	8,352
Interest Bearing Liabilities	185,000	169,500
Total Financial Liabilities (b)	200,060	177,852

(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 2011	Total Interest Income and Expense \$'000	Fee Income Expense \$'000	Impairment Loss \$'000	Total \$'000
Contractual Financial Assets				
Cash and Cash Equivalents	330	–	–	330
Trade Receivables	–	–	8	8
Other Receivables	467	–	–	467
Total Financial Assets	797	–	8	805
Financial Liabilities				
Payables	–	–	–	–
Interest Bearing Liabilities	11,247	1,385	–	12,632
Total Financial Liabilities	11,247	1,385	–	12,632

Notes to the Financial Statements for the Year Ended 30 June 2011

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

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

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 Governments financial management objectives are achieved by setting guidelines and recommending borrowing and investment powers. Under these guidelines the Corporation has agreed to deal with TCV for its funding needs. The 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 the Corporation'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; and
- (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 2011

2.1 Risk Exposures (Continued)

(iii) 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 management's knowledge and experience of the financial markets the corporation believes the following movements are 'reasonably possible' over the next 12 months.

Current forecasts from TCV indicate minimal movements in interest rates over the next 12 months.

High levels of government debt across the developed world and the ongoing economic instability within certain European countries is of concern. Management believes there could be further upward pressure on interest rates in Australia over the next twelve months. Loans totalling \$45M will be renegotiated during 2011-12 most likely with longer term maturities. These loans have interest rates which are above and also below the current TCV forecast. It is possible to expect the weighted average cost of borrowings for these loans could increase above the general market by approximately a further 0.9%.

The sensitivity analysis set out below applies a weighted average possible increase in interest of 0.9% (2010: 0.8%) over the financial instruments and shows a net loss of \$226,000 (2010: \$109,000) to Net Result and Equity. A 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 \$126,000 (2010: \$68,000) 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 2011 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 2011.

2011		Carrying Amount	Interest Rate Risk			
			+ 0.9% Result	+ 0.9% Equity	- 0.5% Result	- 0.5% Equity
		\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Cash and Cash Equivalents	(1)	10,631	96	96	(53)	(53)
Trade Receivables	(2)	7,981	—	—	—	—
Other Receivables	(2)	3,166	—	—	—	—
Other Receivables – TCV Deposit		9,240	83	83	(46)	(46)
Financial Liabilities						
Payables	(2)	15,060	—	—	—	—
Interest Bearing Liabilities – Fixed		140,000	—	—	—	—
Interest Bearing Liabilities – Maturing		20,000	(180)	(180)	100	100
Interest Bearing Liabilities – Variable		25,000	(225)	(225)	125	125
Total			(226)	(226)	126	126

(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 2010.

2010		Carrying Amount	Interest Rate Risk			
			+ 0.8% Result \$'000	+ 0.8% Equity \$'000	- 0.5% Result \$'000	- 0.5% Equity \$'000
		\$'000				
Financial Assets						
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)
Financial Liabilities						
Payables	(2)	8,352	–	–	–	–
Interest Bearing Liabilities – Fixed		140,000	–	–	–	–
Interest Bearing Liabilities – Maturing		29,500	(236)	(236)	148	148
Interest Bearing Liabilities – Variable			–	–	–	–
Total			(109)	(109)	68	68

(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; and

(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 the Corporation 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 the corporation's policy to deal only with Australian banks with high credit ratings.

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

2.1 Risk Exposures (continued)

(c) Liquidity Risk

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

The corporation manages liquidity risk through 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 the corporation's 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 2011, the corporation held approved undrawn Financial Accommodation from 2010-11 of \$24M (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 organisations 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	2011 \$'000	2010 \$'000
Temporary Purpose Financial Accommodation	5,000	5,000
Annual Financial Accommodation	24,000	28,000
Total Undrawn Approved Borrowings	29,000	33,000

Maturity analysis of contractual financial liabilities

2011	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
Financial Liabilities						
Payables	15,060	–	–	–	–	15,060
Borrowings	45,000	–	20,000	70,000	50,000	185,000
Total Financial Liabilities	60,060	–	20,000	70,000	50,000	200,060

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
Financial Liabilities						
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

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 borrowing rates used vary from 4.97% to 5.74%, (2010: 4.84% to 5.69%). The fair value of current borrowings approximates the carrying amount, and the impact of discounting is therefore 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	2011 Carrying Amount \$'000	2011 Fair Value \$'000	2010 Carrying Amount \$'000	2010 Fair Value \$'000
Financial Assets				
Cash and Cash Equivalents	10,631	10,631	5,976	5,976
Loans and receivables				
– Trade Receivables	7,981	7,981	10,116	10,116
– Accrued Revenue/Other Receivables	3,007	3,007	3,007	3,007
– Deposits at TCV	9,240	9,272	9,937	9,970
Total Financial Assets	30,859	30,891	29,036	29,069
Financial Liabilities				
Payables	15,060	15,060	8,352	8,352
Interest Bearing Liabilities	185,000	191,547	169,500	177,469
Total Financial Liabilities	200,060	206,607	177,852	185,821

Note 3 Critical Accounting Estimates and Judgements

In the application of AAS's 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.

Areas where critical accounting estimates and judgements have been used include the calculation of provisions, depreciation, and the determination of values used in the Asset Revaluations.

Notes to the Financial Statements for the Year Ended 30 June 2011

Note 4 Operating Statement – Disclosures

(a) Significant Revenues

	Note	2011 \$'000	2010 \$'000
Service Charges			
– Water Charges		16,570	15,539
– Wastewater Charges		44,802	41,408
– Trade Waste Charges		215	193
Total Service Charges	1(b)	61,587	57,140
Volumetric Charges			
– Water		24,475	24,520
– Wastewater		5,424	5,059
Total Volumetric Charges	1(b)	29,899	29,579
Developer Contributions			
– Fees Paid by Developers		2,049	1,900
– Assets Received from Developers		5,519	5,603
Total Developer Contributions	1(b)	7,568	7,503
Interest received from financial assets not at fair value through Profit/Loss		797	621
Other Revenue – Operating			
– Agriculture pursuits		2,450	2,138
– Prescribed Waste		3,432	3,813
– Rechargeable Works		805	2,792
– Other Fees		1,420	1,613
Total Other Revenue – Operating	1(b)	8,107	10,356

(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	599	710
– Written Down Value	(733)	(992)
Net Gain (Loss) on Disposal of Property, Plant and Equipment	(134)	(282)

Notes to the Financial Statements for the Year Ended 30 June 2011

(c) Expenses

	Note	2011 \$'000	2010 \$'000
Employer defined benefit and superannuation contribution expense	23	1,616	1,477
Net (gain)/loss arising from revaluation of Long Service Leave		(42)	(89)
Operating lease rental expense		76	74
Bad and doubtful debts			
– Written off		178	151
Auditors Remuneration			
– Auditor General for Audit of Financial Statements		44	61
– Internal Audit		90	93
Depreciation			
– Buildings		629	642
– Water Infrastructure		6,421	6,540
– Wastewater Infrastructure		14,754	9,712
– Plant and Equipment		1,558	1,467
– Motor Vehicles		806	592
Total Depreciation	1(d)	24,168	18,953
Amortisation			
– Software	12	743	837
Total Depreciation and Amortisation	25	24,911	19,790
Borrowing Cost not at fair value through the profit and loss			
– Interest on TCV borrowings	1(c)	11,247	10,870
– Financial Accommodation Levy	1(c)	1,385	1,220
Total Borrowing Cost		12,632	12,090
Impairment Loss			
– Non-financial assets	10(b)	7,682	2,554
– Financial assets – receivables	1(k) 7	8	21
Total Impairment Loss		7,690	2,575
Write down of inventory		51	53
Deemed Cost of Biological Assets Sold – Timber		27	97
Deemed Cost of Biological Assets Sold – Livestock		833	744

Notes to the Financial Statements for the Year Ended 30 June 2011

(d) Individually Significant Expenditure for 2011

	Note	2011 \$'000	2010 \$'000
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
– Gippsland Water Factory. Damage to anaerobic lagoons during construction. An insurance claim of \$7.6 M for rectifying this damage is currently being pursued.	21	7,625	–

Note 5 Income Tax

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

	2011 \$'000	2010 \$'000
Net result before income tax expense	1,272	21,080
Tax at the Australian tax rate of 30% (2010: 30%)	382	6,324
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Expenditure not allowable for income tax purposes	41,070	23,847
Expenditure allowable for income tax purposes	(58,806)	(38,961)
Benefit of tax losses not brought to account	17,355	8,790
Income tax expense as reported in the Comprehensive Income Statement	–	–

(b) Deferred Tax Liabilities - recognised directly to Equity

	2011 \$'000	2010 \$'000
Revaluation of property, plant & equipment		
Land	6,578	–
Buildings	790	–
Infrastructure	63,398	–
	70,766	–
Movements:		
Opening balance at 1 July		–
Credited / (debited) to other comprehensive income	70,766	–
Closing balance at 30 June	70,766	–
Deferred tax liability to be recovered after more than 12 months	70,766	–

Notes to the Financial Statements for the Year Ended 30 June 2011

Note 6 Cash and Cash Equivalents

	2011 \$'000	2010 \$'000
Cash on Hand	1	1
Cash at Bank	10,630	5,975
Total Cash and Cash Equivalents	10,631	5,976
(a) Cash on Hand		
Cash on Hand is non interest bearing		
(b) Reconciliation to cash at the end of year		
The above figures are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement, as follows:		
Balances as above	10,631	5,976
Balances as per Cash Flow Statement	10,631	5,976
(c) Deposits at call		
The deposits are bearing floating interest rates between 2.89% and 4.51% (2010 2.89% and 7.45%)		

Note 7 Receivables

Current

Trade Receivables	8,112	10,239
Provision for impaired receivables (a)	(131)	(123)
Goods and Services Taxation Refund Due	1,184	799
Accrued Revenue	2,944	2,794
Total Receivables	12,109	13,709
(a) Movement in provision for impaired receivables		
Opening balance at 1 July	(123)	(102)
(Increase)/decrease in allowance recognised in profit or loss	(185)	(172)
Amounts recovered during the year.	(41)	(30)
Amounts written off during the year	218	181
Closing balance at 30 June	(131)	(123)
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.	935	922
(b) Trade Receivable Past Due But Not Impaired		
30 – 60 Days	843	1,223
60 – 90 Days	177	230
Over 90 Days	395	393
Total Trade Receivables past due but not impaired	1,415	1,846

Notes to the Financial Statements for the Year Ended 30 June 2011**Note 7 Receivables** (continued)

Total impaired Trade Receivables at 30 June were \$131,250 (2010: \$123,000). 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 2011 (2010: 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.

Note 8 Inventories

	2010 \$'000	2009 \$'000
Stores and Consumables – at Cost	1,938	1,777
Total Inventories	1,938	1,777

There were no inventories pledged as security for liabilities (2010: Nil)

Note 9 Other Financial Assets*Current Other Financial Assets at Amortised Cost*

Private Schemes Unmatured Capital	–	5
Other	157	84
Total Current Other Financial Assets	157	89

Non-current Other Financial Assets at Amortised Cost

Private Schemes Unmatured Capital	65	65
Deposit - TCV Country Towns Water Supply & Sewerage Program	8,240	8,937
Deposit - TCV Environmental Bond	1,000	1,000
Other Long Term Receivable	–	59
Total Non-current Other Financial Assets	9,305	10,061

Total Other Receivables	9,462	10,150
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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 includes an interest component.

Other Current Receivables

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

Deposit - TCV Country Towns Water Supply 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(i).

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 Receivables at Fair Value

Other Financial Assets and Private Schemes	222	154
Deposit - TCV Country Towns Water Supply and Sewerage Program	8,272	8,970
Deposit - TCV Environmental Bond	1,000	1,000
Other Long Term Receivable	–	59
Total Other Receivables at Fair Value	9,494	10,183

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

	2011 \$'000	2010 \$'000
Land		
At Cost	–	1,672
At Fair Value	29,075	25,929
	29,075	27,601
Buildings		
At Cost	–	4,095
At Fair Value	9,511	9,934
Less: Accumulated Depreciation	–	(1,631)
	9,511	12,398
Water Infrastructure		
At Cost	–	264,511
At Fair Value	345,623	–
Less: Accumulated Depreciation	–	(44,243)
	345,623	220,268
Wastewater Infrastructure		
At Cost	–	285,688
At Fair Value	539,704	–
Less: Accumulated Depreciation	–	(53,247)
	539,704	232,441
Plant, Equipment and Other		
At Fair Value	17,411	15,827
Less: Accumulated Depreciation	(10,988)	(9,595)
	6,423	6,232
Motor Vehicles		
At Fair Value	4,619	4,031
Less: Accumulated Depreciation	(1,235)	(858)
	3,384	3,173
Under Construction (Work In Progress)	42,004	238,358
	42,004	238,358
Total Property, Plant and Equipment	975,724	740,471

Land and Buildings were independently valued at 30 June 2011 by the Valuer General of Victoria (using Egan National valuers). Prior to this, Land and Buildings were last valued at 30 June 2007. For Land, the valuation methodology used has been market value adjusted for community service obligations where applicable. Due to their specialised nature Buildings have been valued using depreciated replacement costs.

Infrastructure assets were independently valued at 30 June 2011 by the Valuer General of Victoria (using AECOM valuers). Prior to this, Infrastructure assets were last valued at 30 June 2004. The valuation methodology used was depreciated replacement costs using a Greenfields approach for assessing costs and only included assets that were constructed before 1 July 2010. Cost models were built based on actual construction information complimented by a variety of information sources including capacity, height, material type, length and depth that could be applied broadly across the range of assets in each category.

Notes to the Financial Statements for the Year Ended 30 June 2011

Note 10 Property, Plant and Equipment (continued)

(b) Movements during the reporting period

	2010-11							
	Opening WDV 1 July 2010 \$'000	Additions \$'000	Disposals \$'000	Net Revaluation \$'000	Transfers Between Categories \$'000	Impairment (i) \$'000	Depreciation \$'000	Closing WDV 30 June 2011 \$'000
Land								
At Cost	1,673	–	–	–	(1,673)	–	–	–
At Independent Valuation	25,928	–	–	1,457	1,690	–	–	29,075
	27,601	–	–	1,457	17	–	–	29,075
Buildings								
At Cost	3,743	–	–	–	(3,549)	–	(194)	–
At Independent Valuation	8,655	–	(26)	(196)	1,569	(56)	(435)	9,511
	12,398	–	(26)	(196)	(1,980)	(56)	(629)	9,511
Water Infrastructure								
At Cost	220,268	1,765	(7)	–	(215,605)	–	(6,421)	–
At Deprival Value	–	–	–	123,685	221,938	–	–	345,623
	220,268	1,765	(7)	123,685	6,333	–	(6,421)	345,623
Wastewater Infrastructure								
At Cost	232,441	3,671	(25)	–	(213,708)	(7,625)	(14,754)	–
At Deprival Value	–	–	–	87,641	452,063	–	–	539,704
	232,441	3,671	(25)	87,641	238,355	(7,625)	(14,754)	539,704
Plant, Equipment & Other								
At Cost	6,232	–	(141)	–	1,890	–	(1,558)	6,423
	6,232	–	(141)	–	1,890	–	(1,558)	6,423
Motor Vehicles								
At Fair Value	3,173	–	(535)	–	1,552	–	(806)	3,384
	3,173	–	(535)	–	1,552	–	(806)	3,384
Under Construction								
	238,358	51,263	–	–	(247,617)	–	–	42,004
	238,358	51,263	–	–	(247,617)	–	–	42,004
Total Property, Plant & Equipment	740,471	56,699	(734)	212,587	(1,450)	(7,681)	(24,168)	975,724

(i) Impairment during the year was mainly due to damage to the anaerobic lagoons at the Gippsland Water Factory during construction.

Notes to the Financial Statements for the Year Ended 30 June 2011

Note 10 Property, Plant and Equipment (continued)

(b) Movements during the reporting period

	2009-10							
	Opening WDV 1 July 2010 \$'000	Additions \$'000	Disposals \$'000	Net Revaluation \$'000	Transfers Between Categories \$'000	Impairment (i) \$'000	Depreciation \$'000	Closing WDV 30 June 2010 \$'000
Land								
At Cost	1,372	85	–	–	216	–	–	1,673
At Independent Valuation	25,928	–	–	–	–	–	–	25,928
	27,300	85	–	–	216	–	–	27,601
Buildings								
At Cost	3,815	–	–	–	221	(108)	(185)	3,743
At Independent Valuation	9,112	–	–	–	–	–	(457)	8,655
	12,927	–	–	–	221	(108)	(642)	12,398
Water Infrastructure								
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
Wastewater Infrastructure								
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
Plant, Equipment & Other								
At Cost	6,754	–	(2)	–	947	–	(1,467)	6,232
	6,754	–	(2)	–	947	–	(1,467)	6,232
Motor Vehicles								
At Fair Value	2,852	–	(989)	–	1,902	–	(592)	3,173
	2,852	–	(989)	–	1,902	–	(592)	3,173
Under Construction								
	219,658	33,407	–	–	(14,707)	–	–	238,358
	219,658	33,407	–	–	(14,707)	–	–	238,358
Total Property, Plant & Equipment	724,148	39,010	(991)	–	(189)	(2,554)	(18,953)	740,471

(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 2011

Note 11 Biological Assets

	2011 \$'000	2010 \$'000
Current – Plants		
Fodder	91	201
Crops – Feed Grade	96	110
Plantation Softwood	46	78
	233	389
Current – Animals		
Cattle	410	235
Sheep	1	77
	411	312
Total Current Biological Assets	644	701
Non-current		
Plantation Softwood	983	573
Cattle	1,222	1,156
Total Non-current Biological Assets	2,205	1,729
Total Biological Asset Carrying Amount at 30 June	2,849	2,430
Movement in Carrying Amount		
Carrying amount at 1 July	2,430	1,958
Increases due to:		
Purchases	392	150
Natural Increase	1,035	1,402
New Crops	–	–
Fair Value increase – Livestock and Plantations	586	336
Decreases attributable to:		
Sales	(1,074)	(1,383)
Deaths	(28)	(33)
Carrying amount at 30 June	3,341	2,430

Notes to the Financial Statements for the Year Ended 30 June 2011

Note 11 Biological Assets (continued)

(a) Plants (i)	2011 \$'000	2010 \$'000	2011 Qty	2010 Qty
Consumable Assets				
Mature Assets				
Fodder				
Silage – (Qty Bales)	15	39	411	721
Cereal and Legume Silage (Tonnes)	60	140	706	1,400
Hay	16	22	590	565
Crops				
Feed Wheat (Qty Tonnes)	–	26	–	129
Feed Barley (Qty Tonnes)	23	70	115	410
Feed Lupins (Qty Tonnes)	42	–	140	–
Feed Triticale (Qty Tonnes)	31	–	140	–
Canola	–	14	–	37
Softwood Pinus Radiata (Qty Ha)	46	78	3	8
Total Consumable Assets	233	389		
Non-bearer Assets				
Immature Assets				
Softwood Pinus Radiata (Qty Ha)	983	573	426	469
Total Non-bearer Assets	983	573		
(b) Animals (ii)				
Consumable Assets				
Immature Assets				
Mixed sex weaners	410	235	558	379
Lambs	1	77	9	1,191
	411	312		
Mature Assets				
Bullocks	–	–	–	–
Total Consumable Assets	411	312	567	1,570
Bearer Assets				
Immature Assets				
Heifers	536	552	645	751
Mature Assets				
Cows and Bulls	686	604	720	633
Total Bearer Assets	1,222	1,156	1,365	1,384
Output				
Crops and Livestock	1,035	1,402	714	600

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 2011.

(ii) Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2011.

Notes to the Financial Statements for the Year Ended 30 June 2011

Note 11 Biological Assets (continued)

The Agribusiness is operated across twelve 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 the Corporation in the provision of sustainable water and wastewater services to the region.

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

	2011 \$'000	2010 \$'000
Software at Cost	8,876	8,650
Accumulated amortisation	(7,472)	(6,729)
	1,404	1,921
Software Development (Work in Progress)	200	601
Total Intangible Assets	1,604	2,522

(b) Movements during the reporting period

	2010-11			
	Opening WDV 1 July 2010 \$'000	Additions \$'000	Transfers \$'000	Closing WDV 30 June 2011 \$'000
Software at Cost	8,650	–	226	8,876
Accumulated amortisation	(6,729)	–	–	(7,472)
	1,921	–	226	1,404
Software Development (Work in Progress)	601	173	(574)	200
Total Intangible Assets	2,522	173	(i) (348)	(743)

	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
Total Intangible Assets	2,396	1,228	(i) (265)	(837)

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

Notes to the Financial Statements for the Year Ended 30 June 2011

Note 13 Payables

	2011 \$'000	2010 \$'000
<i>Current</i>		
Trade Creditors	2,500	620
Accrued Expenses	9,428	5,313
<i>Other</i>		
Security Deposits	1,090	1,098
Retentions	604	207
Overpaid Rates and Charges	1,314	929
Unclaimed Monies	1	2
Other	123	183
Total Current Payables	15,060	8,352

Total Payables do not include any foreign currency denominated liabilities (2010: Nil).

Note 14 Interest Bearing Liabilities

Current Secured

Borrowing – TCV	45,000	29,500
Total Current Secured Interest Bearing Liabilities	45,000	29,500
Total Current Interest Bearing Liabilities	45,000	29,500

Non-current Secured

Borrowing – TCV	140,000	140,000
Total Non-current Secured Interest Bearing Liabilities	140,000	140,000
Total Non-current Interest Bearing Liabilities	140,000	140,000
Total Interest Bearing Liabilities	185,000	169,500

Term to Maturity

0 – 1 Year	45,000	29,500
1 – 4 Years	60,000	70,000
4 – 8 Years	50,000	40,000
8 Years and over	30,000	30,000
Total Interest Bearing Liabilities	185,000	169,500

Credit Standby Arrangements

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 2011

Note 14 Interest Bearing Liabilities (continued)

	2011 \$'000	2010 \$'000
Bank Loan Facilities		
Total facilities	39,500	28,000
Used at balance date	15,500	–
Unused at balance date	24,000	28,000
Fair Value		
Non Traded Financial Liabilities		
Borrowing – TCV	191,547	177,469

The fair values of borrowings are based on cash flows discounted using borrowing rates varying from 4.97% to 5.74%, (2010: 4.84% to 5.69%).

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

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.

Note 15 Employee Benefits

	2011 \$'000	2010 \$'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.	2,191	2,030
Other long-term employee benefits that do not fall due within 12 months after the end of the period, measured at present value.	2,504	2,228
Total Current Employee Benefits	4,695	4,258
<i>Non-current</i>		
Conditional Long Service Leave, measured at present value	929	811
Total Non-current Employee Benefits	929	811
Total Employee Benefits	5,624	5,069
Employee numbers at end of financial year (FTE)	233	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	4.60%	4.45%
Weighted average discount rates	4.78 – 5.29%	4.39 – 5.79%
Weighted average settlement period	13	13
The corporation made the following ex-gratia payments (\$'000).	–	–

Notes to the Financial Statements for the Year Ended 30 June 2011

Note 16 Provisions

	2011 \$'000	2010 \$'000
<i>Current</i>		
Bioremediation Pond (a)	300	50
Land Fill Site Rehabilitation (b)	30	30
Total Current Other Provisions	330	80
<i>Non-current</i>		
Bioremediation Pond (a)	644	896
Land Fill Site Rehabilitation (b)	285	299
Total Non-current Other Provisions	929	1,195
Total Other Provisions	1,259	1,275

(a) Bioremediation Pond
Rehabilitation works commenced in 2010-11, with most of the rehabilitation work being completed over the next 3 years in accordance with the Rehabilitation Action Plan.

(b) Land Fill Site Rehabilitation
Based upon current utilisation, the estimated remaining useful life of the land fill site is 12 years. This will be reviewed annually.

Movements in Provisions

	Bio-remediation Pond	Land Fill Site Rehabilitation	Total
Opening balance at 1 July	946	329	1,275
Additional provisions recognised	274	40	314
Payments or other sacrifices of economic benefits	(276)	(54)	(330)
Reductions from remeasurement or settlement without cost	–	–	–
Closing balance at 30 June	944	315	1,259

Notes to the Financial Statements for the Year Ended 30 June 2011

Note 17 Contributed Capital

	2011 \$'000	2010 \$'000
Opening balance at 1 July	252,895	252,895
Capital contributions	785	–
Closing balance at 30 June	253,680	252,895

Note 18 Reserves

Asset Revaluation Reserve		
– Land (net of tax)	15,349	20,487
– Buildings (net of tax)	1,843	2,813
– Infrastructure (net of tax)	147,928	–
Total Reserves	165,121	23,300

Movements in Reserves

Asset Revaluation Reserve		
Opening balance at 1 July	23,300	23,300
Revaluation increment/decrement on non-current assets	141,821	–
Closing balance at 30 June	165,121	23,300

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	316,914	295,834
Net Result for the period	1,272	21,080
Closing balance at 30 June	318,186	316,914

Notes to the Financial Statements for the Year Ended 30 June 2011

Note 20 Commitments

	2011 \$'000	2010 \$'000
Non Cancellable Operating Lease Commitments		
At 30 June, the corporation had operating lease commitments due for payment as follows:		
– within one year	58	54
– later than one year but not later than five years	233	217
– later than five years	178	164
Total Operating Lease Commitments	469	435
Capital Expenditure Commitments		
Property, Plant and Equipment		
– within one year	2,349	13,323
– later than one year but not later than five years	–	–
– later than five years	–	–
Total Capital Commitments	2,349	13,323
Other Commitments		
Environmental contribution		
– within one year	2,793	2,793
– later than one year but not later than five years	–	2,793
– later than five years	–	–
Total Environmental Contribution Commitment	2,793	5,586

At 30 June, the corporation did not have any outstanding commitments for the purchase of biological assets or intangible assets.

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. During the construction of the Gippsland Water Factory, a defect was identified in the anaerobic lagoons. This defect has since been rectified and Gippsland Water is pursuing the relevant parties for reimbursement of the costs to rectify this defect. The current insurance claim for rectifying this defect is \$7.6M.

Notes to the Financial Statements for the Year Ended 30 June 2011

Note 22 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 Operating Statement 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% required 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:

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:

	\$'M
Net Market Value of Assets	3,630.4
Accrued Benefits (per accounting standard)	3,616.4
Difference between Assets & Accrued Benefits	14.0
Vested Benefits (Minimum sum which must be paid to members when they leave the fund)	3,561.6

- 9.25% - 15.25% of members salaries;

- the difference between resignation and retrenchment benefits paid to any retrenched employees.

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

Following an actuarial review conducted by the Trustee in late 2010, as at 31 December 2008) a funding shortfall of \$71 million for the Fund was determined (The funding shortfall represents the difference between the Vested Benefits and the Net Market Value of Assets). A call to Employers for additional contributions was made for the financial year 30 June 2011 with commitment from Employers by 1 July 2011. The Corporation chose to make its contribution in regards to the funding shortfall prior to 30 June 2011. A further actuarial review will be undertaken as at 31 December 2011 by mid 2012. Based on the result of this review, a detailed funding plan will be developed and implemented to achieve the target of full funding by 31 December 2013. The Corporation will be notified of any additional required contributions by late 2012.

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	2011 \$'000	2010 \$'000
Vision Super - Defined Benefits	Defined Benefit	9.25 - 15.25%	300	297
Vision Super - Super Saver	Accumulation	9%	944	877
EquipSuper Fund	Accumulation	9%	35	33
REST Superannuation	Accumulation	9%	19	17
VicSuper	Accumulation	9%	22	15
BT Superwrap	Accumulation	9%	17	18
AustralianSuper	Accumulation	9%	55	37
Hostplus Superannuation	Accumulation	9%	16	16
CBUS Superannuation	Accumulation	9%	31	22
Colonial First State	Accumulation	9%	24	22
Unisuper	Accumulation	9%	14	-
AMP Flexible Lifetime Super	Accumulation	9%	11	-
Asgard Superannuation	Accumulation	9%	-	8
Other Retail Superannuation Funds	Accumulation	9%	74	60
Self Managed Superannuation Funds	Accumulation	Various	54	55
Total			1,616	1,477

As at the reporting date, there were no outstanding contributions payable to the above funds

Notes to the Financial Statements for the Year Ended 30 June 2011

Note 23 Responsible Person and Executive Officer
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 2010 - 2 December 2010)

The Hon. Peter Walsh MP - Minister for Water
(2 December 2010 - 30 June 2011)

Board Members

Richard McDowell (Chairperson)

Leah Young (Deputy Chairperson)

Janice van Reyk

William (Peter) Day

Kevin McKenzie

John Donovan

Duncan Malcolm

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).

2011 \$'000	2010 \$'000
425	419

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

Income Band ('s)	Total Remuneration	
	2011 No.	2010 No.
Up to 9,999	–	1
10,000 – 19,999	2	1
20,000 – 29,999	4	4
30,000 – 39,999	–	–
40,000 – 49,999	1	1
230,000 – 239,999	–	–
240,000 – 249,999	–	–
250,000 – 259,999	1	–
260,000 – 269,999	–	1
Total Numbers	8	8

Retirement benefits of responsible persons

The retirement benefits paid by the corporation in connection with the retirement of responsible persons of the corporation for 2011 was \$nil (2010: \$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 (2010: \$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.

Kevin McKenzie is a manager of SP Ausnet of which Select Solutions is a

wholly owned subsidiary. Select Solutions was contracted by the Corporation to provide a range of services on standard commercial arrangements. Mr McKenzie advised of his potential conflict and did not participate in any decision on these contracts.

Notes to the Financial Statements for the Year Ended 30 June 2011

b) Executive Officers' Remuneration

The number of contracted employees, other than reponsible persons, filling an executive role whose total remuneration is above the executive remuneration threshold, as defined by the State Services Authority (2011: \$134,841, 2010: \$130,914) 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	
	2011 No.	2010 No.	2011 No.	2010 No.
100,000 – 109,999	–	–	1	–
110,000 – 119,999	–	–	–	–
120,000 – 129,999	–	–	2	5
130,000 – 139,999	2	5	3	3
140,000 – 149,999	5	3	1	1
160,000 – 169,999	–	–	–	–
170,000 – 179,999	–	1	3	–
180,000 – 189,999	3	–	–	3
190,000 – 199,999	–	3	–	–
200,000 – 209,999	–	–	–	–
210,000 – 219,999	–	–	–	–
260,000 - 269,999	–	–	–	–
Total Numbers	10	12	10	12
Total remuneration for the reporting period of executive officers included above amounted to (\$'000):	1,556	1,862	1,446	1,718

Notes to the Financial Statements for the Year Ended 30 June 2011**Note 24 Reconciliation of operating result for the period after related income tax to net cash flows from operating activities**

	Note	2011 \$'000	2010 \$'000
Net Result for Period	19	1,272	21,080
Add/(Less) Non-cash Flows in operating activities			
Loss on Sale and Impairment of Property, Plant and Equipment	4(b) (c)	7,816	2,836
Depreciation and Amortisation	4(c)	24,910	19,789
Developer Contributions	4(a)	(5,515)	(5,596)
Provision for Impaired Receivables		8	21
Plantations Revenue non-cash		(378)	(430)
Net Cash provided by Operating Activities before change in Assets and Liabilities		28,113	37,700
Changes in Operating Assets and Liabilities			
(Increase)/Decrease in Trade Receivables		1,612	(1,255)
(Increase)/Decrease in Other Current Assets		(199)	517
(Increase)/Decrease in Inventory and Livestock		(201)	(360)
(Increase)/Decrease in Other Receivables		59	(59)
(Decrease)/Increase in Payables		4,138	(219)
(Decrease)/Increase in Provisions		(16)	207
(Decrease)/Increase in Employee Benefits		555	336
Net Cash Flows From Operating Activities		34,060	36,867

Note 25 Dividends

No dividend has been provided for the current financial year as the process to determine the 2011 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 Minister for Water and the Treasurer. The Board does not believe that it will be required to pay a dividend based on the 2010-11 result.

Note 26 Events Occuring After the Balance Sheet Date

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

CENTRAL GIPPSLAND REGION WATER CORPORATION
STATUTORY CERTIFICATION

We certify the attached financial statements for 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 Operating Statement, 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 2011 and the financial position of the Corporation as at 30 June 2011.

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 2nd day of September 2011

VAGO

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 2011 of the Central Gippsland Region Water Corporation which comprises the operating statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of the 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*, and for such internal control as the Board Members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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.

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Independent Auditor's Report (continued)

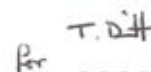
Opinion

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 2011 and of its financial performance and its 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*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Central Gippsland Region Water Corporation for the year ended 30 June 2011 included both in the Central Gippsland Region Water Corporation's annual report and on the website. The Board Members of the Central Gippsland Region Water Corporation are responsible for the integrity of the Central Gippsland Region Water Corporation's website. I have not been engaged to report on the integrity of the Central Gippsland Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
5 September 2011


D D R Pearson
Auditor-General

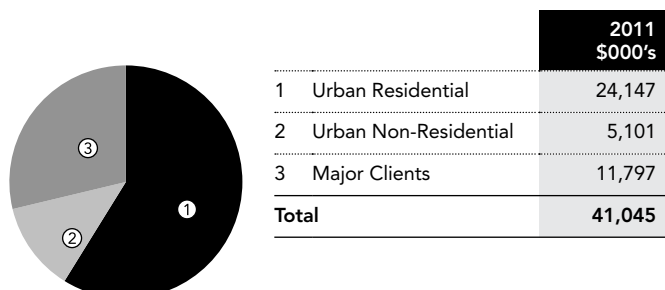
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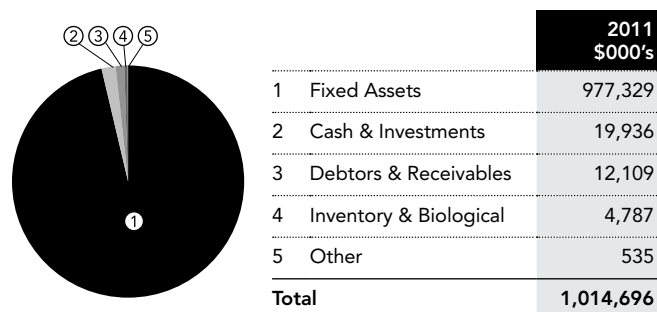
Auditing in the Public Interest

Financial Performance and Business Indicators as at 30 June 2011

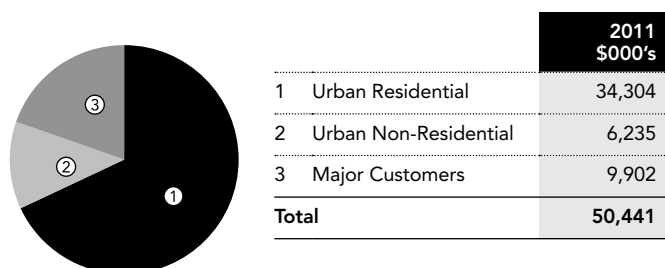
Water Income from Service & Volumetric Charges



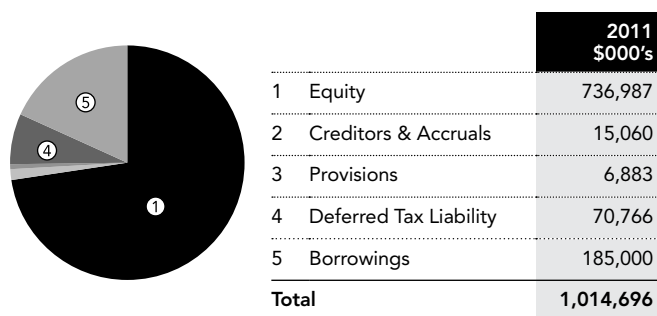
Total Assets



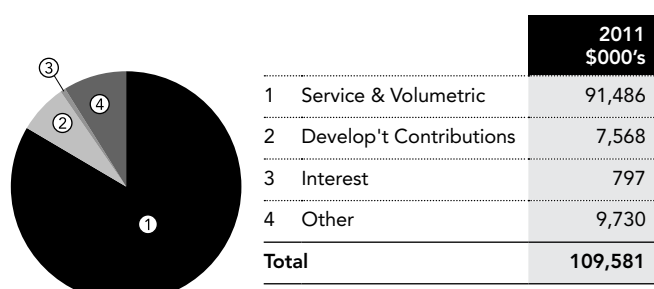
Wastewater Income from Service & Volumetric Charges



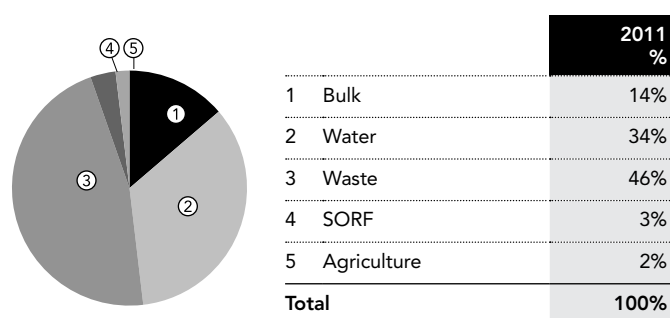
Liabilities & Equity



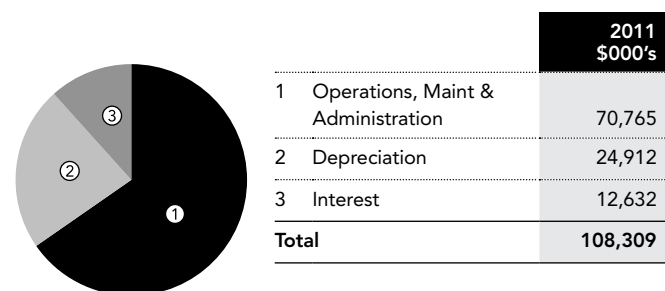
Total Income from All Sources



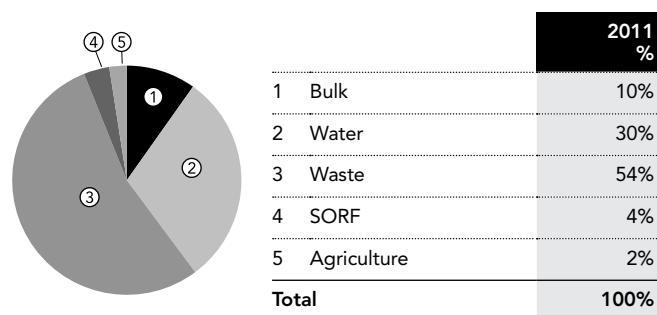
Business Stream Revenue



Total Expenses



Business Stream Expenses



Performance Report for the year ended 30 June 2011

Performance Indicator	2010 Result	2011 Result	2011 Target	% Variance	Note
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Part 1 - Financial Performance Indicators

Internal Financing Ratio

Net operating cash flow / Capital Expenditure	105.6%	72.5%	36.6%	98.2%	(2)
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Gearing Ratio

Total debt / Total assets	21.8%	18.2%	24.4%	25.3%	(1)
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Interest Cover (EBIT)

Earnings before net interest & tax / net interest expense	2.8	1.1	1.1	0.0	
---	-----	-----	-----	-----	--

Interest Cover (Cash)

Cash flow from operations before net interest & tax / Net interest payments	4.2	3.9	2.6	51.8%	(3)
---	-----	-----	-----	-------	-----

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	119	105	100	-5.0%
Water supply reticulation	521	569	486	-16.9%
Water supply treatment	462	496	415	-19.5%
Sewage reticulation	366	387	429	9.8%
Sewage treatment	216	544	544	0.0%

1. The Gearing Ratio indicator has improved from last year and is favourable to budget due also to an increase in the value of the asset base due to the infrastructure revaluation.
2. The Internal Financing Ratio is favourable to the target due to the higher cashflow from operations generated primarily through higher revenues, particularly through the non core business segments, and savings in interest expenses. There was also a favourable variance in capital expenditure primarily due to a deferral of capital expenditure into 2011-12.
3. Immediate Liquidity and Debt Servicing was better than target which is reflected through higher net operating cash flows and lower net interest expense. Higher cash flows have been generated through revenues, particularly through the non core business segments, which were higher than budget. Interest expense were lower than budget due to the carry over of low interest rates and the deferral of borrowings with a total of \$24M of the approved FAL not being drawn down this year

Performance Indicator	2010	2011	2011	%	Note
	Result	Result	Target	Variance	

PART 3 - Service and Environmental Performance Indicators

Water supply interruptions

Number of customers experiencing more than 5 unplanned water supply interruptions in the year (number)	0	0	0	0	
--	---	---	---	---	--

Interruption time indicators

Average duration of unplanned water supply interruption (minutes)	85.55	67.50	110.00	38.64%	(1)
Average duration of planned water supply interruption (minutes)	140.58	158.34	130.80	-21.06%	(2)

Restoration of water supply

Unplanned water supply interruptions restored within 5 hours (%)	98.56%	98.12%	97.80%	0.33%	
--	--------	--------	--------	-------	--

Reliability of sewerage collection services indicators

Sewerage spills from reticulation and branch sewers (priority 1 and 2)	96	91	-	-	
Sewerage spilt from emergency relief structures and pumping stations (% of volume transported)	0	0	-	-	

Containment of sewer spillages

Spills contained within 5 hours (%)	100.00%	100.00%	98%	2.04%	
-------------------------------------	---------	---------	-----	-------	--

Customer complaints indicators per 1000 customers

Water quality complaints	3.205	2.747	-	-	
Water supply reliability complaints	0.199	0.196	-	-	
Sewerage service quality and reliability complaints	0.015	0.030	-	-	
Affordability complaints	2.576	2.007	-	-	
Billing complaints	0.399	0.558	-	-	-
Pressure complaints	1.380	0.966	-	-	-
Sewerage odour complaints	0.567	0.438	-	-	-
Other complaints	1.043	2.038	-	-	-

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 property or the environment, Gippsland Water completes all necessary preparation work prior to isolating the water supply.

2. For the 2010-11 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 Indicator	2010	2011	2011	%	Note
	Result	Result	Target	Variance	

PART 3 - Service and Environmental Performance Indicators (cont)

Reuse indicators

Effluent reused

Volume of effluent reused x 100

Total volume of effluent produced

Drouin	37%	5%	60%	-91.67%	(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 Waste Outfall Pipeline	0%	0%	0%	-	
Stratford	100%	100%	100%	-	
Warragul	0%	0%	0%	-	
Willow Grove	100%	100%	100%	-	

Biosolids reused

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 Waste Outfall Pipeline	0%	0%	0%	-	
Stratford	0%	0%	0%	-	
Warragul	100%	100%	100%	-	
Willow Grove	0%	0%	0%	-	

3. Unseasonally high rainfall during spring and summer prevented irrigation during this period.

Performance Indicator	2010	2011	2011	%	Note
	Result	Result	Target	Variance	

PART 3 - Service and Environmental Performance Indicators (cont)

Reuse indicators

Sewerage treatment standards
(by treatment or disposal facility)

Number of analyses complying with licence agreements as % of samples

Total volume of effluent produced

Drouin	94%	99%	100%	-1.00%
Dutson Downs	89%	87%	100%	-13.00%
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 Waste Outfall Pipeline	100%	100%	100%	-
Stratford	100%	100%	100%	-
Warragul	100%	100%	100%	-
Willow Grove	100%	100%	100%	-

CENTRAL GIPPSLAND REGION WATER CORPORATION
PERFORMANCE REPORT FOR 2010-11

We certify that the Accompanying Performance Report of the Central Gippsland Region Water Corporation in respect of the 2010-11 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.

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



Richard McDowell
Chairperson
Central Gippsland Region Water Corporation



David Mawer
Managing Director
Central Gippsland Region Water Corporation

Dated the 2nd day of September 2011

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Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Central Gippsland Region Water Corporation

The Performance Report

The accompanying performance report for the year ended 30 June 2011 of the Central Gippsland Region Water Corporation comprises the performance indicators, the related notes and the certification.

The Board Members' Responsibility for the Performance Report

The Board Members of the Central Gippsland Region Water Corporation are responsible for the preparation and the fair presentation of the performance report in accordance with the *Financial Management Act 1994* and for such internal control as the Board Members determine is necessary to enable the preparation of the performance report 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 performance report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the performance report is free from material misstatement.

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

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

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.

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Independent Auditor's Report (continued)

Opinion

In my opinion, the performance report of the Central Gippsland Region Water Corporation in respect of the 30 June 2011 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Performance report

This auditor's report relates to the performance report of the Central Gippsland Region Water Corporation for the year ended 30 June 2011 included both in the Central Gippsland Region Water Corporation's annual report and on the website. The Board Members of the Central Gippsland Region Water Corporation are responsible for the integrity of the Central Gippsland Region Water Corporation's website. I have not been engaged to report on the integrity of the Central Gippsland Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the performance report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited performance report to confirm the information contained in the website version of the performance report.

MELBOURNE
5 September 2011

T. D. H.
Per
D D R Pearson
Auditor-General

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Auditing in the Public Interest

2

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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MRD 04 Disclosure of information on bulk entitlements, transfers of water entitlements, allocations and licences, irrigation water usage and licence requirements	12
MRD 05 Annual reporting of non-residential major water users	8

Report of Operations

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ACCOUNTABLE OFFICER'S ATTESTATION

In accordance with the *Financial Management Act 1994*, I am pleased to attest that the Central Gippsland Region Water Corporation's annual report is compliant with all statutory reporting requirements.



David Mawer
Managing Director

Dated the 2nd day of September 2011

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 disclosure of improper conduct.

Gippsland Water will take all necessary 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. OBJECT 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 appropriate 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 incorporates conduct that is corrupt, a substantial mismanagement of public resources, or conduct involving substantial risk to public health, safety or 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 (or could adversely affect) the honest performance of Gippsland Water or Gippsland Water's functions;
- Dishonesty or inappropriate partiality in the conduct of a current or former director / employee when performing their duties;
- Conduct of a current or former director / employee of Gippsland Water that amounts to a breach of public trust;
- Conduct by a current or 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 (regardless of who benefits from the misuse); 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; or
- Discrimination, disadvantage or adverse treatment in relation to a person's employment, career, profession, trade or business, including the taking of disciplinary action.

The following definitions also apply:

Director/Employee

In this policy, a reference to a Director or Employee refers to all current and former directors and all current and former employees of Gippsland Water.

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;
- in conduct that causes a substantial risk to public health or safety, or to the environment; or
- that a director / employee 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 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 and Regulation

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
 Email ombudvic@ombudsman.vic.gov.au
 Telephone 9613 6222
 Facsimile 9614 0246
 Toll Free 1800 806 314

Direct disclosure to the Ombudsman may occur in various situations, such as when both the protected disclosure coordinator and the protected disclosure officer are not available, or when one or either of these positions is the subject of or associated with the subject of the disclosure.

5. ROLES AND RESPONSIBILITIES

Employees

Employees are encouraged to report all 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 victimisation 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.

Protected Disclosure Officers

The protected disclosure officer (the Officer) at Gippsland Water will:

- Be a contact point for general advice about the Act for any Gippsland Water director/employee;
- 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.

Protected Disclosure Coordinator

The protected disclosure coordinator (the 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 with 14 days of receiving the disclosure;
- 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 coordination 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 (including any referral of public interest disclosures to the Ombudsman);
- Establish and manage a confidential filing system for disclosures;

- 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; and
- Liaise with the Managing Director or Chairperson or Board as appropriate.

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.

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 victimisation in reprisal for making a disclosure;
- Ensure the expectations of the whistleblower are realistic; and
- 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, the Coordinator and the Officer 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.

The Coordinator and the Officer 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

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.

Has the disclosure been made to the appropriate person/body?

For the disclosure to be responded to by Gippsland Water it must concern a director or employee of Gippsland Water. If the disclosure concerns a director or employee 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.

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 is making the disclosure;
- The disclosure relates 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; and
- The person making the disclosure has reasonable grounds for believing the alleged conduct has occurred.

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

Where a disclosure is assessed not to be a protected disclosure, the matter *does not need to be dealt with under the Act*. The Coordinator will be responsible for determining how the matter is managed.

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 must 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 a director / employee of Gippsland Water; or
- 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 must, within 14 days of receipt of the disclosure:

- Notify the person who made the disclosure of that conclusion; and
- 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 must, within 14 days of receipt of the disclosure:

- 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; and

— Such a request must be made by the person within 28 days of the notification.

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; and
- To make recommendations arising from the conclusions drawn concerning remedial or other appropriate action.

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 Chairperson or the 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.

An extension of time for the completion of the investigation may be sought from the Managing Director or Chairperson or the Board, where appropriate circumstances exist.

The Coordinator will be responsible for monitoring the successful and timely completion of the investigation.

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; and
- 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; and
- 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.

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.

Further information on the conduct of the investigation and the application of natural justice can be found in the *Whistleblowers Protection Act 2001*, 'Ombudsman's Guidelines', issued August 2009.

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; or
- The investigation has revealed conduct that may constitute a criminal offence.

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, Chairperson or Board (as appropriate).

Protected Disclosure Investigation – not a public interest disclosure

Where the Coordinator concludes the disclosure is not a public interest disclosure an investigation will still proceed in accordance with the above process. The Coordinator will report to either the Managing Director or Chairperson 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.

These responses should also be included in the report.

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

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 Chairperson 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; and
- 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; and
- Advise the Coordinator of any detrimental action.

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

The Managing Director or Chairperson 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 if they are implicated in the misconduct. Where disciplinary or other action relates to conduct that is the subject of the whistleblowers 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; and
- 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 all officers appointed to manage protected disclosures and all other employees are aware of the offences under the Act.

14. POLICY APPLICATION

All Gippsland Water directors/ employees must comply with this Policy.

All directors / employees 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.

Biosolids	Organic solids and minerals that accumulate as a final product of wastewater treatment processes, and have been stabilised through treatment or long-term storage.
Catchment	The area drained by a stream, lake or other body of water. Frequently referred to as the area used to feed water into reservoirs, dams and water courses.
CO₂-equivalent	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 ₂ - equivalents, which is the concentration of carbon dioxide (CO ₂) that would contribute an equivalent degree of impact as the total amount of greenhouse gases emitted.
CTWSS	Country Towns Water Supply and Sewerage Program.
DHS	Department of Human Services.
DRP	Drought Response Plan.
DSE	Department of Sustainability and Environment.
EMS	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.
EPA	Environment Protection Authority, Victoria.
EREP	Environment and Resource Efficiency Plans (an EPA initiative to help businesses meet climate change and resource scarcity challenges).
ESC	Essential Services Commission.
Gigalitre (GL)	One billion litres.
GRSWS	Gippsland Region Sustainable Water Strategy.
GWF	Gippsland Water Factory.
ISO	International Standards Organisation.
Megalitre (ML)	One million litres.
Ocean outfall	A pipeline that carries effluent to the ocean where it is dispersed and diluted. Gippsland Water's two ocean outfalls are strictly monitored in accordance with EPA regulations to ensure water quality.
Regional Outfall Sewer (ROS)	The ROS pipeline transports approximately 50% of Central Gippsland's wastewater to Dutson Downs Wastewater Treatment Facility.
Saline Wastewater Outfall Pipeline (SWOP)	A Gippsland Water pipeline used to transfer saline wastewater from the Loy Yang Ash Pond to Bass Strait
SORF	Soil and Organic Recycling Facility.
waterMAP	Water Management Action Plan. A mandatory program implemented by the DSE for all non-residential customers consuming more than 10 million litres per annum.
WGCM	West Gippsland Catchment Management Authority.
WSAA	Water Services Association of Australia.
WSDS	Water Supply Demand Strategy.

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