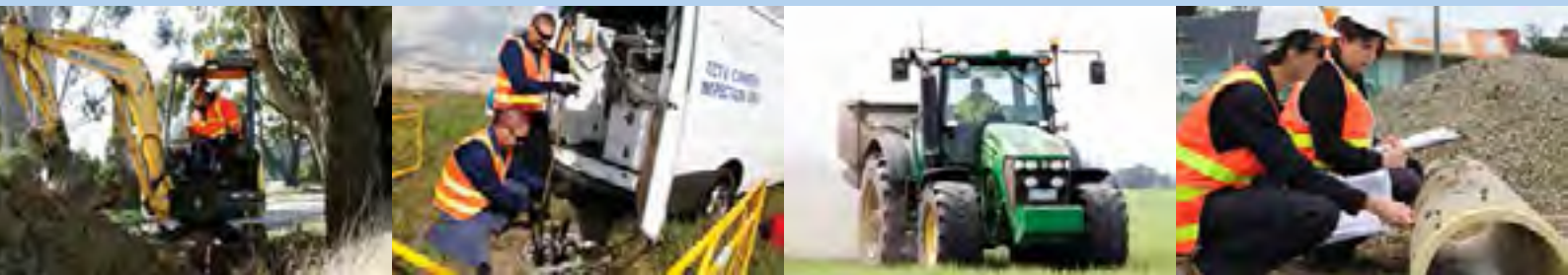




2012-13 ANNUAL REPORT



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Cover photograph of the Moondarra Reservoir rising from 70% capacity to spilling in a matter of days following a downpour of rain in late June 2013.

PART I: INTRODUCTION AND OVERVIEW

Profile of Gippsland Water

The Central Gippsland Region Water Corporation, trading as Gippsland Water, was constituted on 21 December 1994 under the *Water Act 1989*. During the reporting period (1 July 2012 – 30 June 2013), the responsible Minister for Gippsland Water was the Honourable Peter Walsh, MLA, Minister for Water.

Gippsland Water has its statutory functions of water and wastewater detailed under Parts 8 and 9 of the *Water Act 1989*, and 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*.

Gippsland Water's service area stretches from Drouin in the west, to Stratford in the east, and from Briagolong in the north, to Mirboo North in the south. It supports a population of more than 150,000 people in central Gippsland, providing water to more than 64,000 customers and wastewater services to more than 55,000 customers. Gippsland Water's customers also include major industries, seven of which are of state and national significance.

The corporation manages 16 water treatment plants and 14 wastewater treatment plants, including two ocean outfalls. It also manages 12 agribusiness sites which produce beef, crops and plantation timber, and operates a Soil and Organic Recycling Facility (SORF), which treats prescribed and non-prescribed organic waste.

Our mission

We will manage the resources in our care in a manner that secures social, environmental, and economic benefits to our customers, stakeholders, and the Gippsland region.

Our vision

We will deliver value in sustainable water and waste management within central Gippsland.

Our values

Our values guide us to fulfil our mission and vision. We are committed to:

- Open, ethical and fair conduct.
- Community engagement and trust.
- Safety and wellbeing.
- Teamwork.
- Developing knowledge and capabilities.
- Innovation.
- High levels of customer satisfaction.

Joint message from the Chairperson and Managing Director

We are pleased to present Gippsland Water's 2012-13 Annual Report. Our commitment to maintaining and delivering a high standard and valued water and wastewater services to our customers and communities continue to remain a major driver of our operational strategy.

Our activities during the period were largely influenced by the ongoing challenges of population growth, ever changing climatic conditions, and achieving further operational efficiencies.

A significant achievement during the year was the commissioning of the Coongulla Glenmaggie Sewerage Scheme following years of investigations, planning, and construction. The need for this project, which was identified in 2006, will see 440 properties in the townships of Coongulla, Glenmaggie, and Glenmaggie Point connected to a reticulated sewerage system under the Victorian government's Country Towns Water and Sewerage Program.

It is 'business as usual' for Gippsland Water as we transition into ownership and operation of the Gippsland Water Factory (GWF) following the official handover on 1 January 2013, upon completion of the two year proving and optimisation period. This ultimately marks the end of the project, which was constructed as an Alliance with CH2M Hill, Parsons Brinckerhoff, and Transfield Services.

Engaging with our customers and the community is paramount to maintaining knowledge and understanding of their changing needs and expectations, and informing our decisions. The corporation's Water Plan 3 outlines proposed tariffs, capital and operational expenditure for the next five years and demonstrates our intent on delivering value for customers with projects that are customer focused, cost effective and environmentally sustainable.

Despite significant rainfall in the last two years, the security of water resources is of continuing concern, as customer, stakeholder and community expectations continue to grow. The resilience of our organisation plays a vital role in delivering services for today while also planning for tomorrow to ensure they can be delivered to satisfy the needs of both current and future generations.

From an organisational point of view, Gippsland Water's bushfire emergency response is a testament to improving our capabilities, particularly following the Delburn and Black Saturday bushfires in February 2009 and most recently, the Aberfeldy-Donnelly bushfires in January 2013. Our experience with responding to recent significant bushfire incidents has led to the implementation of a fire awareness and management plan, improved fire response training to key employees, and the development of an incident controller training course of which 34 of our employees have completed. The course was jointly developed with Barwon Water and has now been adopted by a number of other water corporations across Victoria, and is heading towards national accreditation. These experiences not only allow us to be better prepared, but also give us the opportunity to use what we have learned, identify further improvements, and build on both our resilience and capacity to move forward into the future.

We would like to thank our Board of Directors, and extend our appreciation to Gippsland Water's executive and workforce for their commitment and dedication through this year of significant change. We look forward to the future, as the corporation implements programs outlined within Water Plan 3, providing a clear direction on delivering a range of objectives that respond to the challenges facing the organisation, and continue to meet the needs of customers, stakeholders, and the community in going forward.



A handwritten signature in dark ink, appearing to read 'Richard McDowell'.

Richard McDowell
Chairman



A handwritten signature in dark ink, appearing to read 'David Mawer'.

David Mawer
Managing Director

Highlights of the year

The 2012-13 financial year has seen another strong performance by Gippsland Water, delivering quality services to its customers and maintaining high standards of compliance with regulatory requirements. Some of the key highlights for the reporting period are outlined below.

Resource sustainability

- The decommissioning of the Boolarra Water Treatment Plant was the final step in improving the water security for the residents of Boolarra. Constructed more than 30 years ago, water treatment infrastructure, an untreated water storage basin, and two off-take weirs that were used to transport water from Walkleys and O'Gradys creeks prior to treatment, have been removed with the land returned to the Department of Environment and Primary Industries (DEPI), formerly known as the Department of Sustainability and Environment (DSE). The project involved construction of a 9km interconnection pipeline linking Boolarra to the Morwell water supply system at Yinnar.
- Customers in Seaspray now have access to a more secure water supply following construction of a \$2M raw water storage basin which was commissioned in January 2013. The basin, which has a capacity of 30ML, enables water to be pumped from Merrimans Creek during times of high creek flow. This water will supplement the town's water supply during peak holiday periods, times of low creek flow, or low water quality in the creek.
- Maximising the reuse of domestic wastewater for agricultural purposes on Gippsland Water's farms has been the result of a \$1.3M project to construct a 300ML reuse water lagoon at Dutson Downs. The lagoon will receive and treat wastewater from Sale/Fulham, with irrigation water used to improve yield on the property.
- Gippsland Water has successfully transitioned the operation and maintenance of the Gippsland Water Factory (GWF) after the official handover from the GWF Alliance following the completion of the two year proving and optimisation period on 31 December 2012. Construction of the \$230M wastewater treatment system began in 2008. The plant can treat up to 35 million litres of wastewater from nine towns in central Gippsland and Australian Paper each day. The GWF was built to address odour, corrosion and capacity issues in the 87km Regional Outfall System (ROS), and can potentially generate up to three billion litres of high quality recycled water each year for industrial reuse, saving an equivalent volume of fresh water in the Moondarra/Latrobe water supply system.
- 'Smoke testing' of the sewer systems in Traralgon and Yarragon has led to the completion of investigations to identify rainfall dependant inflows into the sewer system. Projects to follow will improve system performance and cut the cost for treatment by reducing the inflow into those wastewater treatment plants.
- Gippsland Water has commenced the development of a wildlife corridor at Dutson Downs to improve the habitat for the New Holland Mouse.
- The corporation has also improved its access to technical experts from academia and community groups, allowing us to expand our knowledge and better inform decision-making regarding biodiversity management, particularly at Dutson Downs.

Customers, stakeholders and community

- The quality and presentation of our customer bill has improved following extensive consultation with customer focus groups and Gippsland Water's Customer Consultative Committee. The new-look bill features a fresh new layout, account charges explained in detail, payment assistance information, and other general account details in a clear, easy-to-read format. The new bill is being issued to all customers from 1 July 2013.
- Our website is now easier to access for people with disabilities following a significant restructure of the site to meet accessibility guidelines. A number of recommendations were made to upgrade the site, which included structural sequencing of page headings for disabled-user screen readers, colour contrasting changes for vision impaired users, Google custom search capabilities for easy search access, and a new site layout and fresh interface. Gippsland Water considers this an important achievement for community members with disabilities, and is proud to be Web Content Accessibility Guidelines (WCAG) 2.0 compliant.
- Gippsland Water's ability to conduct periodic upgrades and maintenance works at its smaller simple filter water treatment plants, whilst maintaining water quality and quantity, is now possible with the use of a new Portable Dissolved Air Flotation Filtration (DAFF) Water Treatment Cell. The cell provides a critical operational water treatment process involving filtration to produce drinking water from raw water. It has initially been used at the Neerim South Water Treatment Plant to enable a major water treatment filter refurbishment to occur.
- After four years of planning, environmental investigations, and construction beginning in 2012, customers in Coongulla, Glenmaggie, and Glenmaggie Point are able to connect to the Coongulla Glenmaggie Sewerage Scheme with the official opening and first connection of the project by Tim Bull, MLC Member for Gippsland East, in June 2013. The scheme was completed within the budgeted cost of \$22.45M and on time, and will deliver reticulated sewerage services to 440 properties under the Country Towns Water Supply and Sewerage Program. Community information sessions were held in October 2012 and in March 2013, and a contact centre was established in Coongulla so customers and the community had regular access to information throughout the construction phase of the project.
- Gippsland Water continues to work closely with the Loch Sport community with construction of the town's sewerage scheme well underway. Transfer main works between Loch Sport and Dutson Downs for the \$40.3M project began in April 2013. Once completed, the scheme will service 2,711 properties in the lakeside township as part of the Victorian government's Country Towns Water Supply and Sewerage Scheme Program. A community information session held at the Loch Sport foreshore in December 2012 was well attended, and feedback suggests the information was well received in the community.

Governance

- Gippsland Water has been rated as the most resilient amongst four other major Australian water corporations benchmarked by Canterbury University (New Zealand) as part of an assessment of our business resilience capability.
- In conjunction with Barwon Water, Gippsland Water has developed a Level 2 Incident Controller course, which has since been delivered to eight water corporations. Thirty-four of our employees participated in the course during the reporting period. The training has proved valuable for industry during the Aberfeldy fires in January 2013, when a recently trained incident controller from another water corporation assisted Gippsland Water as our relief incident controller. We are now working towards achieving national accreditation for this course using a third party registered training organisation (RTO).
- The release of Gippsland Water's draft Water Plan 3 involved extensive community engagement, seeking feedback from customers, stakeholders and the community. Twenty-one community consultation sessions were held across the region, including five presentations to community groups who requested Gippsland Water attend their meetings. More than 210 people attended these sessions. The corporation's new online forum Share Your View was heavily utilised throughout the process, attracting 379 individual visitors and consequently 625 clicks on the Gippsland Water website during the consultation period. Engaging with the ESC and its consultants in the subsequent review of Water Plan 3 proposals, has led to the ESC's final decision of Gippsland Water's pricing and capital and operational plans for 2013 to 2018, which will see customers pay 0.7% less (including CPI) for water and wastewater services in 2013-14, with CPI rises only for the following four years.

- Gippsland Water has confirmed with the Clean Energy Regulator that greenhouse gas emissions from composting activities at the Soil and Organic Recycling Facility (SORF) located at Dutson Downs, are not reportable under the National Greenhouse and Energy Reporting Scheme.
- Gippsland Water is conducting more testing across its drinking water system to identify water quality compliance with regulatory requirements. This in turn has identified areas for improvement, and works have been undertaken to ensure drinking water quality standards remain high.
- The establishment of a comprehensive commercial and industrial trade waste management system and the diligent work of Gippsland Water's trade waste officers has led to the discovery of a significant trade waste discharge of highly coloured waste, which was impacting the GWF treatment system. The colour of the trade waste discovered was up to 150 times Gippsland Water's trade waste discharge limit.

Organisational sustainability

- Significant consultation across the business has allowed for the implementation of a Personal Protective Equipment (PPE) policy requiring all Gippsland Water employees to wear long sleeves and long pants when exposed to UV radiation for greater than 30 minutes daily in the course of their duties. A working group was formed and met over a number of months to allow for the transition to the new uniform, which came into effect in March 2013.
- Raising awareness of the importance of good hand safety across the business was the focus of a Gippsland Water hand safety campaign in line with WorkSafe Week. Employees were invited to take part in a photo competition depicting both dangerous and good hand safety in action, with winning entries included in a 2013 calendar distributed internally. The winners of the competition were announced to coincide with the unveiling of the organisation's hand safety slogan, 'Safety – it's in your hands'.
- An Occupational Health and Safety (OH&S) capability matrix for roles across the organisation was developed in conjunction with senior managers to assist with the delivery of OH&S training, in line with legislative requirements.
- Developing the leadership skills needed to identify opportunities and engage others actively and continuously, and identifying opportunities for improvement were the key areas of learnings for 32 employees who participated in the organisation's Adaptive Leadership and Process Improvement programs. The programs, which concluded in September 2012, allowed participants to apply their learnings to a workplace project, such as embedding values, reviewing and enhancing the induction process for new employees, and consolidating historical data to assist in future works scheduling activities.
- Fixed asset financial data was migrated into the corporation's Asset Management Information System to deliver significant improvements in aligning engineering and financial asset records.
- An organisational restructure was completed to ensure a greater focus is given to the organisation's business development, customer service, and communications activities.

CENTRAL GIPPSLAND REGION WATER CORPORATION

Overview of financials

Summary of financial results

	2012-13 \$'M	2011-12 \$'M	2010-11 \$'M	2009-10 \$'M	2008-09 \$'M
Summary of Financial Results					
Core Business Revenue	114.5	106.3	99.1	96.2	76.7
Interest Revenue	0.5	0.7	0.8	0.6	0.9
Non-Government Contributions	12.0	10.4	7.6	7.5	6.5
Other Revenue (Farm and Gross Proceeds)	1.9	2.3	2.1	2.4	2.0
	128.9	119.7	109.6	106.7	86.1
Operations, Maintenance and Administration	81.5	81.0	70.8	53.7	51.9
Depreciation Expenses	29.4	29.1	24.9	19.8	23.0
Finance Expenses	13.6	13.2	12.6	12.1	9.8
	124.5	123.3	108.3	85.6	84.7
Net Operating Result	4.4	(3.6)	1.3	21.1	1.4
Current Assets	26.8	24.7	25.8	22.5	27.5
Non Current Assets	1,108.0	1,007.1	988.8	754.8	728.7
	1,134.8	1,031.8	1,014.6	777.3	756.2
Current Liabilities	52.6	73.2	65.1	42.2	43.2
Non Current Liabilities	355.8	226.6	212.6	142.0	140.9
	408.4	299.9	277.7	184.2	184.1
Net Cashflow from Operations	17.6	20.5	34.1	36.9	21.8
Payments for PP&E	59.3	40.9	46.8	33.7	101.4

CENTRAL GIPPSLAND REGION WATER CORPORATION

Overview of financials

Key results for the financial year

Gippsland Water's net operating result for 2012-13 was a \$4.4M profit.

Core business revenue increased by \$8.2M in 2012-13. Core revenue essentially contains two components. These components being Service Charges and Volumetric revenue.

Core business revenue was in line with internal expectations and forecasts. Service Charges increased by \$3.2M and this reflects a combination of strong growth in the number of customer connections and the 2012-13 price increase. Volumetric revenue was on budget for the year and reflected a \$3.9M increase from last year. Significantly higher rainfall in 2011-12 impacted volumetric revenue last year.

Non Government Contributions includes cash contributions and Gifted assets from Developers. Revenue was \$1.6M higher than 2011-12 and significantly higher than expectations. This reflects strong levels of Developer activity in the Gippsland region.

Operations, Maintenance and Administration expenditure has increased by \$0.5M since 2011-12. It should be noted that the expenditure was impacted by a one off expense payment of \$4.6M that was related to an industry wide call for unfunded superannuation.

Depreciation expense has increased marginally by \$0.3M. The increase reflects additional depreciation of projects that have been completed during the year. The net value of new assets capitalised was \$36.9M, with some of the major assets included in this being the developer constructed assets and the partial capitalisation of the Coongulla Glenmaggie Sewerage Scheme.

Finance expenses for the year are marginally higher (\$0.4M) than 2011-12. This is due to new loans of \$38.5M progressively being drawn down. While this expense is higher than last year, interest expense was still \$0.9M lower than internal forecasts.

CENTRAL GIPPSLAND REGION WATER CORPORATION

Performance Report for the year ended 30 June 2013

Performance Indicator	2012	2013	2013	%	Note
	Result	Result	Target	Variance	
Financial Performance Indicators					
Internal Financing Ratio					
Net Operating Cash Flow / Capital Expenditure	50.2%	29.7%	36.4%	-19.6%	(1)
Gearing Ratio					
Total Debt / Total Assets	19.6%	21.2%	21.4%	0.9%	
Interest Cover (EBIT)					
Earnings Before Net Interest and Tax / Net Interest Expense	0.8	1.3	1.3	0.0%	(1)
Interest Cover (Cash)					
Cash Flow From Operations Before Net Interest and Tax / Net Interest Payments	2.7	2.3	2.9	-20.3%	(1)

- (1) The Internal Financing Ratio and Interest Cover (Cash) have both deteriorated from last year and are unfavourable to target. This is due to operating cashflows being lower than target with a one off payment of \$4.6M for unfunded superannuation liability to Vision Super. This expense was allowed for in 2011-12, but paid in June 2013. The movement in Interest Cover (EBIT) from 2012 to 2013 reflects the higher EBIT in 2013.

PART 2: RESOURCE SUSTAINABILITY

Water is a vital element of our natural environment. It sustains all forms of life. Gippsland Water is committed to securing and delivering a reliable and valued supply of safe water and the management of wastewater to the region, with a strong focus on using and re-using our natural resources efficiently.

Water conservation and community education

Water conservation education continues to be a key focus for schools and the community, with a strong lean towards the broader theme of sustainability throughout the 2012-13 period.

More than 730 students from nine primary schools and four secondary schools visited the GWF Vortex Centre this financial year, which remains an integral part of Gippsland Water's education program. The interpretive centre features touch screens, interactive displays and engaging videos focusing on the water cycle, sustainable water management, and water conservation on a local, national and global level. With the introduction of the new Australian curriculum in 2013, the six education programs delivered at the Vortex are now updated to comply with the new AusVELS Science and Humanities domain levels to meet schools' needs and standards.

With schools completing evaluation forms following tours through the Vortex, feedback has been very positive overall, particularly in relation to the activities conducted within the education program topics delivered at the centre. The majority of responses received from teachers have been 'excellent' (when responding within the ratio of poor, average, good, excellent) in terms of the effectiveness of the content and relevance to students' learnings in the classroom.

As part of a consortium of nine local organisations that promote sustainability education, Gippsland Water offers its Vortex Centre and education programs to assist schools to complete their journey in the ResourceSmart Australian Sustainable Schools Initiative (AuSSI) Vic program, in which more than 30 schools across our service area are participating. The program helps schools minimise waste, save energy and water, improve biodiversity and cut greenhouse gas emissions to achieve five-star sustainability certification.

Three of those schools who recently registered for the program – Yinnar South Primary, Grey Street Primary, and Newborough Primary, participated in National Water Week activities at the Vortex in October 2012. Students not only toured through the centre, they also learnt about looking after our catchments, and were able to get hands-on with a life-size model of Victoria's most threatened native rodent, the New Holland Mouse, which has been discovered at Dutson Downs, and the conservation of the rare Green and Golden Bell Frog also found at Dutson.

As part of its ResourceSmart journey, Kurnai College Morwell held a 'Kids Teaching Kids Day' in August 2012, a national initiative aimed at environmental learning by encouraging students to teach each other in the classroom. Gippsland Water was invited to attend the sustainability-themed event and conducted four presentations focusing on catchments, water treatment and wastewater to more than 80 students.

The importance of pH balance in water, and wastewater treatment was highlighted in a presentation to students at Boolarra Primary School's science expo for National Science Week also in August 2012. Involving water-related experiments, the presentation gained some coverage in the local media.

Grade 5 and 6 students at Morwell Park Primary held an expo in June 2013 to showcase their projects surrounding Waterhole Creek, in which Gippsland Water was invited to attend along with Latrobe City, the West Gippsland Catchment Management Authority, and the Gippsland Regional Waste Management Group supporting the ResourceSmart AuSSI Vic program (which the school is a participant). Some of the work that students presented included tests on the pH levels of water samples taken from the creek, studies on bird and animal life in and along the creek, and suggestions on better ways to improve and help protect the creek from litter pollution.

Primary and secondary school teachers received information about Gippsland Water's education program, site tours, and other educational resources in a new school newsletter 'Water Wonders'. Produced in-house, the first edition was distributed to 100 schools via email in April 2013 using an online tool which has the ability to provide statistics on its receivership. The evaluation indicated the newsletter received more than 30 opens and 10 clicks on the links to external websites such as savewater!®, the Schools Water Efficiency Program (SWEP), and Melbourne Water's revised Water – Learn it! Live it! Curriculum resource. A second newsletter will be distributed later in the year.

Community education also plays a vital role in promoting the value that Gippsland Water's operations provide to its customers, stakeholders, and the community. More than 230 people attended a Gippsland Water open day at the GWF and Vortex Centre in May 2013, with 135 participating in tours through the wastewater treatment and recycling plant. A number of displays were featured on the day promoting all facets of the organisation including information about customer service, property connections, the Soil and Organic Recycling Facility, environment, and careers. Trigger nozzles and showerheads were also provided to eligible customers as part of our exchange programs.

The GWF has also been open to community group and water industry-related tours throughout the period, and those that visited include Latrobe Community Health Service, Morwell Probus Group, Mirboo North Citizens Centre Inc., Churchill Garden Club, Rotary Club of Traralgon, ResourceSmart AuSSI Vic consortium, Rolls Royce Club of Victoria, engineering students from Monash University, and representatives from Westernport Water.

Following an update of Permanent Water Saving Rules (PWSR) in December 2012, a re-brand promoting the rules has seen the creation of a new double-sided magnet brochure that was distributed to all customers via a mail-out in January 2013.

With the compulsory use of trigger nozzles under PWSR, approximately 200 trigger nozzles were distributed as part of Gippsland Water's Trigger Nozzle Program in the reporting period. In addition, the Showerhead Exchange Program has seen a further uptake into its seventh year with approximately 150 water-saving showerheads distributed to customers.

During 2012-13, Gippsland Water processed 213 rebates worth more than \$63,700 under the Living Victoria Water Rebate Program. There were 36 less rebates processed than the previous year.

Water Supply Demand Strategy

Gippsland Water's Water Supply Demand Strategy (WSDS) identifies actions required to manage and meet the water needs of the region over a planning horizon of 50 years. Gippsland Water undertook a major update of its WSDS in 2011-12 and the document has been published on Gippsland Water's website.

The WSDS examines each water system to determine drought resilience, as well as forecasts long term yield and demand trends under a range of scenarios such as climate change. Where a possible shortfall is forecast, the magnitude and timing of that shortfall is considered in preparing an action plan. The action plan sets out the preferred initiatives, after a detailed assessment of options, to ensure supply will exceed demand.

The WSDS identified that the most critical water systems in the Gippsland Water region are the Tarago system, and in particular that part of the system that supplies Warragul and Drouin, as well as the Thorpdale system. The Tarago system will need action to address rapid growth, while the Thorpdale system needs action to improve drought resilience. The WSDS sets actions to ensure the long and short term reliability of these systems, and Gippsland Water's Asset Planning group has been progressing with these actions during 2012-13.

Several key projects identified in the previous 2007 WSDS were also completed during the 2012-13 year. These included the 30ML raw water basin for Seaspray, the interconnection between Boolarra and the Moondarra system, and stage one of the interconnection of the Moe and Warragul systems which provides a link between Yarragon and Darnum. These major projects will all help improve security of supply.

While the next major WSDS update is not scheduled until 2017, Gippsland Water released a Water Security Outlook (WSO) in November 2012, which is also available on the corporation's website. The purpose of the WSO is to provide customers and other interested persons with a forecast of the likely water resource situation for the coming summer, as well as provide a comparison of the latest annual demand figures against the long term yield outlook.

Drought Response Plan

Gippsland Water's Drought Response Plan (DRP) assists in the management of short term supply shortages. A key part of the DRP is the water restriction regime, which consists of four stages of restrictions on water use. The plan also details how Gippsland Water will communicate with its customers in relation to water restrictions, as well as other contingent actions that may be taken instead of, or in conjunction with 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.

As of 2012, the DRP has been incorporated into the WSDS as a holistic and adaptive planning tool that guides both short term and long term action to ensure a supply-demand balance. The DRP was updated in 2011-12 as part of the development of the 2012 WSDS.

2010 saw the breaking of the long drought which affected the region from 1997 to 2009. Rainfall in the region in 2010 was around average, while the 2011 and 2012 calendar years were both high rainfall years, with rainfall in the Latrobe Valley of 25% and 20% above average respectively. These two years led to the dampening of dry soils in catchments, in turn leading to significant increases in runoff. Gippsland Water's major storages, namely Moondarra Reservoir, and a 12.4% share of Blue Rock Reservoir, reached 100% capacity in April 2011 and continued to spill until November 2012. This placed Gippsland Water's supply systems in an excellent position for the dry 2012-13 summer.

Rainfall on Mt Baw Baw, Gippsland Water's major catchment, remained above average until the end of October 2012. Rainfall during the period November 2012 to April 2013 has been consistently below average – in some months by as much as 60%. Other catchments within Gippsland Water's region suffered similar rainfall deficits.

The initial dampness of catchments, however, meant that streamflow declines were delayed. This, combined with significant volumes of water in storage prior to summer, meant that Gippsland Water did not need to invoke its Drought Response Plan during 2012-13, and all systems in Gippsland Water's region have remained on Permanent Water Saving Rules for the entire year.

A deluge of rain in late June 2013 resulted in Moondarra overflowing again, rising from 70% full to spilling within five days.

Gippsland Regional Sustainable Water Strategy

The Gippsland Region Sustainable Water Strategy (GRSWS) is one of four regional strategies developed by the Victorian government to secure water resources for the next 50 years. The strategy responds to pressures facing water resources including climate change, drought, and land use change in order to secure water for towns, industry, the environment, and agriculture. The GRSWS was published in November 2011.

The GRSWS sets a number of policies and actions that will affect Gippsland Water, in particular:

- The unallocated share of Blue Rock Lake has now been allocated. Gippsland Water will be given the opportunity to increase the size of its current share of both the capacity and inflows to the storage by purchasing a portion of the previously unallocated share. Gippsland Water is currently in discussions with government in relation to implementing this action.
- The remainder of the unallocated share will be allocated to the environment and to agriculture, as well as to a drought reserve to which Gippsland Water will have access. During 2012-13, Gippsland Water has been working with the government and other stakeholders towards implementing this drought reserve.

The GRSWS recognises the need to improve the understanding of groundwater systems, as well as move to develop appropriate management plans for groundwater resources to ensure their sustainability. In particular, the strategy lists the Moe Groundwater Management Area (GMA), the Sale Water Supply Protection Area, and the Wa De Lock GMA as groundwater resources where further work is a high priority. These groundwater resources are either currently in use by Gippsland Water, or are being investigated for possible future use. Gippsland Water continues to engage with government and Southern Rural Water with a view to working towards these goals.

Major customer consumption

As required under 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. of customers
Equal to or greater than 200ML and less than 300ML	2
Equal to or greater than 300ML and less than 400ML	2
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. of customers	9

Water conservation program participation

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

Customer	Water conservation initiatives
AGL Loy Yang (Traralgon)	AGL Loy Yang has ongoing maintenance and monitoring programs to maintain and improve the efficiencies already achieved.
Australian Paper (Maryvale)	The modern efficient technology at Australian Paper underpins the sustainability of the business going into the future. Water consumption is minimised on site through efficient pulp washing and paper making processes, and the extensive water treatment system enables water to be recycled on site. The use of recycled water has also been enhanced by the supply of recycled water from the Gippsland Water Factory, an important recycling initiative for the region. The site has a water management plan and sets annual targets for water consumption.
EnergyAustralia Yallourn Pty Ltd (Yallourn)	EnergyAustralia Yallourn continues to investigate water saving initiatives. Capability now exists to draw raw water from on-site storage facilities in the event additional water is required through the cooling system.
Energy Brix Australia (Morwell)	Water usage is down significantly at Energy Brix from the previous year primarily due to reduced production output. This provides the opportunity to concentrate on a preventative maintenance program that identifies and prioritises the replacement of aging water supply delivery infrastructure to take place. The water recycling projects initiated in 2008 continue to operate and deliver savings.
Fonterra Australia Pty Ltd (Darnum)	Environment and Resource Efficiency Plan (EREP) actions have been finalised with two significant projects, being the replacement of cooling tower drift eliminators and evaporator rinse time reduction. Further water savings and loss prevention opportunities are expected following completion of planned improvements in the site drain monitoring system.

Customer	Water conservation initiatives
IPR-GDF SUEZ Australia (Hazelwood)	Hazelwood maintains water use efficiencies between 15% to 20% per annum, within its contracted volume. Environmental impacts remain a risk and are dependent on climatic conditions, which have the ability to require additional raw water use in order to minimise water quality impacts of discharge to the environment. In 2012-13, approximately 17% of total raw water use was directed to water quality management in the Hazelwood Cooling Pond during the drier period from December to May. Employee awareness of water use and conservation continues to be communicated on a regular basis. Potable water continues to be monitored and reported through the waterMAP program.
IPR-GDF SUEZ Australia Loy Yang B Power Station (Traralgon)	Loy Yang B continues to measure and report on its various water usage pathways on a routine basis that assists in identifying change in consumption patterns and new opportunities for saving water. The efficient use of all water sources remains a high focus for the power station.
Lion – Dairy and Drinks, Lion Pty Ltd (Morwell)	Following the implementation of ‘Project Rainbow’, Lion – Dairy and Drinks has formed focused improvement teams with the responsibility to drive environmental sustainability. Through the optimisation of production, packaging and cleaning processes, the site has reduced its water consumption from 3.8 to 3.3 litres per kilogram of product whilst increasing their process capacity by 50%.
Murray Goulburn (Maffra)	Murray Goulburn has continued to focus on identifying and implementing projects and business efficiency through the site’s continuous improvement and resource improvement opportunity systems. Murray Goulburn has maintained and improved in the site’s focus areas of efficient water and wastewater use in a sustainable manner.

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	2012-13	2011-12	2010-11	2009-10	2008-09
Sewerage treatment and management ¹	31,617	28,446 ⁵	52,366	56,960	51,642
Water treatment and supply ²	12,644	9,906	9,664	9,558	9,627
Transport ³	1,609	2,157	2,068	1,973	1,467
Other ⁴	1,971	21,218	4,689	4,796	6,096
Total	47,841	61,727	68,787	73,287	68,832

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

(2) Electricity consumption.

(3) Fuel – petrol, diesel, gas.

(4) Electricity, gas and diesel consumption in Traralgon head office and depot; Soil and Organic Recycling Facility (SORF) and Agribusiness operations.

(5) Emissions from sewage treatment and management decreased significantly due to the capturing and flaring of methane at the Gippsland Water Factory (GWF).

In 2013, the Clean Energy Regulator reviewed the composting activities at the SORF, and determined that these activities are not reportable under the terms of the *National Greenhouse and Energy Reporting Act 2007*. Emissions due to composting activities will no longer be included in greenhouse gas accounting from 2012-13 onwards, resulting in a significant decrease in calculated emissions in the 'Other' category, and subsequently in total emissions calculated for this reporting year.

Total net greenhouse gases from activities in 2012-13 can also be broken down according to the following categories.

Activity	t CO ₂ -equiv
Water treatment and pumping	12,644
Wastewater treatment	31,617
Waste disposal	581
Energy use (non-fleet)	1,390
Vehicle fleet	1,609
Offsets purchased	0
Any other activities	0

Beneficial re-use of treated wastewater and biosolids

During 2012-13 Gippsland Water reused 1,651ML treated wastewater, equivalent to 6.7% of wastewater treated in its service area. High rainfall during the summer and autumn period of 2012 caused increased inflow to all wastewater treatment plants, and reduced the opportunity for irrigation of treated wastewater from Drouin, Willow Grove, Mirboo North, Stratford, Heyfield and Maffra wastewater treatment plants. This resulted in lagoons reaching capacity at many plants, resulting in emergency discharges to nearby waterways at Willow Grove, Mirboo North, Maffra and Heyfield following approval by the Environment Protection Authority (EPA).

Drier weather in summer and autumn 2013 has allowed irrigation to recommence at many sites, resulting in storage lagoons being emptied or substantially reduced prior to the winter period.

The Gippsland Water Factory produced 672ML of recycled water, pumped to Pine Gully Reservoir to supplement raw water from Moondarra Reservoir.

Treatment system	Final fate of treated water	Volume reused (ML)		Volume discharged (ML)		Compliance with EPA water quality limits	
		2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Drouin	Irrigation to pasture or discharge to Shillinglaw Creek	66	16	583	814	71.4% ¹	100%
Heyfield	Irrigation to pasture or emergency discharge to Back Creek	57	48	71	51	100%	100%
Maffra	Irrigation to pasture and sporting field. Emergency discharge to Macalister River.	193	171	117	27	100%	100%
Mirboo North	Irrigation to pasture and sporting field or emergency discharge to Little Morwell River	53	76	97	83	100%	100%
Morwell	Supplement flow to wetlands	555	700	0	0	100%	100%
Seaspray	Irrigation to pasture	10	3	0	0	100%	100%
Stratford	Irrigation to pasture	42	116	0	0	100%	100%
Willow Grove	Irrigation to pasture or emergency discharge to Latrobe River	3	1	16	14	100%	100%
Neerim South	Discharge to Red Hill Creek	0	0	43	44	100%	100%
Rawson	Discharge to Coopers Creek	0	0	28	33	100%	100%
Warragul	Discharge to Hazel Creek	0	0	1,569	1,739	100%	100%
Moe	Discharge to Moe River	0	0	2,438	2,797	100%	100%
ROS	Recycled to Pine Gully (GWF) or discharge to Bass Strait (Delray Beach)	672	336	9,319	10,910	100%	100%
SWOP	Discharge to Bass Strait (McGaurans Beach)	0	0	8,835	9,323	100%	100%
Total		1,651	1,467	23,116	25,835		
% Reuse		6.7%	5.37%				

(1) Elevated biochemical oxygen demand (BOD) and ammonia levels – only eight samples for this year as no discharge was made between February and May.

One hundred per cent of composted biosolids were reused by application to pasture at Dutson Downs and external customers, and as fill material at a rehabilitation site during the reporting year. Reuse includes residual composted biosolids stockpiled during the previous reporting period (2011-12).

Corporate water consumption

During 2012-13, Gippsland Water's water consumption was 1,315 kilolitres (kL), which equates to 5.22kL per full-time employee or 368.88 litres per square meter of office space. These figures are based on consumption at Gippsland Water's Traralgon office and Traralgon depot.

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 ¹	Walkleys Creek / O'Gradys Creek	145	1	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 9 and 10: <ul style="list-style-type: none"> - <i>Metering Program</i> - the works on the waterway have been removed so this item is no longer applicable. - <i>Environmental Program</i> - the works on the waterway have been removed so this item is no longer applicable.
CGRWA - Blue Rock ²	Tanjil River	15,150	2,785 (6,325)	<ul style="list-style-type: none"> • Location and volume of water taken pursuant to clause 10: <i>None</i> • Implementation of programs under sub-clause 12.3 (Metering): <i>Implemented</i> • The Bulk Entitlement for Blue Rock is extracted from three points. Specified Point A is extracted directly from the reservoir. Specified Point B is extracted from the Tanjil River Pump Station. Specified Point C is extracted from the Latrobe River Pump Station. • Specified Point A - Blue Rock Headworks Outlet (supply to Moondarra Reservoir and Willow Grove WTP): 2012-13 Total = 3,834ML; 3 year rolling average: = 1,309ML. • Specified Point B - Tanjil River Pump Station: 2012-13 Total = 2,485ML; 3 year rolling average: = 1,474ML. • Specified Point C - Latrobe River Pump Station: 2012-13 Total = 6ML; 3 year rolling average: = 2ML.
Erica-Rawson	Trigger Creek	340	80	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental Program</i> under development. - <i>Metering Program</i> implemented.

Bulk Entitlement	Source of supply	Bulk Entitlement volume (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with BE clauses
Mirboo North	Little Morwell River (North Arm)	270	186	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental Program under development.</i> - <i>Metering Program implemented.</i>
Moe - Narracan Creek	Narracan Creek	3,884	1,621	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental Program under development.</i> - <i>Metering Program implemented.</i>
Moondarra ³	Tyers River	62,000	49,236 (49,548)	<ul style="list-style-type: none"> • Diversion at Tyers River Pump Station for 2012-13 = nil. • Approval, amendment and implementation of programs under clauses 12 (Environmental Program) and 13 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental Program under development.</i> - <i>Metering Program implemented.</i>
Noojee ⁴	Deep Creek / Loch River	73	0	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental Program under development.</i> - <i>Metering Program not required as no diversions are taking place.</i>
Seaspray	Merrimans Creek	61	64	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental Program under development.</i> - <i>Metering improvements under development.</i>

Bulk Entitlement	Source of supply	Bulk Entitlement volume (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with BE clauses
Tarago	Tarago River	4,825	3,231	<ul style="list-style-type: none"> Approval, amendment and implementation of programs under clauses 11 (Environmental Program) and 13 (Metering Program): <ul style="list-style-type: none"> <i>Environmental Program under development.</i> <i>Metering improvements under development.</i> A record of daily extractions from the various offtake points is maintained, which can be provided upon request. Pederson Weir/Westernport Pipeline diversions 2012-13: 3,008ML of 4,070ML entitlement. Labertouche Creek diversions 2012-13: 0ML of 480ML entitlement. Tarago Reservoir (Neerim South) diversions 2012-13: 223ML of 275ML entitlement.
Thomson-Macalister	Thomson River / Macalister River	2,335	1,511	<ul style="list-style-type: none"> Credits granted under clause 11: None. Approval, amendment and implementation of programs under clause 12 (Metering Program): Implemented. Clause 13.1 (b) Extraction at Maffra Weir: 1,179ML Extraction at Thomson River at Heyfield: 283ML Extraction at Lake Glenmaggie: 47ML Extraction at Main Southern Channel: 0ML Extraction at Cowwarr Weir: 0ML Clause 13.1 (d) Annual amount and location of water taken at any other works of the corporation = 2ML (<i>various offtakes for construction of the Coongulla Glenmaggie Sewerage Scheme</i>). Clause 13.1 (g) Period and degree of restriction of supplies of annual entitlement: <i>1/7/2012 - 30/6/2013: 100% allocation.</i>

Bulk Entitlement	Source of supply	Bulk Entitlement volume (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with BE clauses
Thorpdale	Easterbrook Creek	80	17	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental Program under development.</i> - <i>Metering Program implemented.</i>

- (1) Diversion under Boolarra Bulk Entitlement ceased in early July 2012.
- (2) Bulk Entitlement volume calculated as three year rolling average (figure in brackets is volume for 2012-13).
- (3) Bulk Entitlement volume calculated as two year rolling average (figure in brackets is volume for 2012-13).
- (4) Noojee Bulk Entitlement not currently utilised.

General reporting requirements

Temporary or permanent transfer of authority entitlements
No transfer of authority entitlements in 2012-13.
Temporary or permanent transfers of licences or entitlements to authority
Gippsland Water has access to 400ML/y in Tarago Reservoir as drought contingency. This water is part of the Melbourne retailer's Bulk Entitlement held in reserve under agreement but relinquished on 30 June each year if not used and replenished with a new 400ML allocation. The agreement is current until 1 July 2018. Gippsland Water used 7.7ML under this agreement in 2012-13.
Amendments to Bulk Entitlements
None during 2012-13.
New Bulk Entitlements
No new Bulk Entitlements in 2012-13.
Failure by authority to comply with provisions of Bulk Entitlements
Extraction under the Seaspray Bulk Entitlement exceeded the annual limit by 3ML. The daily extraction rate exceeded the limit for a total of 14 days during late March and early April 2013. The maximum exceedence was approximately 118%.
Difficulties experienced in complying with entitlement and remedial actions
None.

Total Groundwater

Raw Water Taken (ML)	2012-13
Briagolong	117
Sale	1,924
Dutson	61
Total	2,102

Customer committees

Customer Consultative Committee

Established in September 2011, the Customer Consultative Committee is an advisory group drawn together from various sectors of Gippsland Water's customer base to provide customer advice and feedback to Gippsland Water.

The committee is engaged on relevant issues and, in doing so, helps Gippsland Water to be responsive to the changing needs and concerns of the community.

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

- Provide a direct link between Gippsland Water and its customer base, enabling Gippsland Water to remain responsive to customer needs and concerns.
- Provide a mechanism by which Gippsland Water can understand problems, issues and possible solutions from the perspectives of the various stakeholder groups.
- Provide Gippsland Water with access to valuable community/local knowledge.
- Provide feedback on community satisfaction with Gippsland Water's current level of service performance.
- Advise on the need for new or modified services.

The committee met twice within the 2012-13 period and is currently comprised of five members representing Gippsland Water's stakeholders and the community.

Environment Consultative Committee

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

The objective of the Gippsland Water Environment Consultative Committee is to provide a forum for Gippsland Water to consult with the community and stakeholders on the following:

- Environmental issues pertaining to Gippsland Water's operation, including performance against criteria stated in the Environment Protection Authority (EPA) Corporate Licence.
- Actions undertaken to improve the sustainability of the business, including reporting against actions identified in Part One of the EPA Corporate Licence.
- To advise Gippsland Water regarding community and stakeholders concerns, expectations and needs relating to the environmental management of its operations.
- To advise the Gippsland Water Board regarding policies and strategies for improving environmental performance.

The committee is currently comprised of 14 members representing Gippsland Water's stakeholders and the community.

Environmental Protection and Biodiversity Conservation Act 1999

No referrals were made during 2012-13 to the Commonwealth Department of Sustainability, Environment, Water, Populations and Community for consideration under the *Commonwealth Environment Protection and Biodiversity Conservation Act 1999*.

Victoria's Biodiversity Strategy

Victoria's Biodiversity Strategy has set the following objectives:

- There is a reversal, across the entire landscape, of the long term decline in the extent and quality of native vegetation.
- The ecological processes and the biodiversity dependent upon terrestrial, freshwater and marine environments are maintained and, where necessary, restored.
- The present diversity of species and ecological communities and their viability is maintained or improved across each bioregion.
- There is no further preventable decline in the viability of any rare species or of any rare ecological community.
- There is an increase in the viability of threatened species and in the extent and quality of threatened ecological communities.

To assist in achieving these goals, Gippsland Water undertook the following activities during the reporting year:

- The complexity of the planning approvals process for the Loch Sport Sewerage Scheme provided the opportunity for Gippsland Water to work collaboratively with the Department of Environment and Primary Industries (DEPI) to identify where disturbance of native vegetation can be avoided, and requirements for offsetting when disturbance is inevitable. This pre-planning significantly improved the efficiency of approval when planning permit applications were submitted, and minimised the disturbance of vegetation of high ecological value.
- The nationally endangered Maroon Leek-orchid (*Prasophyllum frenchii*) has been discovered at Dutson Downs, providing the opportunity for Gippsland Water to work with the DEPI and the Australian Native Orchid Society to translocate the nationally endangered Metallic Sun-orchid (*Thelymitra epipactoides*) to the same site from other nearby locations, to allow management of the two orchid species at the same location.
- Surveys of the Green and Golden Bell Frog (*Litoria aurea*) at Dutson Downs identified its presence at three new sites, in addition to the five populations previously known. The frog, listed as vulnerable under the *Environment Protection and Biodiversity Conservation Act 1999*, was found to be breeding at the site. The frog has been found to be infected with the chytrid fungus. Further studies will be undertaken to determine the impact of the fungus on the viability of the frog.
- Work continues on the wildlife corridor for the New Holland Mouse (*Pseudomys novaehollandiae*), listed as vulnerable under the *Environment Protection and Biodiversity Conservation Act 1999*, with site preparation, fencing and plant propagation having commenced. The wildlife corridor will link two bush blocks, improving the range and habitat available for small native mammals present at the site.
- A collaborative project has commenced with Melbourne University and local ecology consultants to develop genetic markers for the New Holland Mouse population at Dutson Downs, to determine if there are genetic differences to other populations in the state.
- Biological surveys have been undertaken on other areas of land managed by Gippsland Water to identify if rare, vulnerable or endangered species or ecosystems are present. It was identified that land surrounding Moondarra Reservoir provided a diverse range of habitats for native fauna, supporting one endangered, eight vulnerable and five near-vulnerable animal species. It is proposed to develop a biodiversity register to improve understanding of the biodiversity assets on land managed by Gippsland Water.

Statement of Obligations

The Statement of Obligations includes the need for Gippsland Water to manage 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 continues to meet these obligations.

Regional Catchment Management Strategy

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 SDWA requires Gippsland Water to prepare and implement risk management plans from a 'catchment to tap' perspective.

During the reporting period, the corporation:

- Collaborated with stakeholders on catchment management issues.
- Enhanced the risk management systems regarding catchment monitoring activities.
- Commenced a progressive update of our catchment risk assessments by utilising computer-mapping based modelling. This will allow Gippsland Water to present evidence to land managers about risks to water quality from point-source and disperse pollution. The updated assessments will be utilised as engagement tools with land managers in an attempt to work collaboratively to a reduction in water quality risk.
- Participated in a regional catchment planning group, as well as the state-wide VicWater Catchment Task Group, with the objective of establishing a consistent approach to land use and development in catchments. This approach will result in a consistent message from all water corporations, in engaging with land managers, and municipal planning and environmental health staff about our vested interest in water quality for potable water supply.

Victorian River Health Strategy

The Victorian River Health Strategy, launched in 2002, sets broad objectives for water corporations to minimise the impacts of operations on the health of Victorian waterways.

Treated wastewater is discharged into rivers and creeks from wastewater treatment plants in Drouin, Warragul, Neerim South, Rawson, and Moe. In many instances, this water represents a significant proportion of flow in the receiving waterways for much of the year. Water quality 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.

Detailed biological monitoring surveys were undertaken this year, upstream and downstream from the wastewater treatment plant discharge points. The results of these surveys demonstrated that no adverse impact of discharge on the waterway health could be observed.

Gippsland Water is an active supporter of Waterwatch's community education program in the West Gippsland region.

PART 3: CUSTOMERS, STAKEHOLDERS AND COMMUNITY

Social and economic impact

Gippsland Water's objective is to manage our resources to provide value to customers, stakeholders, and the community, and to provide strong leadership and advocacy in sustainable water management.

Gippsland Water strives to meet the interests of all its customers, including those on low income or who are vulnerable. Listening to our customers helps Gippsland Water continue to improve our Customer Care program. Gippsland Water employees are trained in the early identification of customers experiencing financial difficulty, and are equipped with a broad range of skills in tailoring payment plans to meet customer needs. They are also trained to assist customers in an empathetic and non-judgemental way.

Following feedback from customers, Gippsland Water has redesigned the format of its customer water bill and website, with the objective of making them easier to understand. These initiatives considered the presentation of our charges, and ensure the information we provide to our customers is understandable and easy to read from their perspective.

Community service obligations

	2012-2013	2011-2012	2010-2011
Provision of concessions to pensioners	\$ 4,611,778.00	\$ 4,412,478.36	\$ 3,955,759.00
Rebates paid to not-for-profit organisations under the Water and Sewerage Rebate Scheme	\$ 249,182.00	\$ 234,080.92	\$ 214,938.00
Utility Relief Grant Scheme payments	\$ 164,859.00	\$ 108,072.53	\$ 88,415.00
Water concession on life support machines – Haemodialysis	\$ 2,250.00	\$ 2,493.53	\$ 2,252.00
Hardship Relief Grant Scheme (Water and Sewerage Connection Scheme)	\$ –	\$ –	\$ –

	2009-2010	2008-2009
Provision of concessions to pensioners	\$ 3,491,094.00	\$ 3,135,800.00
Rebates paid to not-for-profit organisations under the Water and Sewerage Rebate Scheme	\$ 210,134.00	\$ 175,200.00
Utility Relief Grant Scheme payments	\$ 96,437.00	\$ 30,900.00
Water concession on life support machines – Haemodialysis	\$ 2,098.00	\$ 1,900.00
Hardship Relief Grant Scheme (Water and Sewerage Connection Scheme)	\$ –	\$ –

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 2012-13, EWOV handled 46 referrals on behalf of Gippsland Water customers, with 45 handled as enquiries requiring no further action, and one referred for further 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)						
Boolarra ¹	—	—	—	—	—	—	—	—	—	—
Briagolong	371	62.8	22	5.3	0.0	0.0	26.0	94.1	70.8	33%
Coongulla–Glenmaggie	469	37.2	10	6.0	0.0	0.3	2.5	46.0	44.6	3%
Erica–Rawson	311	39.4	43	19.6	0.0	0.0	17.3	76.3	78.7	-3%
Heyfield	878	165.4	109	67.2	0.0	0.5	44.5	277.6	241.2	15%
Maffra–Stratford	3,027	572.3	308	92.5	298.0	17.4	126.5	1,106.7	1,079.8	2%
Mirboo North	757	112.3	82	29.4	0.0	0.9	44.1	186.7	182.9	2%
Moe–Newborough ²	10,949	1,632.9	845	222.6	1,498.1	8.8	472.1	3,834.5	3,613.6	6%
Moondarra ³	24,896	4,444.6	2,341	797.7	43,350.2	9.6	1628.8	50,230.9	48,756.2	3%
Neerim South–Noojee	644	147.3	65	36.4	0.0	0.0	28.0	211.7	197.9	7%
Sale–Wurruk	6,980	1,198.5	813	291.3	285.6	2.0	21.5	1,798.9	1,693.4	6%
Seaspray	357	18.9	11	9.9	0.0	0.0	5.6	34.4	29.4	17%
Thorpdale	80	9.0	19	2.3	0.0	0.1	1.6	13.0	12.3	6%
Warragul–Drouin ⁴	12,162	1,856.4	1,137	342.4	179.7	32.0	473.5	2,884.0	2,674.3	8%
Willow Grove	143	33.3	10	1.8	0.0	0.5	11.2	46.8	46.3	1%
Total	62,024	10,330.3	5,815	1,924.4	45,611.6	72.1	2,903.1	60,841.5	58,721.5	4%

- (1) Boolarra connected to Moondarra system in July 2012. Connections and consumption are included under Moondarra system.
- (2) Supplies Moe, Newborough, Trafalgar, Yarragon, Darnum North, Yallourn and Yallourn North.
- (3) Supplies Boolarra, Churchill, Cowwarr, Glengarry, Hazelwood North, Morwell, Rosedale, Toongabbie, Traralgon, Traralgon South, Tyers, Jumbuk/Jeeralang and Yinnar.
- (4) Supplies Buln Buln, Drouin, Nilma, Darnum South, 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.

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PART 4: GOVERNANCE

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 nine 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 directors are appointed by the Minister for Water for terms of up to four years, and are responsible for the strategic planning and management of the affairs of the corporation.

Richard McDowell, Chairperson

Dip.Bus. (Accounting), FCA, CTA, MAICD, Tax Agent

Appointed October 2007

Current term expires September 2015

Richard has been a principal of a Gippsland accounting firm for over 37 years. He also holds directorships and is involved with financial management in a number of private companies. Richard has more than 18 years' experience in the water industry through his previous role as Deputy Chairman of East Gippsland Water and his Chairman role 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 had his family home in Maffra for almost 40 years, has two adult daughters and is an active member of many Gippsland community groups.

Leonie Hemingway

GAICD JP

Appointed October 2012

Current term expires September 2015

Leonie Hemingway, until last year was a self employed consultant providing strategic services to government, business and not-for-profit organisations. She has a background in local, state and federal government. She is Deputy Chair of the Growth Areas Authority (GAA) and Chair of the GAA Audit and Risk Committee, panel member for Geographic Place Names Advisory Panel, Ambassador for Open Family Australia/Whiteline and Director of the Australian International Opera Awards. Leonie is particularly interested in community strategic planning and good governance.

Ormond Pearson

BHSc(Mgt), FAICD, FAIM, FIPA

Appointed October 2012

Current term expires September 2015

Ormond's career includes 30 years' experience as a chief executive officer (CEO) of public health services in rural and regional South Australia and Victoria. Ormond recently resigned as Chief Executive Officer of West Gippsland Healthcare Group, having worked previously as CEO with Colac Community Health Service, Barmera District Hospital (SA) and Kingston SM Hospital (SA). Ormond now works as a part time consultant/locum CEO as well as being a ministerial delegate to the Board of Portland District Health and a director of GippsTAFE. Ormond holds a Bachelor Degree of Health Science Management and is a fellow of the Australian Institute of Company Directors, the Australian Institute of Management, and the Institute of Public Accountants.

Dr Kevin McKenzie

CoT(Elec) BBus, MBA, DBA, FAICD

Appointed October 2008

Current term expires September 2013

Kevin is an experienced and professionally qualified manager, leader and director who works in executive management, project leadership, complex change management and non-executive director roles within medium to large scale organisations. Currently employed at SP AusNet in senior project director roles for large scale transformation projects enabled by ICT, Kevin is also Non-Executive Director at Windermere Child and Family Services, and at CSIR Ski Club, and holds roles on Audit, Risk and Compliance Board sub-committees. Kevin is a fellow of the Australian Institute of Company Directors and chairs Gippsland Water's Safety Health and Environment (SHE) Board Sub-Committee.

Sarah Cumming

B.A., LLB (Hons), EMBA

Appointed October 2011

Current term expires September 2013

Sarah works for the Australian Securities and Investments Commission (ASIC), where she has held a range of senior management positions across the areas of compliance, public information management (companies database) and business development projects (2003-current). She is currently involved in Major Projects for ASIC where she has been the Business Lead for Data Migration in ASIC's Registry Transformation Project, and more recently enhancements to ASIC's business name register, as well as providing strategic advice on registry compliance initiatives. Sarah was previously a Litigation Lawyer with Slater and Gordon with expertise in personal injuries and employment law (1997-2003). Sarah has a Bachelor of Arts (ANU), Bachelor of Law (Honours) (ANU), and a Master of Business Administration (Executive) (Mt Eliza – Melbourne Business School). Sarah lives in Gippsland and has a strong interest in the local community.

Malcolm Eccles

MSc, MIET, MAICD, MCMI

Appointed October 2011

Current term expires September 2013

Malcolm is the Chief Executive Officer and Managing Director of Basslink Pty. Ltd. (2007-current) and was previously Basslink's Assets and Operations Director (2005-2007). Prior to this, Malcolm was the Service Delivery Manager for Siemens Power Services in the United Kingdom (2002-2005) and before this, held various senior roles with British Nuclear Fuels Ltd (1986-2002). He is a non-director of CityGas Pte Ltd in Singapore (2011-current), which is the largest gas retailer in the country with more than 660,000 customers. He is also Director of the International Cable Protection Committee (2007-current). Malcolm has international management experience having worked in Europe, USA, Asia and Australia. Malcolm has a Master of Science in Electrical Engineering and Management Studies, and is a member of the Institute of Engineering Technology (UK) and a senior member of the Institute of Electrical and Electronic Engineers (US). Malcolm has also completed an Advanced Management Program and the Australian Institute of Company Directors course.

Peter Day

LLB, M Admin, FCPA, FCA, FAICD

Appointed October 2008

Current term expires September 2013

Peter 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 chair of the Australian Accounting Standards Board and was Deputy Chair of ASIC. He is currently a director of a number of ASX-listed companies and public interest organisations.

David Mawer, Managing Director

Dip.M, MSM, MBA,FAIM

Reappointed July 2012

David has extensive international, private and public sector experience in senior executive roles in electricity, gas and water utilities, including national industry deregulation. Previously the Managing Director of Westernport Water, he is a former State Manager for BHP Billiton. A metallurgist, David is also a former director of the New South Wales gas market regulator, and is a director of the savewater!® Alliance.

Duncan Malcolm

AM, JP

Appointed July 2010

Term expired September 2012

Duncan is the former Chairperson of the Gippsland Coastal Board, the East Gippsland Catchment Management Authority, the Rural Water Corporation of Victoria, and the Victorian Environmental Assessment Council. He is a former member of the Victorian Coastal Council and the board of East Gippsland Water. In 2011, Duncan was awarded an Honourary Fellowship from Monash University for his services to the university and the wider community. Duncan's current positions include Deputy Chairperson of Gippsland Medicare Local, Trustee of the Australian Landscape Trust, and Trustee of the McPherson Smith Rural Fund.

Janice van Reyk

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

Appointed October 2007

Term expired September 2012

As a member of the Gippsland Water Board, Janice was also Chairperson of the organisation's Safety Health and Environment (SHE) Committee. 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 Melbourne Water, Port of Melbourne and Citywide, an independent member of the Northern Territory Environment Protection Authority (EPA), and independent member of the Salvation Army Audit Committee.

Director attendances at board and committee meetings 1 July 2012 – 30 June 2013

Director	Board meetings		SHE Committee		Audit Committee		Exec Rem Committee	
	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance
Richard McDowell	11	10	0	1	0	1	3	3
Duncan Malcolm	3	3	2	1	1	1	1	1
Janice van Reyk	3	3	2	2	0	1	1	1
David Mawer	11	10	0	4	0	3	3	3
Peter Day	11	10	2	3	1	1	3	2
Kevin McKenzie	11	11	2	3	3	3	3	3
Sarah Cumming	11	11	2	2	4	4	3	3
Malcolm Eccles	11	11	2	4	4	4	3	3
Leonie Hemingway	8	8	2	2	0	0	2	2
Ormond Pearson	8	8	0	0	3	3	2	2

Profile of executive team

Managing Director – David Mawer

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

General Manager Operations – Peter Skeels

BBus. (Acct. and Economics), FCPA

Peter is responsible for the management and leadership of the organisation's operational activities. Peter has 32 years' experience in the utilities sector and has held a range of senior management roles in infrastructure and service-based businesses working in Australia and abroad in senior management roles.

General Manager Asset Management, Planning and Delivery – Svetla Petkova

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

Svetla is responsible for the organisation's long term asset planning and management, water resource bulk entitlement compliance and strategic planning, and the delivery of the capital works program. Her group is tasked with the planning and delivery of the recently completed Coongulla Glenmaggie Sewerage Scheme, and the now in construction Loch Sport Sewerage Scheme project. She has more than 10 years' experience as a small business owner and chief executive officer 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 Corporate Services – Tony Staley

BBus (Acct.), GradDipACG, FCPA, ACSA, GAICD

Tony is responsible for the organisation's strategic and business planning, economic regulation, commercial services, financial and management accounting, environmental, and organisational development. He has over 30 years' experience working primarily in the utilities sector in the Gippsland region. These roles have included 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 Business Development – Nicole Griffin

App Sci (SysAg)

Nicole is responsible for business development within Gippsland Water including large customers, the Soil and Organic Recycling Facility (SORF), and the Dutson Downs integrated farming business. Nicole has worked in agribusiness for the past 21 years, and has spent the past eight years working in the biotechnology sector. Nicole has trained as an agronomist and spent several years in a consulting capacity in the cotton and broad-acre industries. Most recently, Nicole was working as the Regional Marketing Manager looking after the Asia Pacific business for Monsanto. Nicole is currently completing her Masters in Environmental Management and has a strong interest in sustainable agricultural practices.

General Manager Customer Service and Communications – Paul Clark

Grad. Cert. Dispute Resolution

Paul is responsible for corporate communications, customer service and property development. With a background in the utilities sector, Paul holds post graduate qualifications in dispute resolution, and has extensive experience in customer service and stakeholder management. Previously the General Manager Customer and Market Services with Essential Energy in New South Wales, Paul is committed to community engagement and effective communications with customers and the community and ensuring customers play an active role in informing decisions made by the organisation.

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.
- Meeting separately with the internal and external auditors away from management, to discuss any relevant matters.
- Providing a forum for the internal and external auditors to present audit findings, recommendations and their evaluation of management performance.
- 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 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 lawsuits facing the board.

During the 2012-13 financial year, the Audit Committee met four times.

Audit Committee members for 2012-13

Joanne Booth – Independent Chairperson

August 2010 – current

Attended four meetings during the reporting year

Joanne is a company director and former chief executive officer who has worked and consulted extensively in the health, public and not-for-profit sectors. She currently operates a governance and management consultancy in East Gippsland and Melbourne. Joanne is Chairperson, Gippsland Lakes Community Health; Director, Victorian Healthcare Association (Member Audit Committee); Director, Workways Australia Ltd (Chair Audit Committee; Member Governance Committee) and Director, East Gippsland Region Water Corporation (Member Audit and Risk Committee).

Joanne's qualifications include Master of Public Health, Graduate Diploma in Occupational Health, Bachelor of Arts, Diploma of Company Directors, and Practitioners Certificate in Mediation. Her early career was as a Registered General Nurse. Joanne is a graduate of the Australian Institute of Company Directors, a member of Women on Boards, and she has completed the Governing for Non-Profit Excellence Program at Harvard Business School (Boston).

Rob Dickens – Independent Member

August 2010 – current

Attended two meetings during the reporting year

Rob Dickens currently is Process Improvement Manager at the State Revenue Office (SRO). Prior to that, he managed the Compliance and Legislation Division 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. He was also responsible for the SRO's tax compliance program. 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 worked on the Tasmanian Review of State Taxes. Rob holds a Bachelor of Business Degree in Public Administration, is a Certified Compliance Professional, and is an accredited Lean Six Sigma Black Belt.

The Audit Committee also included the following board members for the 2012-13 financial year:

- Peter Day (until October 2012).
- Duncan Malcolm (until October 2012).
- Malcolm Eccles (from November 2012).
- Sarah Cummings (from November 2012).
- Ormond Pearson (from November 2012).
- Kevin McKenzie (alternate director).

Board Safety, Health and Environment (SHE) sub-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 carries the following responsibilities:

- To review and recommend for approval by the board, the Gippsland Water Environmental Policy, which will be used to guide the corporation's environmental activities.
- To review and recommend for approval by the board, the Gippsland Water Occupational Health and Safety Policy, which will be used to guide the corporation's OH&S activities.
- To review and make recommendations to the board on environmental governance aspects of the corporation's business operations, including reporting requirements and sustainability commitments.
- To review and make recommendations to the board in response to community and stakeholder issues, and concerns relative to Gippsland Water's overall OH&S and environmental performance.
- To receive and review reports on OH&S and environmental incidents resulting in reportable matters to WorkCover and/or the Environment Protection Authority (EPA).
- To review and monitor performance against the Environmental Management System and Improvement Plan.
- To review and monitor performance against the OH&S Management Plan.
- To review and monitor compliance with the *Safe Drinking Water Act 2003* and the EPA Corporate Licence.
- To review and monitor performance against specific environmental management plans including the Greenhouse Gas Mitigation and Climate Change Adaptation Plan, the Catchment Management Plan, and the Biodiversity Conservation Action Plan.

SHE Committee members for this reporting period were:

- Janice van Reyk – Board member and Chairperson (until September 2012).
- Malcolm Eccles – Board member (until September 2012).
- Sarah Cumming – Board member (until September 2012).
- Kevin McKenzie – Board member and Chairperson (from December 2012).
- Leonie Hemingway – Board member (from December 2012).
- Peter Day – Board member (from December 2012).

Executive Remuneration Committee

This committee is responsible for 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 comprises the entire Gippsland Water Board (excluding the Managing Director) and met three times during the 2012-13 reporting year.

Corporate Key Performance

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

In the 2012-13 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 Water Plan and are aligned with the service standards reported to the Essential Services Commission (ESC) quarterly and annually.

Gippsland Water Key Performance Indicators 2012-13

KPI no.	Key Performance Indicator	Unit of measure	2012-13 Target	Year to date performance at 30 June 2013	2011-12	2010-11	2009-10	2008-09
Water								
1	Unplanned water supply interruptions	per 100km	45	22.07	18.52	18.52	18.42	20.32
2	Average time taken to attend bursts and leaks (priority 1)	minutes	40	25.01	28.79	30.27	32	33.77
3	Average time taken to attend bursts and leaks (priority 2)	minutes	150	69.29	91.86	101.44	307	115.42
4	Average time taken to attend bursts and leaks (priority 3)	minutes	2,300	2,093.27	1,682.09	2,008.11	1,976.2	1,352.4
5	Unplanned water supply interruptions restored within 5 hours	per cent	97.8	98.91%	98.41%	97.87%	96.80%	99.02%
6	Planned water supply interruptions restored within 5 hours	per cent	87	97.09%	96.65%	98%	96.44%	98.13%
7	Average unplanned customer minutes off water supply	minutes	15.4	10.33	8.74	9.53	8.34	9.41
8	Average planned customer minutes off water supply	minutes	26.2	31.67¹	17.59	15.08	10.51	12.08
9	Average frequency of unplanned water supply interruptions	number	0.1	0.1197²	0.1153	0.1412	0.1048	0.115
10	Average frequency of planned water supply interruptions	number	0.2	0.2018³	0.1053	0.0957	0.0752	0.084
11	Average duration of unplanned water supply interruptions	minutes	110	86.35	75.82	67.45	80	81.48

KPI no.	Key Performance Indicator	Unit of measure	2012-13 Target	Year to date performance at 30 June 2013	2011-12	2010-11	2009-10	2008-09
12	Average duration of planned water supply interruptions	minutes	130.8	156.88 ⁴	167	157.57	140	143.8
13	Number of customers experiencing more than 5 unplanned water supply interruptions in the year	number	0	0	0	0	10	0
14	Unaccounted for water	per cent	14.1	14.2%	10.30%	10.60%	10.60%	9.80%
Sewerage								
15	Sewerage blockages	per 100 km	25	7.93	8.11	14.64	17	19
16	Average time to attend sewer spills and blockages	minutes	35	40.78 ⁵	31.32	34.43	32.05	28.99
17	Average time to rectify a sewer blockage	minutes	130	95.70	90.98	100.9	96.18	85.48
18	Spills contained within 5 hours	per cent	98	100%	100%	100%	98.90%	100%
19	Customers receiving more than 3 sewer blockages in the year	number	0	0	0	0	0	0
Customer Service								
20	Complaints to EWOV	per 1000 customers	0.7	0.015	0.015	0.015	0.078	0.08
21	Telephone calls answered within 30 seconds	per cent	80	82.58	82.02%	83.84%	83.95%	83.45%
Additional Service Standards								
22	Population receiving water meeting E.coli standards	per cent	100	100%	99.7%	100%	100%	100%
23	Population receiving water meeting disinfection by-products standards	per cent	100	100%	100%	100%	100%	100%

KPI no.	Key Performance Indicator	Unit of measure	2012-13 Target	Year to date performance at 30 June 2013	2011-12	2010-11	2009-10	2008-09
24	EPA Discharge Quality licence compliance	Yes / No	Yes	No ⁶	98.90%	95%	99.40%	98.70%
25	Population receiving water meeting turbidity standards	per cent	100	100%	100%	100%	100%	100%
26	Total CO ₂ equivalent emissions	Tonne (000's)	73.86	47.84	61.73	68.78	73.29	70.88
27	Recycled water target	per cent	20.0	6.7% ⁷	5.37%	4.20%	5.20%	5.90%
28	Bio-solids re-use	per cent	100	100%	45%	100%	100%	100%
29	Sewer backlog connections	number	5	0 ⁸	3	29	29	2
30	CTWSS connections	number	0	0	0	0	0	342
Our People								
31	The number of incidents / days lost due to Lost Time Injuries (LTIs)	number of LTIs	0	3 ⁹	3	3	3	2
		Days lost	0	140 ¹⁰	110	25	11	11
32	Injury frequency rate	number	35	12	25	28	15	11
33	OH&S Leading Index ¹¹	colour		A B C D A B C D A B C D A B C D	A B C D A B C D A B C D A B C D	A B C D A B C D A B C D A B C D	A B C D A B C D A B C D A B C D	Not reported
34	Employee Availability	hours	≤34 annually per employee	32.50	33.25	30.53	32.93	33.62

- (1) The 2012-13 air scouring program increased the number of planned shuts, the quantity of customers included in each planned shut and the average customer minutes per shut. Gippsland Water undertakes air scouring of its reticulated water pipelines to provide increased levels of service to its customers through eliminating sediments and biofilms from the pipework, which in turn mitigates against adverse water clarity, taste and odour outcomes and helps preserve water quality.
- (2) Between December 2012 and May 2013, Gippsland Water experienced above average water main breaks. At this time, resourcing levels did not allow for this KPI to be met. All efforts were made to restore water supply as quickly as possible.
- (3) The 2012-13 air scouring program increased the number of planned shuts, the quantity of customers included in each planned shut and the average customer minutes per shut. Gippsland Water undertakes air scouring of its reticulated water pipelines to provide increased levels of service to its customers through eliminating sediments and biofilms from the pipework, which in turn mitigates against adverse water clarity, taste and odour outcomes and helps preserve water quality.
- (4) The 2012-13 air scouring program increased the number of planned shuts, the quantity of customers included in each planned shut and the average customer minutes per shut. Gippsland Water undertakes air scouring of its reticulated water pipelines to provide increased levels of service to its customers through eliminating sediments and biofilms from the pipework, which in turn mitigates against adverse water clarity, taste and odour outcomes and helps preserve water quality.
- (5) Following the 2011 ESC audit of KPIs and in preparation for Water Plan 3 KPIs, Gippsland Water sought clarification from the ESC regarding the methodology being used to calculate this KPI. The ESC confirmed that Gippsland Water was understating this KPI by the inclusion of travel time to all reported sewer spills and blockages irrespective of whether the spill or blockage was confirmed. As a result of the revised methodology, Gippsland Water did not achieve this target this year. Revised methodology has been used in proposing target for Water Plan 3 and the target has been increased to 40 minutes.
- (6) During 2012-13, the methodology for reporting the results of this KPI was amended. It was felt that the overall 12-monthly compliance with median limits should be reported as Yes or No. Where a No was noted, detail will be provided for specific wastewater treatment plants (WWTP).
Fourteen of 15 wastewater sites met the discharge water quality requirements, with only the Drouin WWTP being non-compliant. Elevated ammonium nitrogen and Biochemical Oxygen Demand (BOD) results late in 2012 in water discharged to Shillinglaw Creek have elevated the median value for Drouin WWTP to 3.4 mg/L and 6.5 mg/L respectively during the reporting period. Cessation of discharge for six months during December 2012 to May 2013, whilst irrigation has taken place, has limited the statistical data set, resulting in a breach of the annual median limits for both ammonium nitrogen (2.0 mg/L) and BOD (5.0 mg/L).
Discharge to Shillinglaw Creek from Drouin WWTP recommenced in May 2013, following reduced irrigation to treated wastewater. The discharge will be managed to minimise ammonium nitrogen and BOD concentrations, to reduce loads to the receiving water.
- (7) The recycled water target is heavily dependent on demand for recycled water from the Gippsland Water Factory. High inflows to Moondarra Reservoir in 2012-13 resulted in low demand for recycled water.
- (8) Construction of the sewer backlog program was delayed due to weather conditions. The practical completion for the infrastructure at Oddy Street, Drouin and Endeavour Street, Warragul will be finalised by September 2013.
- (9) All injuries to employees have been investigated and remedial / corrective action implemented.
- (10) All injuries to employees have been investigated and remedial / corrective action implemented.
- (11) 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 2012-13 reporting period, Gippsland Water received three requests for information under the *Freedom of Information Act 1982*. Two requests were for personal information and full details were disclosed. The third request was deemed to not meet the requirements of the legislation. However, partial information that is freely available to the public was provided.

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

Authorised FOI Officer:

Lynley Keene

Manager Commercial Services

Gippsland Water

PO Box 348

Traralgon VIC 3844

Phone: 03 5177 4600 or email contactus@gippswater.com.au

The request should identify as clearly as possible, which document is being requested and be accompanied by the appropriate application fee (the fee may be waived in certain circumstances). The application fee effective from 1 July 2013 is \$25.70.

National Competition Policy

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

Financial Management Act 1994

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

Building Act 1993

Gippsland Water complies with the *Building Act 1993*, the Building Regulations 2006 and associated statutory requirements and amendments. An Occupancy Permit is obtained for new facilities or for upgrades to existing facilities endorsed by a Municipal Building Surveyor or a Registered Building Surveyor Practitioner.

Major projects commenced or completed in 2012-13 include:

- Further enhancement of Gippsland Water's Essential Safety Measures framework.

Gippsland Water has a facilities management contract with Glenn Mc Construction with responsibilities for the maintenance of the organisation's buildings across its region in a safe and serviceable condition. Quality assurance, performance measures and governance are incorporated into the contract to ensure that contract requirements are met and standards are maintained.

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 directors will act fairly, impartially, and in the best interests of customers, the community, and stakeholders. Gippsland Water has a Conflict of Interest Policy and Conflict of Interest Guidelines which provide a framework for all employees and board directors 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 (VIPP). 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 \$1M where state or federal funding has been utilised for the project. In the 2012-13 financial year, Gippsland Water reported on one tender.

Contracts commenced to which the VIPP applied:

- During 2012-13, Gippsland Water commenced two contracts totalling \$8,403,500 in value to which the VIPP applied.
- The number and value of these contracts can be split into zero (metropolitan Melbourne) and two (regional Victoria).

The commitments by contractors under VIPP included:

- An overall level of local content of 97.5% of the total value of the contracts.
- 28 full time equivalent jobs.
- 4 apprenticeships/traineeships.
- The above benefits (as highlights) the Victorian economy through on job training with new technologies.

Contracts completed to which the VIPP applied:

- During 2012-13, Gippsland Water completed two contracts totalling \$6,386,561 in value to which the VIPP applied.
- The number and value of these contracts can be split into zero (metropolitan Melbourne) and two (regional Victoria).

The outcomes reported by contractors under VIPP included:

- An overall level of local content of 100% of the total value of the contracts.
- 22 full time equivalent jobs.
- 0 apprenticeships/traineeships.
- The above benefits (as highlights) the Victorian economy through on job training with new technologies.

Consultant services

Details of individual consultancies

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2012-13 (excluding GST)	Future expenditure (excluding GST)
Awt Australia Pty Ltd	Rawson WWTTP Capacity Review	31/08/2012	12/11/2012	\$21,950.00	\$21,950.00	
Key Energy & Resources Pty Ltd	Electricity Contract Negotiation	1/03/2013	30/04/2013	\$32,500.00	\$32,500.00	
Ecos Environmental Consulting	Moondarra Catchment Water Quality Risk Assessment	11/01/2013	30/06/2013	\$33,384.84	\$33,384.84	
Gnarwarre Group of Companies Pty Ltd	Board and Individual Director Review	15/05/2012	20/08/2012	\$24,500.00	\$24,500.00	
Nexus Research	Major Customer and Community Consultation	1/07/2012	6/12/2012	\$24,200.00	\$24,200.00	
Oakley Greenwood Pty Ltd	Review of water demand forecast	21/04/2013	21/05/2013	\$35,675.00	\$35,675.00	
Paul Dunstone & Assoc	Review and Redesign Learning and Development Process	12/07/2012	24/09/2012	\$16,050.00	\$16,050.00	
GHD Pty Ltd	Water Mains Renewals Detailed Design	15/05/2013		\$108,453.00	\$63,018.00	\$45,435.00
Earthcon Pty Ltd	Groundwater Monitoring Bore Upgrade – GWF	1/08/2012	19/02/2013	\$10,133.00	\$10,133.00	
Davis Langdon Dliq Certification Services	EMS Compliance Audit	1/08/2012	31/08/2012	\$13,799.35	\$13,799.35	
Beveridge Williams & Co Pty Ltd	SWOP Replacement – Engineering Design	19/02/2013	30/06/2013	\$56,743.70	\$56,743.70	
Beveridge Williams & Co Pty Ltd	ROS Siphon Survey and Design	19/02/2013	30/06/2013	\$35,663.87	\$35,663.87	
CH2M Hill Australia Pty Ltd – GWF	Technical Advice Panel	1/01/2013	30/06/2013	\$116,268.04	\$116,268.04	
Infor Global Solutions	Technical Services- Hansen	1/07/2012	30/06/2013	\$42,087.60	\$42,087.60	

In the 2012-13 financial year, Gippsland Water engaged 29 consultancies where the total fees payable to the consultants were less than \$10,000, with a total expenditure of \$94,777.10 (excluding GST).

Disclosure of major contracts

During the reporting period, Gippsland Water did not enter into any major contracts with a value exceeding \$10M.

Government advertising expenditure

During the reporting period, Gippsland Water did not undertake any advertising campaigns with a total media buy of \$150,000 or greater (excluding GST).

Overseas travel

In April 2013, Daniel Grendon (Systems Analyst, Asset Management group) attended the Infor Global Conference, Inforum 2013 in Orlando, Florida, USA. This conference is extended to all Infor's customer base and provides participants with firsthand knowledge of the future road maps and direction of the Hansen 8 Asset Management product and the Hansen 7 CIBS system that Gippsland Water utilises. Gippsland Water funded Daniel's attendance to the conference, while Daniel funded his own travel costs.

In May 2013, the following staff attended the 2013 Operators Tour of New Zealand organised by the Water Industry Operators Association (WIOA):

- Glenn Sheekey (Water Treatment Technician) – funded by WIOA as Young Operator of the Year winner.
- Richard Coupland (Water Treatment Technician) – Gippsland Water funded.
- Damien Deenan (Wastewater Treatment Plant Operator) – Gippsland Water funded.

This opportunity included attendance at the Water Industry Operations Group New Zealand conference held in Invercargill, as well as a number of site tours of water and wastewater treatment plants. Gippsland Water derives many benefits from this type of travel including opportunities to view alternative systems, technologies and processes used in water and waste treatment operations in other countries that are transferable back to Gippsland Water.

Protected Disclosures Act 2012 / Whistleblowers Protection Act 2001

On 10 February 2013, the Victorian government introduced new legislation for the management of disclosures. The *Protected Disclosures Act 2012* provides the basis for a new broad-based anti-corruption regime with the formation of the Independent Broad-based Anti-corruption Commission (IBAC).

The *Protected Disclosure Act 2012* enables people to make disclosures about improper conduct within the public sector without fear of reprisal. It aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

What is a 'protected disclosure'?

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body. Gippsland Water is a "public body" for the purposes of the *Protected Disclosure Act 2012*.

What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

- Mismanagement of public resources.
- Risk to public health or safety or the environment.
- Corruption.
- The conduct must be criminal in nature or a matter for which an officer could be dismissed.

How do I make a 'protected disclosure'?

You can make a protected disclosure about Gippsland Water or its board members, officers or employees by contacting the Department of Environment and Primary Industries (DEPI) or IBAC on the contact details provided below.

Please note that Gippsland Water is not able to receive protected disclosures.

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

Gippsland Water, as a public body defined in the *Protected Disclosures Act 2012*, is now required to develop procedures for managing protected disclosures and ensuring appropriate disclosures are reported to IBAC for investigation. Gippsland Water is currently developing these new procedures and will make them available when completed.

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 *Protected Disclosures Act 2012*. Disclosures of improper or corrupt conduct or detrimental action by Gippsland Water or its employees may be made to the following:

Department of Environment and Primary Industries

Jennifer Berensen, Senior Advisor, Privacy and Ombudsman
Department of Environment and Primary Industries

Address: PO Box 500, East Melbourne Vic 3002
Phone: 03 9637 8697
Website: www.depi.vic.gov.au

Independent Broad-Based Anti-Corruption Commission Victoria

Address: Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3001
Mail: IBAC, GPO Box 24234, Melbourne Victoria 3000
Phone: 1300 735 135
Website: www.ibac.vic.gov.au
Email: See the website above for the secure email disclosure process, which also provides for anonymous disclosures.

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

The archived procedures established under the *Whistleblowers Protection Act 2001* are available upon request.

The disclosures detailed in the table below relate to the period commencing on 1 July 2012 and ending on 9 February 2013.

	2012-13	2011-12
Public interest disclosures	0	0
Protected disclosures	0	0
The number of disclosures referred during the year by Gippsland Water to the Ombudsman for determination as to whether they are public interest disclosures	0	0
The number and types of disclosed matters referred to Gippsland Water by the Ombudsman for investigation	0	0
The number and types of disclosures referred by Gippsland Water to the Ombudsman for investigation	0	0
The number and types of investigations taken over from Gippsland Water by the Ombudsman	0	0
The number of requests made by a whistleblower to the Ombudsman to take over an investigation by Gippsland Water	0	0
The number and types of disclosed matters that Gippsland Water has declined to investigate	0	0
The number and types of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation	0	0
Any recommendations by the Ombudsman that relate to Gippsland Water	N/A	N/A

Public Administration Act 2004

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

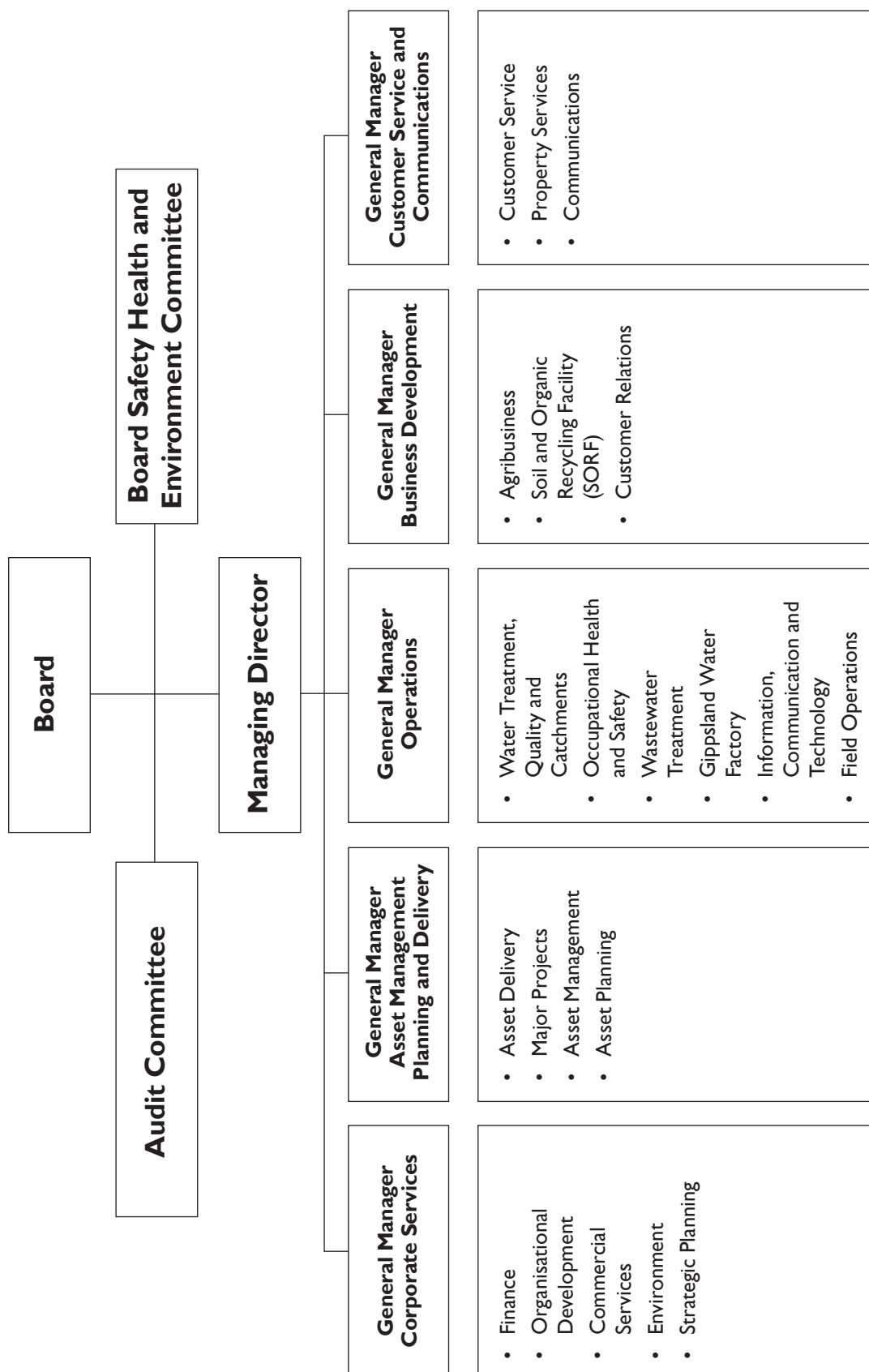
For more information on the Code of Conduct, visit the State Services Authority's website at: www.ssa.vic.gov.au.

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PART 5: ORGANISATIONAL SUSTAINABILITY

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 June 2013



Employment by category

	Number as at 30 June of each year				
Category	2013	2012	2011	2010	2009
Full-time male	188	179	171	166	156
Full-time female	52	52	43	52	51
Part-time male	0	3	0	0	1
Part-time female	21	21	20	26	21
Casual male	3	1	6	6	1
Casual female	7	6	3	6	7
Total employees	271	262	253	256	237
Full-time equivalent	251.7	244.65	233.59	226.56	211
% Full-time equivalent female employees	25.24	32.47	24.66	26.7	29

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*.

Gippsland Water's employee induction process highlights the policies and procedures around discrimination, bullying, harassment and violence, including the Employee Assistance and Contact Officer programs, to provide information and support for staff who feel harassed or bullied at work. There were no formal EEO complaints at Gippsland Water for the reporting period.

Gender equity

A total of 80 females were employed at Gippsland Water during the reporting period, representing 25.24% of full-time equivalent workforce. Our women work in senior management, team leadership, professional, engineering, scientific, technical and administrative roles.

During the 2012-13 reporting period, Gippsland Water assisted several women to return from maternity leave through part-time or other flexible working options. 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 Jobs Skills Expo in association with the Baw Baw Learning and Education Network at Lardner Park, and the Monash Careers Fair in collaboration with East Gippsland Water and South Gippsland Water, 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 (OH&S)

Gippsland Water's Safety Strategic Plan, covering the period 2011-14, has three key areas of focus with the following objectives:

Active leadership and communication, covering:

- Enhanced safety culture.
- Clearly defined OH&S responsibilities and accountabilities.

Effective systems and programs, covering:

- Legislative and management system changes identified and measured.
- Introduction of risk-based programs for individual work groups.
- 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.
- Gippsland Water's contractors and service partners are aligned with Gippsland Water's safety systems and culture.

Gippsland Water's Safety Activity Plan for the year 2012-13 featured the theme, 'back to basics', with a focus on:

- Enhanced safety culture.
- Clearly defined OH&S responsibilities and accountabilities.
- Legislative and management system changes identified and appropriate targets set.
- Streamlined and traceable OH&S training records, which have been developed.

Major achievements against the Gippsland Water Activity Plan for the 2012-13 year include:

- Delivery of safety leadership cultural training to all identified supervisory level staff.
- Review of the consultative committee structure at a safety, health and environment workgroup, umbrella and board committee level, including clarification of roles and charters.
- Development of Gippsland Water's key safety considerations.
- Involvement in a multidisciplinary review of end-to-end process for employee records management, including the development of a matrix for role-based OH&S training and improvements to the overall management of training records.

Training

Initially, in line with the OH&S Training Plan 2009-2013, and as identified in consultation with senior managers resulting in the revised OH&S Training Matrix in early 2013, the following OH&S training was completed during the year:

- WorkSafe approved health and safety representatives initial five-day course.
- WorkSafe approved health and safety representatives refresher one-day course.
- B-class Asbestos Removal initial and refresher courses for operators and supervisors.
- Asbestos awareness.
- Install trench and support.
- Breathing apparatus compressor and plant airline system.
- Electrical spotters.
- Manual handling.
- Traffic management and control.
- Construction induction.
- Senior First Aid, including oxygen therapy.
- First Aid (CPR only).
- Confined space entry (initial and refresher).

Consultation and communication

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

The Safety Health and Environment (SHE) governance process was reviewed in consultation with workgroup and management representatives, and workgroup committees are established for:

- Traralgon office.
- Operations.
- Soil and Organic Recycling Facility (SORF) and Agribusiness.
- Field-based contracts.

Representatives from each of the workgroup committees form the SHE Umbrella Committee. The SHE Umbrella Committee addresses strategic areas of occupational health, safety and environmental issues and makes recommendations to executive management and the board.

A major achievement of the consultative process for the 2012-13 year was the review of Gippsland Water's Protective Clothing and Equipment Policy. Through consultation and communication, the organisation transitioned to the mandatory wearing of long sleeves and long pants as at 1 March 2013.

Measurement and evaluation

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

Three lost time injuries were sustained during this period. At Gippsland Water's SORF, an employee injured their right shin after slipping on a greasy grating walkway, resulting in 133 days of lost time at the end of the reporting period.

A further lost time injury was sustained when an employee at the SORF received a puncture wound through gloves to their right hand when removing a flexible hose from the windrow. On initial presentation for medical treatment, the employee was deemed fit to return to work the following day. However, the following day, the employee returned for medical advice. The employee was treated and deemed unfit for all duties for the remainder of the week. The employee returned to full duties after two days lost time without further complication.

Five days lost time were sustained when a land development officer aggravated a pre-existing right shoulder condition through computer use. The employee was sent for an independent medical examination and the claim was accepted. At the time of reporting, a short period of reduced hours is being maintained. However, it is expected that the employee will return to full duties in the foreseeable future.

Health and wellbeing

There continues to be excellent uptake of activities offered through Gippsland Water's corporate health and wellbeing program. Those activities offered during 2012-13 included in:

- Health and Wellbeing Expo.
- Bootcamp.
- Healthy eating for the whole family.
- Women's and men's health seminars.
- Amazing Race 10,000 Step Challenge.
- Why is Santa so unhealthy – tips to avoid the pitfalls of the festive season.
- Pilates.
- Move It & Lose It Challenge.
- Choosing Healthy Energetic Food (CHEF) competition.

Physical assets

Major achievements for 2012-13 in the management of our physical assets and infrastructure are included in Part I. Other achievements completed during 2012-13 are:

- Undertaken major upgrades to the Yinnar sewer pump station and the Moe Water Treatment Plant improving service to those communities.
- Completed two backlog sewer schemes in Drouin and Warragul providing better outcomes to customers and environment.
- Undertaken major work on the Asset Management Information System with developing live links with major contractors to allow data transfer in real time from works being done of many of our assets, and the full synchronisation with our finance system.

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PART 6: RISK MANAGEMENT

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 assists and guides 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 being ultimately resulting in a safe, cost effective and efficient approach to managing risk is adopted.

Gippsland Water's Risk Management Committee met four times during the 2012-13 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, as well as 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 2013 board meeting.

Gippsland Water's Risk Register as at June 2013 contained 50 active risks; 13 risks rated as 'high', 21 risks rated as 'medium' and 16 risks rated as 'low' in the controlled environment, with consideration of current controls upon the risk assessment.

During 2012-13, Gippsland Water continued to deliver its revised quarterly risk management review process. Each quarter, the focus of risk management is on a different aspect (full risk register review, review and assess controls and actions, business continuity, and incident management review). All risk owners attend the same session to ensure that sharing of ideas and challenging outcomes is achieved.

To assist continuous improvement, the diverse risk frameworks and strategic risks reported to relevant boards of each water corporation have again been brought together by the Department of Environment and Primary Industries (DEPI) for the third year. The DEPI Victorian Water Industry Risk Report for 2012 provides a state-wide picture of risks managed by water corporations.

Gippsland Water also manages an Emerging Risk Register that enables the corporation to forecast, track and manage emerging risks that may impact the corporation in the future. Responsibility for each emerging risk is allocated to a general manager or the Managing Director. Each quarter, these risks are reviewed and reported to the Risk Management Committee, the Audit Committee and the board.

Gippsland Water's Business Continuity Plan (BCP) was finalised in 2011-12 and is now in operation. The BCP Policy outlines the corporation's approach to the identification, development, approval and review of BCPs.

Gippsland Water's BCP foundation is the continuation of critical services to customers. The critical services in the event of a business continuity event have been identified as follows:

- Supply of water and wastewater services to Gippsland Water customers.
- Supply of water services to power and other essential industry.
- Supply of wastewater services to power and other essential industry.

To ensure the BCP framework continues to reflect current day business realities, annual reviews have been established involving all senior management associated with the listed critical services. Gippsland Water has legislative obligations to perform 'live' exercises in the areas of terrorism, environment and emergency management. These 'live' exercises effectively test various elements of the corporation's BCP framework and processes.

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 Australian / New Zealand Risk Management Standard AS/NZS ISO 31000:2009 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures.

The 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.

A handwritten signature in black ink, appearing to read 'Richard McDowell', is positioned above the printed name.

Richard McDowell

Chairperson

Central Gippsland Region Water Corporation

Dated 22nd day of August 2013

PART 7: FINANCIAL PERFORMANCE

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CENTRAL GIPPSLAND REGION WATER CORPORATION			
OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2013			
	Note	2013	2012
		\$'000	\$'000
Revenue from Operating Activities			
Service Charges	1(b) 4(a)	69,918	66,719
Volumetric Charges	1(b) 4(a)	36,715	32,773
Interest	1(b) 4(a)	457	718
Developer Contributions	1(b) 4(a)	11,998	10,392
Other Revenue	1(b) 4(a)	8,760	7,811
Total Operating Revenue		127,848	118,413
Revenue from Non-Operating Activities			
Other Revenue	1(b)	1,096	1,322
Total Revenue from Non-Operating Activities		1,096	1,322
Total Revenue		128,944	119,735
Expenses			
Employee benefits	1(c)	29,925	32,930
Direct operating		23,770	19,890
Repairs and maintenance		17,643	17,298
Administration		7,004	6,510
Environmental contribution	1(c)	2,793	2,793
Depreciation	1(c) 4(c)	28,985	28,544
Amortisation	1(c) 4(c)	382	574
Net loss on disposal of assets	4(b)	361	171
Impairment Loss	4(c)	26	1,460
Borrowing costs	1(c) 4(c)	13,639	13,196
Total Expenses		124,528	123,366
Net result before tax		4,416	(3,631)
Income Tax Expense / (Benefit)	1(i) 5(a)	1,271	(1,576)
Net Result	19	3,145	(2,055)

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

CENTRAL GIPPSLAND REGION WATER CORPORATION			
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013			
	Note	2013	2012
		\$'000	\$'000
Net Result		3,145	(2,055)
		3,145	(2,055)
Other Comprehensive Income			
Disposal on revalued infrastructure		(2,089)	(2,090)
Income tax relating to components of other comprehensive income	5(b)	627	627
Permanent difference arising from implementation of tax-effect accounting			(145)
Component of disposed assets transfer to Accumulated Funds		162	-
Total Other Comprehensive Income	18	(1,300)	(1,608)
Total Comprehensive Income		1,845	(3,663)

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

CENTRAL GIPPSLAND REGION WATER CORPORATION				
BALANCE SHEET AS AT 30 JUNE 2013				
			Restated	At
	Note	2013	2012	1-Jul-11
		\$'000	\$'000	\$'000
ASSETS				
Current Assets				
Cash and Cash Equivalents	1(d) 6	5,902	7,969	10,631
Receivables	1(d) 7	17,248	13,049	12,109
Prepayments		483	391	378
Inventories	1(d) 8	2,219	2,025	1,938
Biological Assets	1(d) 11	669	1,014	644
Other Financial Assets	9	271	219	157
Total Current Assets		26,792	24,667	25,857
Non-current Assets				
Other Financial Assets	9	9,464	9,662	9,305
Infrastructure, Property, Plant and Equipment	1(d) 10	1,029,288	994,057	975,724
Biological Assets	1(d) 11	2,877	2,229	2,205
Intangible Assets	1(d) 12	1,671	1,186	1,604
Deferred Tax Asset	1(i) 5(b)	64,659	60,818	54,529
Total Non-current Assets		1,107,959	1,067,952	1,043,367
TOTAL ASSETS		1,134,751	1,092,619	1,069,225

CENTRAL GIPPSLAND REGION WATER CORPORATION				
BALANCE SHEET AS AT 30 JUNE 2013				
			Restated	At
	Note	2013	2012	1-Jul-11
		\$'000	\$'000	\$'000
LIABILITIES				
Current Liabilities				
Payables	1(e) 13	16,087	15,024	15,060
Interest Bearing Liabilities	1(e) 14	30,500	52,500	45,000
Employee Benefits	1(e) 15	5,822	5,373	4,695
Provisions	1(e) 16	180	315	330
Total Current Liabilities		52,589	73,212	65,085
Non-current Liabilities				
Interest Bearing Liabilities	1(e) 14	210,000	150,000	140,000
Employee Benefits	1(e) 15	1,040	1,003	929
Provisions	1(e) 16	800	779	929
Unfunded Super Liability	22	-	4,633	-
Deferred Tax Liability	1(i) 5(c)	143,963	139,478	135,247
Total Non-current Liabilities		355,803	295,893	277,105
TOTAL LIABILITIES		408,392	369,105	342,190
NET ASSETS				
		726,359	723,514	727,035
EQUITY				
Contributed Capital	17	254,822	253,822	253,680
Reserves	18	164,616	166,078	167,686
Accumulated Funds	19	306,921	303,614	305,669
TOTAL EQUITY		726,359	723,514	727,035

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

CENTRAL GIPPSLAND REGION WATER CORPORATION					
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013					
	Note	Equity at 1 July 2012	Total comprehensive income	Transactions with owners	Equity at 30 June 2013
		\$'000	\$'000	\$'000	\$'000
Contributed Capital					
Capital appropriations		253,822	-	-	253,822
		-	-	1,000	1,000
	17	253,822	-	1,000	254,822
Accumulated Funds					
		303,614	-	-	303,614
Profit for the period after tax	18	-	3,145	-	3,145
Other comprehensive income	18	-		162	162
	19	303,614	3,145	162	306,921
Asset Revaluation Reserve					
		166,078	-	-	166,078
Impairment, prior period adjustment, decommissioning	18	-	(1,300)	-	(1,300)
Transfers to Accumulated Funds	18	-	-	(162)	(162)
		166,078	(1,300)	(162)	164,616
Total equity at end of financial year		723,514	1,845	838	726,359

CENTRAL GIPPSLAND REGION WATER CORPORATION						
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013						
		Equity at 1 July 2011	Total comprehensive income	Transactions with owners	Equity at 30 June 2012	
		\$'000	\$'000	\$'000	\$'000	
Contributed Capital		253,680	–	–	253,680	
Capital appropriations		–	–	142	142	
	17	253,680	–	142	253,822	
Accumulated Funds		305,669	–	–	305,669	
Profit for the period after tax		–	(2,055)	–	(2,055)	
Other comprehensive income		–	–	–	–	
	19	305,669	(2,055)	–	303,614	
Asset Revaluation Reserve		167,686	–	–	167,686	
Revaluation increment / decrement, net of tax		–	(1,608)	–	(1,608)	
	18	167,686	(1,608)	–	166,078	
Total equity at end of financial year		727,035	(3,663)	142	723,514	

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

CENTRAL GIPPSLAND REGION WATER CORPORATION			
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013			
	Note	2013	2012
		\$'000	\$'000
Cash Flows from Operating Activities			
Receipts			
Fees and Charges		114,108	108,155
Interest Received		454	731
GST Received		4,413	5,922
Developer Contributions		2,340	2,054
		121,315	116,861
Payments			
Payments to Suppliers		(53,184)	(52,501)
Payments to Employees		(33,759)	(27,396)
GST Paid		(384)	(562)
Interest and Other Costs of Finance Paid		(13,573)	(13,107)
Environmental Contributions		(2,793)	(2,793)
		(103,693)	(96,358)
Net Cash Flows from Operating Activities	24	17,622	20,503
Cash Flows from Investing Activities			
Payments for Infrastructure, Property, Plant and Equipment		(59,349)	(40,866)
Payments for Intangible Assets		(570)	(156)
Proceeds from Sale of Property, Plant and Equipment	4(b)	1,047	576
Proceeds from/(Payments to) Investments		183	(362)
Net Cash Flows from Investing Activities		(58,689)	(40,808)
Cash Flows from Financing Activities			
Proceeds from Borrowings		38,000	17,500
Proceeds from Contributed Capital by State Government	17	1,000	142
Net Cash Flows From Financing Activities		39,000	17,642
Net Increase / (Decrease) in Cash and Cash Equivalents		(2,067)	(2,662)
Cash and Cash Equivalents at beginning of year	6	7,969	10,631
Cash and Cash Equivalents at end of year	6	5,902	7,969

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

CENTRAL GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the Year Ended 30 June 2013

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 2013.

Note I: 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.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when the cash is received or paid.

The annual financial statements were authorised for issue by the Managing Director on the 27th August 2013.

The principal address is:

Gippsland Water
Hazelwood Road
Traralgon Victoria 3844

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 12 months, being the Corporation's operational cycle – see Note I(e) 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 dollars.

Historical cost convention

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

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 July 2012, and AASB 1054 Australian Additional Disclosures which became effective for reporting periods beginning on or after 1 July 2012.

(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 2012-13 financial year, the Corporation estimated the outstanding revenue in respect of water meters which had not been read at balance date of \$2,895,912 (2011-12 \$2,855,844), by multiplying the number of days since the last reading by each customer's average service usage.

Government grants and contributions

Government grants and contributions are recognised as operating revenue on receipt or when the entity obtains control of the contribution and meets certain other criteria as outlined by AASB1004, whichever is the sooner, and disclosed in the Operating Statement as Government Grants and Contributions. However, grants and contributions received from the Victorian government which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and/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.

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.

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) Expenses

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.

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(e).

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

Class of fixed asset	Periods
Buildings	50 years
Infrastructure	
Water	
– Storages	
Earth embankment	350 years
Spillways and by washes	100 years
Discharge control structures and outlet works	80 years
Civil works, drainage, fencing	50 years
Mechanical/electrical	25 years
– Distribution networks	50 ⇨ 110 years
– Treatment plants	25 ⇨ 75 years
Wastewater	
– Storages	60 ⇨ 80 years
– Distribution networks	50 ⇨ 100 years
– Treatment plants	25 ⇨ 75 years
Other assets	
– Plant and equipment	10 ⇨ 20 years
– Motor vehicles	3 years with residual value
– Furniture and computers	3 ⇨ 10 years
Intangibles	
– Software	3 ⇨ 5 years

Employee benefits

These expenses include all costs related to employment including wages and salaries, superannuation, fringe benefits tax, leave entitlements, redundancy payments, and Work Cover premiums.

Superannuation

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

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.

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 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each Corporation. The contribution period has been extended to cover the period 1 July 2012 to 30 June 2016.

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.

(d) Assets

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.

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.

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.

Prepayments

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

Infrastructure, property, plant and equipment

Recognition and measurement of assets

Infrastructure, 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 (2012: \$500) and a useful life of more than one year are recognised as an asset. All other items 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.

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.

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.

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

Plant, equipment and 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.

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

The initial fair value assessment for water infrastructure was undertaken at 30 June 2011 with involvement from Valuer General of Victoria (VGV) and under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructures. Further details of the valuation exercise are provided in Note 10.

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 asset, they are debited to the revaluation reserve.

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

Impairment of assets

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

- inventories.
- assets arising from construction contracts.
- financial instrument assets.
- certain biological assets related to agricultural activity.
- 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.

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

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

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.

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)

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 arm's 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.

(e) Liabilities

Payables

Payables consist predominantly of trade and sundry creditors. These amounts represent liabilities for goods and services provided to the Corporation prior to the end of the financial year, which are unpaid. 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.

Borrowings

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.

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 seven years' of continuous service) is disclosed as a current liability even where the Corporation does not expect to settle the liability within 12 months because it does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

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

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

Non-current liability – conditional long service leave (representing less than seven years'¹ 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.

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.

(f) Equity

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.

(g) Financial instruments

Recognition

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

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. 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.

(h) 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) Landfill site rehabilitation

Licensed by the EPA, the Corporation continues to operate a landfill for the disposal of inorganic waste. Landfill sites can remain open for many years, this provision recognises the final restoration cost to close and restore the landfill site. Based upon current utilisation, management has estimated the landfill 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.

(i) 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.

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

(j) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 20) at their nominal value and exclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditure cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(k) Contingent assets and contingent liabilities

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

(l) 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 (refer Note 25).

(m) Goods and services tax

Revenues, expenses and assets are recognised net of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

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

Cash flows arising from operating activities are disclosed in the Cash Flow Statement on a gross basis – i.e. inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable or payable to the ATO is classified as operating cash flows.

(n) New accounting standards and interpretations issued that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. As at 30 June 2013, the following standards and interpretations had been issued but were not mandatory for the financial year 30 June 2013. The Corporation has not and does not intend to adopt these standards early.

Standard / interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
<p>AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures.</p>	<p>AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The group has not yet decided when to adopt AASB 9.</p>	<p>1 January 2013</p>	<p>The entity is yet to assess its full impact. The Corporation will apply amended for the annual reporting period ending 30 June 2014.</p>

Standard / interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
<p>AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.</p>	<p>AASB 10 introduces a single definition of control that applies to all entities and focuses on the need to have both power and rights or exposure to variable returns.</p> <p>AASB 11 introduces a new approach for which the focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture.</p> <p>AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.</p> <p>These standards provide more reliable and relevant information for users to assess the composition of the group and the amounts, timing and uncertainty of future cash flows.</p>	<p>1 January 2013</p>	<p>The entity is yet to assess its full impact. The Corporation will apply amended standard for the annual reporting period ending 30 June 2014.</p>

Standard / interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
<p>AASB 1053 Application of Tiers of Australian Accounting Standards, AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements, AASB 2012-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements and AASB 2012-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements.</p>	<p>On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.</p> <p>Tier 1 are the Australian Accounting Standards as currently applied and Tier 2 is the reduced disclosure regime which retains the recognition and measurement requirements of Australian Accounting Standards but with reduced disclosure requirements.</p> <p>AASB 2012-6 extends the relief for intermediate parent entities from consolidation, equity accounting and proportionate consolidation to parent entities that report under Tier 2, where the parent higher up the group is reporting either under Tier 1 or Tier 2.</p>	<p>1 January 2013</p>	<p>The entity will assess its impact once DTF has provided guidance on this standard. The Corporation will apply amended standard for the annual reporting period ending 30 June 2014.</p>

Standard / interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 and AASB 2011-12 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements.	These standards require the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removed of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.	1 January 2013 / 1 July 2013	The Corporation is yet to assess its full impact. The Corporation will apply the amended standard for the annual reporting period ending 30 June 2014
AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7].	AASB 1 First-time Adoption of Australian Accounting Standards was amended in December 2010 by eliminating references to fixed dates for one exemption and one exception dealing with financial assets and liabilities.	1 July 2013	This amendment will not affect the financial statements of the Corporation.

Standard / interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2012-4 Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements.	Removes the individual key management personnel disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the <i>Corporation Act 2001</i> . The amendments cannot be adopted early.	1 July 2013	This amendment is expected to have a limited impact.
AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1].	The interpretation provides guidance on the accounting for waste removal (stripping) costs in the production phase of a mine. Such stripping costs can only be recognised as an asset if they generate a benefit of improved access to an identifiable component of the core body, it is probable that the benefits will flow and the costs can be measured reliably.	1 January 2013	This amendment does not affect the financial statements of the Corporation.

Standard / interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
<p>AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.</p>	<p>It explains how to measure fair value and aims to enhance fair value disclosures.</p>	<p>1 January 2013</p>	<p>The Corporation has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements.</p> <p>However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Corporation will adopt the new standard from its operative date, which means that it will be applied in the annual reporting period ending 30 June 2014.</p>

Standard / interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2013-1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements.	This Standard removes the requirements relating to the disclosure of budgetary information from AASB 1049 (without substantive amendment). All budgetary reporting requirements applicable to public sector entities are now located in a single, topic-based, Standard AASB 1055 Budgetary Reporting.	1 July 2014	The Corporation is yet to assess its full impact. The Corporation will apply the amended standard from 1 July 2014.
AASB 2012-11 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments.	The Standard makes various editorial corrections to Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2). These corrections ensure that the Standards reflect decisions of the AASB regarding the Tier 2 requirements.	1 July 2013	The Corporation is yet to assess its full impact. The Corporation will apply the amended standard for the annual reporting period ending 30 June 2014.

Standard / interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
<p>AASB 2012-7 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.</p>	<p>This Standard adds to or amends the Australian Accounting Standards – Reduced Disclosure Requirements for AASB 7 Financial Instruments; Disclosures, AASB 12 Disclosure of Interests in Other Entities, AASB 101 Presentation of Financial Statements and AASB 127 Separate Financial Statements. AASB 1053 Application of Tiers of Australian Accounting Standards provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.</p>	<p>1 July 2013</p>	<p>The Corporation is yet to assess its full impact. The Corporation will apply the amended standard for the annual reporting period ending 30 June 2014.</p>

Standard / interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
<p>AASB 2012-1 Amendments to Australian Accounting Standards – Fair Value Measurement</p> <p>– Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141].</p>	<p>This Standard applies to annual reporting periods beginning on or after 1 July 2013. Earlier application is permitted for annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013, provided that the following are also adopted for the same period:</p> <p>(a) AASB 1053 Application of Tiers of Australian Accounting Standards.</p> <p>(b) AASB 13 Fair Value Measurement.</p> <p>(c) AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.</p>	<p>1 July 2013</p>	<p>As noted above, the Corporation does not plan to adopt these standards until their effective date. As such, this amendment will not be adopted until the year ended 30 June 2014.</p>

Standard / interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2012-2 Amendments to Australian Accounting Standard – Disclosures – Offsetting Financial Assets and Financial Liabilities.	This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 January 2013	The entity is yet to assess its full impact. The Corporation will apply amended standard from for the annual reporting period ending 30 June 2014.
AASB 2012-3 Amendments to Australian Accounting Standard – Offsetting Financial Assets and Financial Liabilities.	This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	As noted above, the Corporation does not plan to adopt these standards until their effective date. As such, this amendment will not be adopted until the year ended 30 June 2014.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
<p>AASB 2012-4 Amendments to Australian Accounting Standard – Government Loans.</p>	<p>This Standard adds an exception to the retrospective application of Australian Accounting Standards to require that first-time adopters apply the requirements in AASB 139 Financial Instruments: Recognition and Measurement (or AASB 9 Financial Instruments) and AASB 120 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans existing at the date of transition to Australian Accounting Standards.</p> <p>This means that first-time adopters would not recognise the corresponding benefit of the government loan received at a below-market rate of interest as a government grant. However, entities may choose to apply the requirements of AASB 139 (or AASB 9) and AASB 120 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. These amendments give first-time adopters the same relief as existing preparers of Australian Accounting Standards financial statements.</p>	<p>1 January 2013</p>	<p>The entity is yet to assess its full impact. The Corporation will apply amended standard for the annual reporting period ending 30 June 2014.</p>

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2012-9 Amendments to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.	<p>This Standard makes an amendment to Australian Accounting Standard AASB 1048 Interpretation of Standards.</p> <p>The amendment arises from the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.</p>	1 January 2013	This amendment will not affect the financial statements of the Corporation.
AASB 2012-5 Amendments to Australian Accounting Standard arising from Annual Improvements – 2009-2011 Cycle.	<p>These amendments are a consequence of the annual improvements process, which provides a vehicle for making non-urgent but necessary amendments to Standards.</p>	1 January 2013	This amendment will not affect the financial statements of the Corporation.

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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	2013 Carrying amount	2012 Carrying amount
	\$'000	\$'000
Financial Assets		
Cash and Cash Equivalents	5,902	7,969
<i>Loans and Receivables:</i>		
– Trade Receivables	10,000	8,357
– Other Receivables	14,396	13,361
Total Financial Assets (a)	30,298	29,687
Financial Liabilities		
<i>At Amortised Cost:</i>		
Payables	16,087	15,024
Interest Bearing Liabilities	240,500	202,500
Total Financial Liabilities (b)	256,587	217,524

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

(b) Total financial liabilities excludes statutory payables (taxes payable).

Net holding gain / loss on financial instruments by category

Financial Instrument 2013	Total interest income and expense	Fee income expense	Impairment loss	Total
	\$'000	\$'000	\$'000	\$'000
Contractual Financial Assets				
Cash and Cash Equivalents	174	–	–	174
Trade Receivables	–	–	26	26
Other Receivables	283	–	–	283
Total Financial Assets	457	–	26	483
Financial Liabilities				
Payables	–	–	–	–
Interest Bearing Liabilities	11,626	2,013	–	13,639
Total Financial Liabilities	11,626	2,013	–	13,639

Financial Instrument 2012	Total interest income and expense	Fee income expense	Impairment loss	Total
	\$'000	\$'000	\$'000	\$'000
Contractual Financial Assets				
Cash and Cash Equivalents	310	–	–	310
Trade Receivables	–	–	23	23
Other Receivables	408	–	–	408
Total Financial Assets	718	–	23	741
Financial Liabilities				
Payables	–	–	–	–
Interest Bearing Liabilities	11,539	1,657	–	13,196
Total Financial Liabilities	11,539	1,657	–	13,196

2.1 Risk exposures

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

(a) Market risk

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

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

(i) Interest rate risk

The Corporation manages financial risk under the Board approved Treasury Management Policy. The Treasury Management Policy is set to conform with the *Borrowing and Investment Powers Act (1987)* (BIP Act). Statutory corporations obtain their power to borrow and invest under the provisions of the BIP Act. More specifically the Department of Treasury and Finance (DTF) has the primary responsibility for ensuring the government's financial management objectives are achieved by setting guidelines and recommending borrowing and investment powers. Under these guidelines, the Corporation has agreed to deal with Treasury Corporation Victoria (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.
- (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.

(ii) Foreign exchange risk

The Corporation is exposed to an insignificant foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. While there is a limited amount of purchases denominated in foreign currencies, the risk is further reduced by a short time frame between commitment and settlement. Should a significant foreign currency exposure arise, the Corporation is authorised to enter into a derivative instrument to limit the effect of foreign currency movements. The Corporation did not enter into any derivative instruments during the year.

(iii) Equity price risk

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

(iv) Other price risk

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

At the reporting date, the Corporation had no significant exposure to other price risk.

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.

Management believes there could be further downward pressure on interest rates in Australia over the next 12 months. Loans totalling \$30.5M will be renegotiated during 2013-14 most likely with longer term maturities. These loans have interest rates which are above the current TCV forecast. TCV forecasts suggest it is possible the weighted average cost of borrowings could decrease over the next 12 months by a further 0.25%.

The sensitivity analysis set out below applies a weighted average possible decrease in interest of 0.25% (2012: 0.75%) over the financial instruments and shows a net profit of \$38,000 (2012: \$337,000) to Net Result and Equity. A chance remains that interest rates may increase, management considers rates are unlikely to increase by more than 0.25% (2012: 0.5%). The impact of higher interest rates would generate a net loss of \$38,000 (2012: \$225,000) 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 2012 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 2013.

2013	Carrying amount	Interest rate risk			
		-0.25% Result	-0.25% Equity	+0.25% Result	+0.25% Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and Cash Equivalents (1)	5,902	(15)	(15)	15	15
Trade Receivables (2)	10,000	–	–	–	–
Other Receivables (2)	4,976	–	–	–	–
Other Receivable – TCV Deposit	9,420	(24)	(24)	24	24
Financial Liabilities					
Payables (2)	16,087	–	–	–	–
Interest Bearing Liabilities – Fixed	210,000	–	–	–	–
Interest Bearing Liabilities – Maturing	30,000	75	75	(75)	(75)
Interest Bearing Liabilities – Variable	500	1	1	(1)	(1)
Total		37	37	(37)	(37)

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

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

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 2012.

2012	Carrying amount	Interest rate risk			
		-0.75% Result	-0.75% Equity	+0.5% Result	+0.5% Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and Cash Equivalents (1)	7,969	(60)	(60)	40	40
Trade Receivables (2)	8,357	–	–	–	–
Other Receivables (2)	3,759	–	–	–	–
Other Receivable – TCV Deposit	9,602	(72)	(72)	48	48
Financial Liabilities					
Payables (2)	15,024	–	–	–	–
Interest Bearing Liabilities – Fixed	140,000	–	–	–	–
Interest Bearing Liabilities – Maturing	30,000	225	225	(150)	(150)
Interest Bearing Liabilities – Variable	32,500	244	244	(163)	(163)
Total		337	337	(225)	(225)

(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 and other financial assets.

The Corporation measures credit risk on a fair value basis and monitors risk on a regular basis. The Credit and Finance departments meet quarterly, where the Credit department present movements in ageing, values for time extensions, payment arrangements and impaired debt. The credit management reviews are not showing any deterioration in customer payment behaviour resulting from the changed economic environment. The Corporation minimises concentrations of credit risk in relation to trade accounts receivable by undertaking transactions with a large number of customers and does not have any significant credit risk exposure to any single counterparty.

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

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

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

No collateral is held against any class of financial asset or impaired financial asset. The Corporation relies upon the *Water Act 1989* to secure claims against land owners. However, 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 Corporation's 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 is to deal only with Australian banks with high credit ratings.

In accordance with the *Borrowing and Investment Powers Act* and the internal Treasury Management Policy, new investments by the Corporation are subject to the Treasurer's approval. Types of investments allowed under the Treasurer's approval are on deposit with the TCV, VFMC or where the Corporation is operating a bank account as part normal transactional banking operations.

(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 2013, the Corporation had no undrawn Financial Accommodation from 2012-13 (excluding the undrawn Temporary Purpose funding of \$5M).

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

The Financial Accommodation for the Corporation has been approved by the Treasurer for 2013-14.

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

Borrowing facility	2013	2012
	\$'000	\$'000
Temporary Purpose Financial Accommodation	5,000	5,000
Annual Financial Accommodation	–	–
Total undrawn approved borrowings	5,000	5,000

Maturity analysis of contractual financial liabilities

2013	Less than 6 months	6-12 Months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities						
Payables	16,087	–	–	–	–	16,087
Borrowings	20,500	10,000	20,000	90,000	100,000	240,500
Total Financial Liabilities	36,587	10,000	20,000	90,000	100,000	256,587

Maturity analysis of contractual financial liabilities

2012	Less than 6 months	6-12 Months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities						
Payables	15,024	–	–	–	–	15,024
Borrowings	52,500	–	20,000	80,000	50,000	202,500
Total Financial Liabilities	67,524	–	20,000	80,000	50,000	217,524

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 2.87% to 7.16%, (2012: 4.36% to 7.16%). 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	2013 Carrying amount	2013 Fair value amount	2012 Carrying	2012 Fair value
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and Cash Equivalents	5,902	5,902	7,969	7,969
Loans and Receivables				
– Trade Receivables	10,000	10,000	8,357	8,357
– Accrued Revenue / Other Receivables	4,661	4,661	3,480	3,480
– Deposits at TCV	9,420	9,425	9,602	9,605
Total Financial Assets	29,983	29,988	29,408	29,411
Financial Liabilities				
Payables	16,088	16,088	15,024	15,024
Interest Bearing Liabilities	240,500	251,019	202,500	205,394
Total Financial Liabilities	256,588	267,107	217,524	220,418

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Note 3: Critical Accounting Estimates and Judgements

In the application of Australian Accounting Standards, 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 and the recognition of the deferred tax balances.

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Note 4: Operating Statement – Disclosures

(a) Significant revenues

	Note	2013	2012
		\$'000	\$'000
Service Charges			
– Water Charges		18,864	17,809
– Wastewater Charges		50,802	48,675
– Trade Waste Charges		252	235
Total Service Charges	1(b)	69,918	66,719
Volumetric Charges			
– Water		30,391	26,751
– Wastewater		6,324	6,022
Total Volumetric Charges	1(b)	36,715	32,773
Developer Contributions			
– Fees Paid by Developers		2,327	2,049
– Assets Received from Developers		9,671	8,343
Total Developer Contributions	1(b)	11,998	10,392
Interest received from financial assets not at fair value through Profit/Loss		457	718
Other Revenue – Operating			
– Agriculture Pursuits		2,886	2,413
– Prescribed Waste		3,205	3,662
– Rechargeable Works		1,338	657
– Other Fees		1,331	1,079
Total Other Revenue – Operating	1(b)	8,760	7,811

(b) Net gain / (loss) on disposal of non-current assets

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

	Note	2013	2012
		\$'000	\$'000
Net Gain / (Loss) on Disposal of Property, Plant and Equipment			
– Proceeds on Sale		1,047	576
– Written Down Value		(1,408)	(747)
Net Gain / (Loss) on Disposal of Property, Plant and Equipment		(361)	(171)

(c) Significant expenditure

	Note	2013	2012
		\$'000	\$'000
Employer defined benefit and superannuation contribution expense	22	1,881	1,753
Net (Gain) / Loss arising from revaluation of Long Service Leave		(61)	(7)
Operating lease rental expense		166	176
Bad and doubtful debts			
– Written off		233	267
Auditors Remuneration			
– Auditor General for Audit of Financial Statements		57	55
– Internal Audit		150	110
Depreciation			
– Buildings		367	406
– Water Infrastructure		11,390	11,171
– Wastewater Infrastructure		14,947	14,584
– Plant and Equipment		946	1,168
– Motor Vehicles		1,335	1,215
Total Depreciation	10(b)	28,985	28,544
Amortisation			
– Software	12	382	574
Total Depreciation and Amortisation		29,367	29,118
Borrowing cost not at fair value through the profit and loss			
– Interest on TCV borrowings	1(c)	11,626	11,539
– Financial Accommodation Levy	1(c)	2,013	1,657
Total Borrowing Cost		13,639	13,196
Impairment Loss			
– Non-Financial Assets	10(b)	-	1,437
– Financial Assets – Receivables	1(d) 7	26	23
Total Impairment Loss		26	1,460
Write down of inventory		83	47
Deemed Cost of Biological Assets Sold – Timber		58	100
Deemed Cost of Biological Assets Sold – Livestock		901	1,082

Individually significant expenditure

	Note	2013	2012
		\$'000	\$'000
Unfunded Superannuation Liability. A call was made by Vision Super for \$4.6M for an additional contribution due to the deferred benefits fund being in an unfunded position.		-	4,633

CENTRAL GIPPSLAND REGION WATER CORPORATION

Note 5: Income Tax

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

	2013	2012
	\$'000	\$'000
Net result before income tax expense	4,416	(3631)
Tax at the Australian tax rate of 30% (2012: 30%)	1,325	1,089
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Expenditure not allowable for income tax purposes	4	44
Benefit of tax losses not brought to account	–	(530)
Other Permanent Adjustment	(58)	–
Income tax expense as reported in the Operating Statement	1,271	1,576

(b) Deferred tax assets

	2013	2012
	\$'000	\$'000
This balance comprises temporary differences attributable to:		
Amounts recognised in Operating Statement		
Provisions and accrued expenditure not deductible	2,414	3,677
Other	526	649
Tax Losses	61,719	56,492
Net deferred tax assets	64,659	60,818
Movements:		
Opening balance at 1 July	60,818	54,529
Credited / (charged) to the Operating Statement	(1,386)	505
Tax losses	5,227	5,784
Closing balance at 30 June	64,659	60,818
Deferred tax assets to be recovered after more than 12 months	64,659	60,818

(c) Deferred tax liabilities

	2013	2012
	\$'000	\$'000
This balance comprises temporary differences attributable to:		
Amounts recognised in the Operating Statement		
Depreciation	75,303	70,539
Other	1,569	1,220
Amounts recognised in equity		
Asset Revaluations	67,092	67,719,
Net deferred tax liabilities	143,964	139,478
Movements:		
Opening balance at 1 July	139,478	135,247
Credited / (charged) to the Operating Statement	5,113	4,713
Credited / (charged) to the equity	(627)	(482)
Closing balance at 30 June	143,964	139,478
Deferred tax liabilities to be recovered after more than 12 months		
	143,964	139,478

CENTRAL GIPPSLAND REGION WATER CORPORATION

Note 6: Cash and Cash Equivalents

	2013	2012
	\$'000	\$'000
Cash and Cash Equivalents		
Cash on Hand	1	1
Cash at Bank	5,901	7,968
Total Cash and Cash Equivalents	5,902	7,969

(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:

	2013	2012
	\$'000	\$'000
Cash and Cash Equivalents		
Balances as above	5,902	7,969
Balances as per Cash Flow Statement	5,902	7,969

(c) Deposits at call

The deposits are bearing floating interest rates between 2.75% and 3.50% (2012 3.50% and 4.69%).

CENTRAL GIPPSLAND REGION WATER CORPORATION

Note 7: Receivables

	2013	2012
	\$'000	\$'000
Current		
Trade Receivables	10,180	8,511
Provision for impaired receivables (a)	(180)	(154)
Goods and Services Taxation Refund Due	2,587	1,212
Accrued Revenue	4,661	3,480
Total Receivables	17,248	13,049

(a) Movement in provision for impaired receivables

	2013	2012
	\$'000	\$'000
Opening balance at 1 July	(154)	(131)
(Increase) / decrease in allowance recognised in profit or loss	(259)	(290)
Amounts recovered during the year	-	-
Amounts written off during the year	233	267
Closing balance at 30 June	(180)	(154)

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.

	2013	2012
	\$'000	\$'000
The carrying amount of Trade Receivables that would otherwise be past due or impaired whose terms have been renegotiated.	1,018	830

(b) Trade Receivables past due but not impaired

	2013	2012
	\$'000	\$'000
30 - 60 Days	1,055	916
60 - 90 Days	201	228
Over 90 Days	501	385
Total Trade Receivables past due but not impaired	1,757	1,529

Total impaired Trade Receivables at 30 June 2013 were \$180,000 (2012: \$154,000).

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 2013 (2012: 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.

CENTRAL GIPPSLAND REGION WATER CORPORATION

Note 8: Inventories

	2013	2012
	\$'000	\$'000
Stores and Consumables – at Cost	2,219	2,025
Total Inventories	2,219	2,025

There were no inventories pledged as security for liabilities (2012: Nil)

CENTRAL GIPPSLAND REGION WATER CORPORATION

Note 9: Other Financial Assets

	2013	2012
	\$'000	\$'000
Current Other Financial Assets at Amortised Cost		
Private Schemes Unmatured Capital	3	-
Other	268	219
Total Current Other Financial Assets	271	219
Non-current Other Financial Assets at Amortised Cost		
Private Schemes Unmatured Capital	44	60
Deposit – TCV Country Towns Water Supply and Sewerage Scheme	8,420	8,602
Deposit – TCV Environmental Bond	1,000	1,000
Total Non-current Other Financial Assets	9,464	9,662
Total Other Receivables	9,735	9,881

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 Small Town Water and Sewerage Program

Represents a contribution from owners to be used specifically for a small town water and sewerage program. Conditions and milestones have been set by the Department of Environment and Primary Industries (DEPI), formerly known as the Department of Sustainability and Environment (DSE) on this contribution.

Deposit – TCV Environmental Bond

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

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

	2013	2012
	\$'000	\$'000
Other Financial Assets and Private Schemes	315	279
Deposit – TCV Small Town Water and Sewerage Program	8,419	8,602
Deposit – TCV Environmental Bond	1,006	1,003
Other Long Term Receivable	-	-
Total Other Receivables at Fair Value	9,740	9,884

CENTRAL GIPPSLAND REGION WATER CORPORATION

Note 10: Infrastructure, Property, Plant and Equipment

(a) Classes of infrastructure, property, plant and equipment

	2013	2012
	\$'000	\$'000
Land		
At Cost	1,009	142
At Independent Valuation	29,075	29,075
	30,084	29,217
Buildings		
At Cost	629	200
At Independent Valuation	9,511	9,511
Less: Accumulated Depreciation	(773)	(406)
	9,367	9,305
Water Infrastructure		
At Cost	33,035	16,197
At Independent Valuation	343,037	344,385
Less: Accumulated Depreciation	(22,238)	(11,118)
	353,834	349,464
Wastewater Infrastructure		
At Cost	37,189	18,660
At Independent Valuation	537,907	539,191
Less: Accumulated Depreciation	(29,432)	(14,554)
	545,664	543,297
Plant, Equipment and Other		
At Fair Value	15,738	15,549
Less: Accumulated Depreciation	(11,336)	(10,463)
	4,402	5,086

Motor Vehicles		
At Fair Value	9,573	8,565
Less: Accumulated Depreciation	(3,204)	(3,119)
	6,369	5,446
Under Construction (Work In Progress)	79,568	52,242
	79,568	52,242
Total Infrastructure, Property, Plant and Equipment	1,029,288	994,057

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 greenfield 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.

Note 10: Infrastructure, Property, Plant and Equipment (continued) 2012-13								
b) Movements during the reporting period								
	Opening WDV 1 July 2012	Additions (ii)	Disposals	Net revaluation	Transfers between categories	Impairment (i)	Depreciation	Closing WDV 30 June 2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land								
At Cost	142	-	-	-	-	-	-	142
At Independent Valuation	29,075	-	-	-	867	-	-	29,942
	29,217	-	-	-	867	-	-	30,084
Buildings								
At Cost	168	-	-	-	429	-	(41)	556
At Independent Valuation	9,137	-	-	-	-	-	(326)	8,811
	9,305	-	-	-	429	-	(367)	9,367
Water Infrastructure								
At Cost	15,866	2,518	(15)	-	14,474	-	(780)	32,063
At Independent Valuation	333,598	-	(727)	-	(140)	(350)	(10,610)	321,771
	349,464	2,518	(742)	-	14,334	(350)	(11,390)	353,834

Wastewater Infrastructure									
At Cost	18,298	7,374	(28)	-	11,469	-	(853)	36,260	
At Independent Valuation	524,999	-	-	-	(298)	(1,203)	(14,094)	509,404	
	543,297	7,374	(28)	-	11,171	(1,203)	(14,947)	545,664	
Plant, Equipment and Other									
At Fair Value	5,086		(100)	-	362	-	(946)	4,402	
	5,086	-	(100)	-	362	-	(946)	4,402	
Motor Vehicles									
At Fair Value	5,446		(914)	-	3,172	-	(1,335)	6,369	
	5,446	-	(914)	-	3,172	-	(1,335)	6,369	
Under Construction	52,242	57,957	-	-	(30,631)	-	-	79,568	
	52,242	57,957	-	-	(30,631)	-	-	79,568	
Total Infrastructure, Property, Plant and Equipment	994,057	67,849	(1,784)	-	(296)	(1,553)	(28,985)	1,029,288	
(i) Impairment during the year was due to derecognition of assets no longer in service.									
(ii) Water and Wastewater Infrastructure additions are Developer Gifted Assets net of adjustments for inventory and accruals.									

Infrastructure, Property, Plant and Equipment (continued) 2011-12								
b) Movements during the reporting period								
	Opening WDV 1 July 2011	Additions	Disposals	Net revaluation	Transfers between categories	Impairment (i)	Depreciation	Closing WDV 30 June 2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land								
At Cost	-	142	-	-	-	-	-	142
At Independent Valuation	29,075	-	-	-	-	-	-	29,075
	29,075	142	-	-	-	-	-	29,217
Buildings								
At Cost	-	-	-	-	200	-	(32)	168
At Independent Valuation	9,511	-	-	-	-	-	(374)	9,137
	9,511	-	-	-	200	-	(406)	9,305
Water Infrastructure								
At Cost	-	2,295	-	-	13,875	-	(304)	15,866
At Independent Valuation	345,623	-	-	-	-	(1,158)	(10,867)	333,598
	345,623	2,295	-	-	13,875	(1,158)	(11,171)	349,464
Wastewater Infrastructure								
At Cost	-	5,789	-	-	12,879	-	(370)	18,298

At Independent Valuation	539,704	-	(359)	-	-	(132)	(14,214)	524,999
	539,704	5,789	(359)	-	12,879	(132)	(14,584)	543,297
Plant, Equipment and Other								
At Cost	6,423	-	-	-	(22)	(147)	(1,168)	5,086
	6,423	-	-	-	(22)	(147)	(1,168)	5,086
Motor Vehicles								
At Cost	3,384	-	(578)	-	3,855	-	(1,215)	5,446
	3,384	-	(578)	-	3,855	-	(1,215)	5,446
Under Construction	42,004	41,261	-	-	(31,023)	-	-	52,242
	42,004	41,261	-	-	(31,023)	-	-	52,242
Total Infrastructure, Property, Plant and Equipment	975,724	49,487	(937)	-	(236)	(1,437)	(28,544)	994,057
(i) Impairment during the year was due to derecognition of assets no longer in service.								

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Note 11: Biological Assets

	2013	2012
	\$'000	\$'000
Biological Assets		
Current – Plants		
Fodder	115	96
Crops - Feed Grade	58	87
Plantation Softwood	-	274
	173	457
Current – Animals		
Cattle	494	464
Sheep	2	94
	496	558
Total Current Biological Assets	669	1,015
Non-current		
Plantation Softwood	1,894	848
Cattle	983	1,381
Total Non-current Biological Assets	2,877	2,229
Total Biological Asset Carrying Amount at 30 June	3,545	3,243
Movement in Carrying Amount		
Carrying amount at 1 July	3,243	2,849
Increases due to:		
Purchases	278	803
Natural Increase	894	913
New Crops	-	-
Fair Value increase – Livestock and Plantations	1,010	396
Decreases attributable to:		
Sales	(1,821)	(1,669)
Deaths	(59)	(49)
Carrying amount at 30 June	3,545	3,243

	2013	2012	2013	2012
(a) Plants (i)	\$'000	\$'000	Qty	Qty
Consumable Assets				
Mature Assets				
Fodder				
Silage – (Qty Bales)	33	29	658	723
Cereal and Legume Silage (Tonnes)	74	60	920	706
Hay	8	7	179	550
Crops				
Feed Wheat (Qty Tonnes)	27	46	90	209
Feed Barley (Qty Tonnes)	22	4	80	2
Feed Lupins (Qty Tonnes)	-	29	-	107
Feed Triticale (Qty Tonnes)	-	8	-	38
Canola	9	-	30	-
Softwood Pinus Radiata (Qty Ha)	-	274	-	65
Total Consumable Assets	173	457		
Non-bearer Assets				
Immature Assets				
Softwood Pinus Radiata (Qty Ha)	1,894	848	523	469
Total Non-bearer Assets	1,894	848		

	2013	2012	2013	2012
(b) Animals (ii)	\$'000	\$'000	Qty	Qty
Consumable Assets				
Immature Assets				
Mixed sex calves and weaners	494	464	924	632
Lambs	2	94	29	986
	497	559	953	1,618
Mature Assets				
Bullocks	-	-	-	-
Total Consumable Assets	497	559	953	1,618
Bearer Assets				
Immature Assets				
Heifers	602	662	814	736
Mature Assets				
Cows and Bulls	381	719	414	727
Total Bearer Assets	983	1,381	1,228	1,463
Output				
Crops and Livestock	894	913	890	839
Fair value of output was determined at closing market value.				

- (i) Agribusiness Valuations Australia, Certified Practicing Valuers, completed an independent valuation of plantations as at 30 June 2013.
- (ii) Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2013.
- The Agribusiness is operated across 12 broad acre land assets (10,000ha) owned or vested in the Corporation. These lands support a large mixed farming enterprise, encompassing livestock, plantation, grain and fodder. These form integrated components of the land management business, with each enterprise providing support services to 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.

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Note 12: Intangible Assets

(a) Classes of intangible assets

	2013	2012
	\$'000	\$'000
Software at Cost	9,421	8,876
Accumulated Amortisation	(8,428)	(8,046)
	993	830
Software Development (Work in Progress)	678	356
Total Intangible Assets	1,671	1,186

(b) Movements during the reporting period

2012-13					
	Opening WDV	Additions	Transfers	Amortisation	Closing WDV
	1 July 2012				30 June 2013
	\$'000	\$'000	\$'000	\$'000	\$'000
Software at Cost	8,876	-	545	-	9,421
Accumulated Amortisation	(8,046)	-	-	(382)	(8,428)
	830	-	545	(382)	993
Software Development (Work in Progress)	356	570	(248)	-	678
Total Intangible Assets	1,186	570	297	(382)	1,671

2011-12					
	Opening WDV	Additions	Transfers	Amortisation	Closing WDV
	1 July 2011				30 June 2012
	\$'000	\$'000	\$'000	\$'000	\$'000
Software at Cost	8,876	-	-	-	8,876
Accumulated Amortisation	(7,472)	-	-	(574)	(8,046)
	1,404	-	-	(574)	830
Software Development (Work in Progress)	200	156	-	-	356
Total Intangible Assets	1,604	156	-	(574)	1,186

CENTRAL GIPPSLAND REGION WATER CORPORATION

Note 13: Payables

	2013	2012
	\$'000	\$'000
Payables		
Current		
Trade Creditors	290	496
Accrued Expenses	11,068	10,695
Other		
Security Deposits	1,143	1,314
Retentions	1,279	707
Overpaid Rates and Charges	2,092	1,641
Unclaimed Monies	5	1
Other	210	170
Total Current Payables	16,087	15,024
Total Payables do not include any foreign currency denominated liabilities (2012: Nil).		

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Note 14: Interest Bearing Liabilities

	2013	2012
	\$'000	\$'000
Interest Bearing Liabilities		
<i>Current Secured</i>		
Borrowing – TCV	30,500	52,500
Total Current Interest Bearing Liabilities	30,500	52,500
<i>Non-current Secured</i>		
Borrowing – TCV	210,000	150,000
Total Non-current Interest Bearing Liabilities	210,000	150,000
Total Interest Bearing Liabilities	240,500	202,500
Term to Maturity		
0 - 1 year	30,500	52,500
1 - 4 years	100,000	70,000
4 - 8 years	70,000	60,000
8 years and over	40,000	20,000
Total Interest Bearing Liabilities	240,500	202,500
Credit Standby Arrangements		
Total facilities – TCV	5,000	5,000
Unused at balance date	(5,000)	(5,000)
	-	-
Bank Loan Facilities		
Total facilities	38,000	17,500
Used at balance date	38,000	17,500
Unused at balance date	-	-
Fair Value		
Non Traded Financial Liabilities		
Borrowing – TCV	251,019	205,394

The fair values of borrowings are based on cash flows discounted using borrowing rates varying from 2.87% to 7.16%, (2012: 4.36% to 7.16%).

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

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

CENTRAL GIPPSLAND REGION WATER CORPORATION

Note 15: Employee Benefits

	2013	2012
	\$'000	\$'000
Employee Benefits		
<i>Current</i>		
All annual leave, sick leave, employee bonuses and long service leave representing seven 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.	2,586	2,452
Other long-term employee benefits that are not expected to fall due within 12 months after the end of the period, measured at present value.	3,236	2,921
Total Current Employee Benefits	5,822	5,373
<i>Non-current</i>		
Conditional Long Service Leave, measured at present value	1,040	1,003
Total Non-current Employee Benefits	1,040	1,003
Total Employee Benefits	6,862	6,376
Employee numbers at end of financial year (FTE)	251	245
The following assumptions were adopted in measuring the present value of long service leave and retirement gratuity entitlements:		
Weighted average increase in employee costs	4.50%	4.31%
Weighted average discount rates	2.47 - 3.94%	2.12 - 3.02%
Weighted average settlement period	13 years	13 years

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Note 16 Provisions

	Notes	2013	2012
		\$'000	\$'000
Provisions			
<i>Current</i>			
Bioremediation Pond	(a)	150	285
Landfill Site Rehabilitation	(b)	30	30
Total Current Other Provisions		180	315
<i>Non-current</i>			
Bioremediation Pond	(a)	513	481
Landfill Site Rehabilitation	(b)	287	298
Total Non-current Other Provisions		800	779
Total Other Provisions		980	1,094

(a) Bioremediation Pond

Rehabilitation works commenced in 2010-11, with works to be completed in accordance with the Rehabilitation Action Plan.

(b) Landfill Site Rehabilitation

Based upon current utilisation, the estimated remaining useful life of the landfill site is 12 years. This is reviewed annually.

Movements in Provisions			
	Bio-remediation Pond	Landfill Site Rehabilitation	Total
Opening balance at 1 July	766	328	1,094
Additional provisions recognised	5	-	5
Payments or other sacrifices of economic benefits	(108)	(11)	(119)
Reductions from remeasurement or settlement without cost	-	-	-
Closing balance at 30 June	663	317	980

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Note 17: Contributed Capital

	Note	2013	2012
		\$'000	\$'000
Contributed Capital			
Opening balance at 1 July		253,822	253,680
Capital contributions		1,000	142
Closing balance at 30 June		254,822	253,822

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Note 18: Reserves

	Note	2013	2012
		\$'000	\$'000
Reserves			
Asset Revaluation Reserve			
– Land (net of tax)		15,349	15,349
– Buildings (net of tax)		1,843	1,843
– Infrastructure (net of tax)		147,424	148,886
Total Reserves		164,616	166,078

Movements in Reserves			
Asset Revaluation Reserve			
Opening balance at 1 July		166,078	167,686
Revaluation increment / (decrement) on non-current assets, net of tax		(1,300)	(1,608)
Component of disposed assets transfer to Accumulated Funds	19	(162)	–
Closing balance at 30 June		164,616	166,078

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

CENTRAL GIPPSLAND REGION WATER CORPORATION

Note 19: Accumulated Funds

	Note	2013	2012
		\$'000	\$'000
Accumulated Funds			
Opening balance at 1 July		303,614	305,669
Transfer from asset revaluation reserve	18	162	–
Net result for the period		3,145	(2,055)
Closing balance at 30 June		306,921	303,614

CENTRAL GIPPSLAND REGION WATER CORPORATION

Note 20: Commitments

	2013	2012
	\$'000	\$'000
Commitments		
Non-Cancellable Operating Lease Commitments		
At 30 June 2013, the Corporation had the following operating lease commitments:		
Leases for access to roads and infrastructure		
At 30 June 2013, the Corporation had operating lease commitments due for payment as follows:		
– Within one year	61	59
– Later than one year but not later than five years	39	237
– Later than five years	42	121
Total Operating Lease Commitments	142	417
Capital Expenditure Commitments		
Infrastructure, Property, Plant and Equipment		
– Within one year	6,261	6,376
– Later than one year but not later than five years	–	–
– Later than five years	–	–
Total Capital Commitments	6,261	6,376
Other Commitments		
Environmental contribution		
– Within one year	4,660	2,793
– Later than one year but not later than five years	9,320	13,980
– Later than five years	–	–
Total Environmental Contribution Commitment	13,980	16,773
At 30 June 2013, the Corporation did not have any outstanding commitments for the purchase of biological assets or intangible assets.		

CENTRAL GIPPSLAND REGION WATER CORPORATION

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 \$7.3M (2012: \$7.6M).

CENTRAL GIPPSLAND REGION WATER CORPORATION

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.

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

Defined benefit plan

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the 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 2011, the Corporation makes the following contributions:

- 9.25% - 15.25% of members' salaries.
- the difference between resignation and retrenchment benefits paid to any retrenched employees.

Shortfall amounts

The Fund's latest actuarial investigation as at 31 December 2011 identified an unfunded liability of \$406M (excluding contributions tax) in the defined benefits category of which the Corporation is a contributing employer. The Corporation was made aware of the expected shortfall during the 2011-12 year and was informed of the shortfall on 2 August 2012. The Corporation has not been advised of any further adjustments.

The projected value of the Corporation's contribution to the shortfall at 30 June 2012 (excluding contributions tax) amounted to \$4.6M which was accounted for in the 2011-12 Comprehensive Operating Statement and in the Balance Sheet. The Corporation received an early payment discount of \$0.05M and this has been accounted for in the 2012-13 Comprehensive Operating Statement.

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions) and for the calculation of accrued benefits as required in 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.

Disclosure requirements

The Fund's liability for accrued benefits was determined in the 31 December 2011 actuarial investigation pursuant to the then requirements of Australian Accounting Standard AAS 25 as follows:

	\$M
Net Market Value of Assets	4,315
Accrued Benefits (per accounting standard)	4,642
Difference between Assets and Accrued Benefits	(327)
Vested Benefits (minimum sum which must be paid to members when they leave the fund)	4,839

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

– Net Investment Return	7.50%
– 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	2013 \$'000	2012 \$'000
Vision Super – Defined Benefits	Defined Benefit	9.25 - 15.25%	268	301
Vision Super – Super Saver	Accumulation	9%	1,064	1,032
AustralianSuper	Accumulation	9%	85	57
VicSuper	Accumulation	9%	57	32
EquipSuper Fund	Accumulation	9%	48	42
CBUS Superannuation	Accumulation	9%	41	34
REST Superannuation	Accumulation	9%	30	19
Colonial First State	Accumulation	9%	30	26
Asgard Superannuation	Accumulation	9%	20	15
BT Superwrap	Accumulation	9%	19	18
Hostplus Superannuation	Accumulation	9%	19	13
Unisuper	Accumulation	9%	17	21
MLC Super	Accumulation	9%	13	14
Other Retail Superannuation Funds	Accumulation	9%	116	78
Self Managed Superannuation Funds	Accumulation	Various	54	51
Total			1,881	1,753

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

CENTRAL GIPPSLAND REGION WATER CORPORATION

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. Peter Walsh MLA, Minister for Water

Board members

Richard McDowell (Chairperson)

Sarah Cumming (Deputy Chairperson)

William (Peter) Day

Kevin McKenzie

Malcolm Eccles

Leonie Hemingway (Appointed 1 October 2012)

Ormond Pearson (Appointed 1 October 2012)

Duncan Malcolm (Retired 30 September 2012)

Janice van Reyk (Retired 30 September 2012)

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.

	2013	2012
	\$'000	\$'000
Remuneration received, or due and receivable from the Corporation in connection with the management of the Corporation (includes termination payments and bonuses paid at the end of contracts).	443	436

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

	Total remuneration	
Income band (\$'s)	2013 No.	2012 No.
Up to 9,999	2	2
10,000 - 19,999	2	3
20,000 - 29,999	4	3
30,000 - 39,999	-	-
40,000 - 49,999	1	1
260,000 - 269,999	-	1
270,000 - 279,999	1	-
Total numbers	10	10

Retirement benefits of responsible persons

The retirement benefits paid by the Corporation in connection with the retirement of responsible persons of the Corporation for 2013 was \$nil (2012: \$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 (2012: \$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 in 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.

David Mawer is a Director of the savewater! Alliance. During 2012-13, Gippsland Water made payments to this organisation of \$73,646 (2012: \$40,660). These payments were on standard commercial arrangements.

(b) Executive officers' remuneration

The number of executive officers, other than responsible persons, whose total remuneration falls within the specified bands above \$100,000 are 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	
	2013 No.	2012 No.	2013 No.	2012 No.
110,000 - 119,999	-	-	-	-
120,000 - 129,999	-	-	-	-
130,000 - 139,999	-	-	-	-
140,000 - 149,999	-	-	-	-
150,000 - 159,999	-	-	-	1
160,000 - 169,999	-	1	1	-
170,000 - 179,999	1	-	-	-
180,000 - 189,999	-	-	2	2
190,000 - 199,999	2	2	-	-
Total number of executives	3	3	3	3
Total Annualised Employee Equivalent (AEE)	5.00	3.00	5.00	3.00
Total remuneration for the reporting period of executive officers included above amounted to (\$'000):	569	554	538	523

(c) Other personnel (contractors with significant management responsibilities)

During the year the Corporation had no other Personnel, by way of contractors, charged with significant management responsibilities.

CENTRAL GIPPSLAND REGION WATER CORPORATION

Note 24: Reconciliation of Operating Result for the Period After Related Income Tax to Net Cash Flows from Operating Activities

	Note	2013	2012
		\$'000	\$'000
Reconciliation of Operating Result for the Period After Related Income Tax to Net Cash Flows from Operating Activities			
Net Result for Period	19	3,145	(2,055)
Add / (Less) Non-cash Flows in Operating Activities			
Loss on Sale and Impairment of Property, Plant and Equipment	4(b) (c)	361	170
Depreciation and Amortisation	4(c)	29,366	29,118
Developer Contributions	4(a)	(9,658)	(8,339)
Provision for Impaired Receivables		26	23
Plantations Revenue Non-Cash		(772)	(93)
Income Tax Expense/ (Benefit)		1,271	(1,576)
Net Cash provided by Operating Activities Before Change in Assets and Liabilities		23,739	17,248
Changes in Operating Assets and Liabilities			
(Increase) / Decrease in Trade Receivables		(4,223)	(977)
(Increase) / Decrease in Other Current Assets		(142)	(62)
(Increase) / Decrease in Inventory and Livestock		276	(389)
(Increase) / Decrease in Other Receivables		—	—
(Increase) / Decrease in Deferred Tax Liabilities / Assets		(626)	
(Decrease) / Increase in Payables		(1,773)	4,723
(Decrease) / Increase in Provisions		(114)	(792)
(Decrease) / Increase in Employee Benefits		485	752
Net Cash Flows From Operating Activities		17,622	20,503

CENTRAL GIPPSLAND REGION WATER CORPORATION

Note 25: Dividends

No dividend has been provided for the current financial year as the process to determine the 2013 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 2012-13 result.

CENTRAL GIPPSLAND REGION WATER CORPORATION

Note 26: Events Occurring After the Balance Sheet Date

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

CENTRAL GIPPSLAND REGION WATER CORPORATION

Note 27: Adoption of Tax Effect Accounting and correction of prior year error

During the 2012-13 financial year, Gippsland Water elected to adopt full tax-effect accounting.

This has required the creation of a Deferred Tax Asset and an additional component of Deferred Tax Liability in the Balance Sheet to represent timing differences. The financial statements have been restated below.

In addition, an error was identified in the financial statements for the prior year. The error described below have been adjusted by restating the affected accounts.

Error in calculation of Accrued Expenses

As part of our reconciliation procedures, it was identified that certain expenses in the 2011-12 had been recognised twice. The discrepancy has resulted in an error of \$0.6M.

The net impact of the errors were:

2011-12

- (i) An understatement of accumulated surplus of \$0.6M.
- (ii) An overstatement of accrued expenses of \$0.6M.

Restatement of financial statements as a result of the correction of an error and introduction of Tax Effect Accounting.

<i>Operating Statement (extract)</i>	Actual 2012	Correction of 2012 error	Introduction of Tax Effect Accounting	Restated 2012
Total Revenue	119,735	–	–	119,735
Expenses				
Direct operating	20,430	(540)	–	19,890
Total Expenses	123,906	(540)	–	123,366
Net Result before Tax	(4,171)	(540)	–	(3,631)
Income Tax Expense / (Benefit)	–	–	(1,576)	(1,576)
Net Result	(4,171)	–	(1,576)	(2,055)

<i>Balance Sheet (extract)</i>	Actual 2012	Correction of 2012 error	Introduction of Tax Effect Accounting	Restated 2012
Non-current Assets				
Deferred Tax Asset	–	–	60,818	60,818
Total Current Assets	1,007,134	–	60,818	1,067,952
Current Liabilities				
Payables	15,564	(540)	–	15,024
Total Current Liabilities	73,752	(540)	–	73,212
Non-Current Liabilities				
Deferred Tax Liability	70,139	–	69,339	139,478
Total Non-Current Liabilities	226,555	–	69,339	295,894
TOTAL LIABILITIES	300,307	(540)	69,339	369,106
EQUITY				
Contributed Capital	253,822	–	–	253,822
Reserves	163,658	–	2,420	166,078
Accumulated Funds	314,015	540	(10,941)	303,614
TOTAL EQUITY	731,495	540	(8,521)	723,514

Income Tax	Actual 2012	Correction of 2012 error	Introduction of Tax Effect Accounting	Restated 2012
Reconciliation of Income Tax to Prima Facie Tax Payable				
Net result before income tax expense	(4,171)	(540)	–	(3,631)
Tax at the Australian tax rate of 30% (2011: 30%)	(1,251)	(162)	–	(1,089)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Expenditure not allowable for income tax purposes	44,284	–	(44,240)	44
Expenditure allowable for income tax purposes	(58,179)	–	58,179	–
Benefit of tax losses not brought to account	15,146	–	(15,676)	(530)
Income tax expense as reported in the Operating Statement	–	–	(1,576)	(1,576)

Deferred Tax Asset	Actual 2012	Correction of 2012 error	Introduction of Tax Effect Accounting	Restated 2012
This balance comprises temporary differences attributable to:				
Amounts recognised in Operating Statement				
Provisions and accrued expenditure not deductible	–	–	3,677	3,677
Other	–	–	649	649
Tax Losses	–	–	56,492	56,492
Net deferred tax assets	–	–	60,818	60,818
Movements:				
Opening balance at 1 July	–	–	54,529	54,529
Credited / (charged) to the Operating Statement	–	–	505	505
Tax losses	–	–	5,784	5,784
Closing balance at 30 June	–	–	60,818	60,818
Deferred tax assets to be recovered after more than 12 months	–	–	60,818	60,818

Deferred Tax Liabilities	Actual 2012	Correction of 2012 error	Introduction of Tax Effect Accounting	Restated 2012
This balance comprises temporary differences attributable to:				
Amounts recognised in the Operating Statement				
Depreciation	–	–	70,539	70,539
Other	–	–	1,220	1,220
Amounts recognised in equity				
Asset Revaluations	70,139	–	(2,420)	67,719
Net deferred tax liabilities	70,139	–	69,339	139,478
Movements:				
Opening balance at 1 July	70,766	–	65,108	135,874
Credited / (charged) to the operating statement	(627)	–	4,713	4,086
Credited / (charged) to the equity	–	–	(482)	(482)
Closing balance at 30 June	70,139	–	69,339	139,478
Deferred tax liabilities to be recovered after more than 12 months	70,139	–	69,339	139,478

Note 13 Payables (extract)	Actual 2012	Correction of 2012 error	Introduction of Tax Effect Accounting	Restated 2012
<i>Current</i>				
Accrued Expenses	11,235	(540)	–	10,695
Total Current Payables	15,564	(540)	–	15,024

Note 19 Accumulated Funds (extract)	Actual 2012	Correction of 2012 error	Introduction of Tax Effect Accounting	Restated 2012
Accumulated Funds				
Opening balance at 1 July	318,186	–	(10,941)	307,245
Transfer from asset revaluation reserve				
Net Result for the period	(4,171)	540	–	(3,631)
Closing balance at 30 June	314,015	540	(10,941)	303,614

Note 24 Cash Flow Reconciliation(extract)	Actual 2012	Correction of 2012 error	Introduction of Tax Effect Accounting	Restated 2012
Reconciliation of operating result for the period after related income tax to net cash flows from operating activities				
	(4,171)	540	1,576	(2,055)
Net Result				
Add / (Less) Non-cash Flows in operating activities				
Loss on Sale and Impairment of Property, Plant and Equipment	170	–	–	170
Depreciation and Amortisation	29,118	–	–	29,118
Developer Contributions	(8,339)	–	–	(8,339)
Provision for Impaired Receivables	23	–	–	23
Plantations Revenue non-cash	(93)	–	–	(93)
Income Tax Expense / (Benefit)	–	–	(1,576)	(1,576)
Net Cash provided by Operating Activities before change in Assets and Liabilities	16,708	540	–	17,248
Changes in Operating Assets and Liabilities				
(Increase) / Decrease in Trade Receivables	(977)	–	–	(977)
(Increase) / Decrease in Other Current Assets	(62)	–	–	(62)
(Increase) / Decrease in Inventory and Livestock	(389)	–	–	(389)
(Increase) / Decrease in Other Receivables	–	–	–	–
(Decrease) / Increase in Payables	5,263	(540)	–	4,723
(Decrease) / Increase in Provisions	(791)	–	–	(791)
(Decrease) / Increase in Employee Benefits	752	–	–	752
Net Cash Flows From Operating Activities	20,503	–	–	20,503

CENTRAL GIPPSLAND REGION WATER CORPORATION

Note 28: Ex-Gratia Payments

	2013	2012
	\$'000	\$'000
Ex-Gratia Payments		
The Corporation made the following ex-gratia payments (\$'000)	22	–

There was an ex-gratia made to an ex-employee during 2012-13.

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

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

We authorise the attached financial statements for issue on 27th August 2013.



Richard McDowell
Chairperson

Central Gippsland Region Water Corporation



David Mawer
Managing Director

Central Gippsland Region Water Corporation

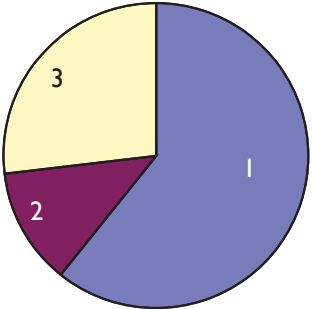


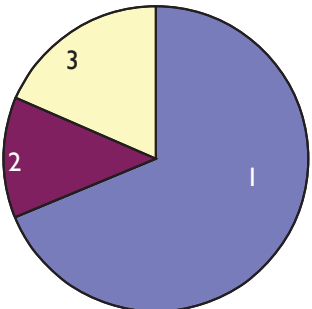
Anthony Staley
Chief Financial Officer

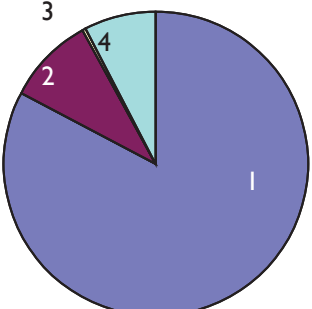
Central Gippsland Region Water Corporation

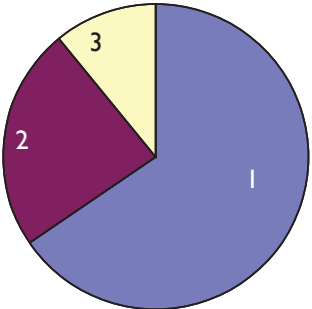
Dated the 27th day of August 2013

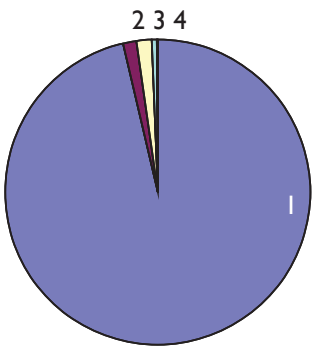
Financial Performance and Business Indicators as at 30 June 2013

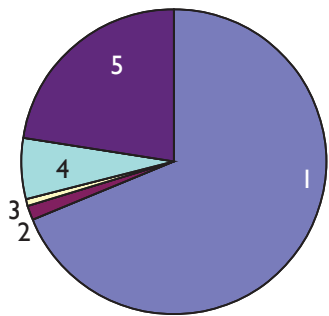
Water Income from Service and Volumetric Charges		
		2013
		\$'000
	1 Urban Residential	29,917
	2 Urban Non-Residential	6,083
	3 Major Clients	13,255
	TOTAL	49,255

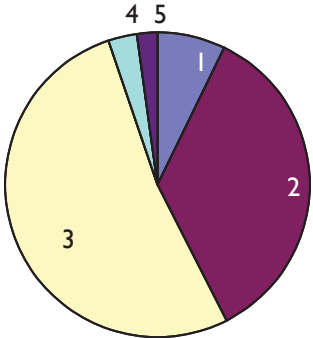
Wastewater Income from Service and Volumetric Charges		
		2013
		\$'000
	1 Urban Residential	39,448
	2 Urban Non-Residential	7,336
	3 Major Clients	10,594
	TOTAL	57,378

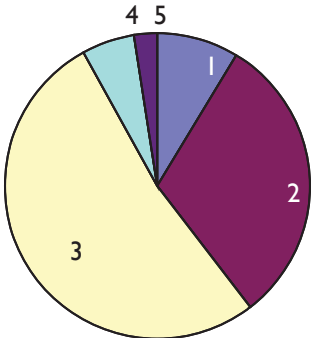
Total Income from All Sources		
		2013
		\$'000
	1 Service and Volumetric	106,633
	2 Development Contributions	11,998
	3 Interest	457
	4 Other	9,856
	TOTAL	128,944

Total Expenses		
		2013
		\$'000
	1 Operations, Maintenance and Administration	81,522
	2 Depreciation	29,367
	3 Interest	13,639
	TOTAL	124,528

Total Assets		
		2013
		\$'000
	1 Fixed Assets	1,030,960
	2 Cash and Investments	15,366
	3 Debtors and Receivables	17,248
	4 Inventory and Biological	5,764
	Other	65,413
	TOTAL	1,134,751

Liabilities and Equity		
		2013
		\$'000
	1 Equity	726,359
	2 Creditors and Accruals	16,087
	3 Provisions	7,842
	4 Deferred Tax Liability	143,963
	5 Borrowings	240,500
	TOTAL	1,134,751

Business Stream Revenue		
		2013
		%
	1 Bulk	8%
	2 Water	35%
	3 Waste	52%
	4 SORF	3%
	5 Agriculture	2%
	TOTAL	100%

Business Stream Expenses		
		2013
		%
	Bulk	9%
	Water	31%
	Waste	52%
	SORF	6%
	Agriculture	2%
	TOTAL	100%

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 2013 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, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Central Gippsland Region Water Corporation as at 30 June 2013 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Central Gippsland Region Water Corporation for the year ended 30 June 2013 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
27 August 2013

T. D.H.
for John Doyle
Auditor-General

PART 8: PERFORMANCE REPORT

Performance Report for the year ended 30 June 2013

Performance Indicator	2012	2013	2013	%	Note
	Result	Result	Target	Variance	
Part I-Financial Performance Indicators					
Internal Financing Ratio					
Net Operating Cash Flow / Capital Expenditure	50.2%	29.7%	36.9%	-19.6%	(1)
Gearing Ratio					
Total Debt / Total Assets	19.6%	21.2%	21.4%	0.9%	
Interest Cover (EBIT)					
Earnings Before Net Interest and Tax / Net Interest Expense	0.8	1.3	1.3	0.0%	(1)
Interest Cover (Cash)					
Cash Flow From Operations Before Net Interest and Tax / Net	2.7	2.3	2.9	-20.3%	(1)
Interest Payments					

- (1) The Internal Financing Ratio and Interest Cover (Cash) have both deteriorated from last year and are unfavourable to target. This is due to operating cashflows being lower than target with a one off payment of \$4.6M for unfunded superannuation liability to Vision Super. This expense was allowed for in 2011-12, but paid in June 2013. The movement in Interest Cover (EBIT) from 2012 to 2013 reflects the higher EBIT in 2013.

Performance Report for the year ended 30 June 2013					
Performance Indicator	2012	2013	2013	%	Note
	Result	Result	Target	Variance	
PART 2 - Service and Environmental Performance Indicators					
Water supply interruptions					
Number of customers experiencing more than 5 unplanned water supply interruptions in the year (number)	0	23	0	N/A	(1)
Interruption time indicators					
Average duration of unplanned water supply interruption (minutes)	75.82	86.35	110.00	21.50%	(2a and 2b)
Restoration of water supply					
Unplanned water supply interruptions restored within 5 hours (%)	98.41%	98.91%	97.80%	1.13%	
Reliability of sewerage collection services indicators					
Sewerage spills from reticulation and branch sewers (priority 1 and 2)	20	27	-	-	(3)
Containment of sewer spillages					
Spills contained within 5 hours (%)	100.00%	100.00%	98%	2.04%	
Customer complaints indicators per 1,000 customers					
Water quality complaints	6.948	3.803	-	-	
Sewerage service quality and reliability complaints	0.805	0.486	-	-	(4)
Billing complaints	0.492	0.516	-	-	
Sewerage odour complaints	0.641	0.354	-	-	(4)
Note					

- (1) The change in water supply interruptions from 2012 to 2013 is largely due to improved data collection, reporting and analysis of interruptions, not previously available. Additionally, the extended climatic dry period and increased asset aging resulted in further leaks and bursts of mains.
- (2a) 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.
- (2b) We had an increase in main leaks and bursts reported over the 2013 reporting period therefore increasing the average time water would be isolated when a repair occurred compared to 2012.
- (3) The process of how sewer issues were identified changed in 2013 and this impact meant we attended all sewer issues, as opposed to previously only identifying certain areas in Gippsland Water's responsible area. With this change we attended more jobs and would subsequently identify more issues.
- (4) The reduction in complaints around sewerage service quality, reliability and odour is largely due to preventative maintenance, new software implementation and decreased response time for investigations.

Performance Report for the year ended 30 June 2013					
Performance Indicator	2012	2013	2013	%	Note
	Result	Result	Target	Variance	
Reuse indicators					
Effluent reused					
Volume of effluent reused x 100					
Total volume of effluent produced					
Drouin	2%	10%	60%	-83%	(5)
Dutson Downs	3%	7%	0%	-	(5)
Heyfield	49%	45%	100%	-55%	(5)
Maffra (domestic)	86%	62%	100%	-38%	(5)
Mirboo North	48%	35%	100%	-65%	(5)
Moe	0%	0%	0%	-	
Morwell	100%	100%	100%	-	
Neerim South	0%	0%	0%	-	
Rawson	0%	0%	0%	-	
Saline Waste Outfall Pipeline	0%	0%	0%	-	
Seaspray	100%	100%	100%		
Stratford	100%	100%	100%	-	
Warragul	0%	0%	0%	-	
Willow Grove	7%	16%	100%	-84%	(5)
Biosolids reused					
Dry Mass of Biosolids Reused					
Total Dry Mass of Biosolids Produced					
Total	100%	100%	100%	-	
Note					

- (5) High rainfall during 2012 reduced the opportunity for irrigation during this period. This also increased the inflow to the wastewater treatment plants causing lagoons to reach capacity, requiring emergency discharge to nearby waterways for a number of plants, following approval from the EPA.

Performance Report for the year ended 30 June 2013					
Performance Indicator	2012	2013	2013	%	Note
	Result	Result	Target	Variance	
Sewerage treatment standards (by treatment or disposal facility)					
Number of analyses complying with licence agreements as % of samples					
Drouin	100%	71%	100%	-28.60%	(6)
Dutson Downs	86%	100%	100%	0.00%	(7)
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%	-	
Seaspray	100%	100%	100%	-	
Stratford	100%	100%	100%	-	
Warragul	100%	100%	100%	-	
Willow Grove	100%	100%	100%	-	
Note					

- (6) Following a period of high rainfall-related inflow in late 2012 and limited opportunities for irrigation to pasture, water was discharged in May 2013 from Drouin WWTP to Shillinglaw Creek. This resulted in biochemical oxygen demand and ammonium-nitrogen levels being higher than the median limit specified in the EPA Corporate Licence. This was necessary to maintain water levels in the lagoons at a safe height.
- (7) Dutson sewerage treatment increased to 100% in 2013 following increased productivity in composting at the SORF.

Performance Report For The Year Ended 30 June 2013

Statutory Certification

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

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

As 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 27th day of August 2013.

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 2013 of the Central Gippsland Region Water Corporation which comprises the performance indicators, the related notes and the certification has been audited.

The Board Members' Responsibility for the Performance Report

The Board Members of the Central Gippsland Region Water Corporation are responsible for the preparation and fair presentation of the statement of performance in accordance with the *Financial Management Act 1994* and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the performance report of the Central Gippsland Region Water Corporation in respect of the 30 June 2013 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Performance Report

This auditor's report relates to the performance report of the Central Gippsland Region Water Corporation for the year ended 30 June 2013 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
27 August 2013

T. D.H.
for John Doyle
Auditor-General

PART 9: DISCLOSURE INDEX

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

MINISTERIAL DIRECTIONS

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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.

A handwritten signature in black ink, appearing to read 'D Mawer', is positioned above the printed name and title.

David Mawer
Managing Director

Central Gippsland Region Water Corporation

Dated the 27th day of August 2013

GLOSSARY

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.
BOD	Biochemical Oxygen Demand
Catchment	The area drained by a stream, lake or other body of water. Frequently referred to as the area used to feed water into reservoirs, dams and water courses.
CO ₂ -equivalent	A variety of atmospheric gas compounds, collectively known as greenhouse gases. 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.
DEPI	Department of Environment and Primary Industries, formerly known as the Department of Sustainability and Environment.
DHS	Department of Human Services.
DRP	Drought Response Plan.
DSE	Department of Sustainability and Environment, the former name of the Department of Environment and Primary Industries.
EMS	Environmental 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 Plan (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.
Kilolitres (kL)	1,000 litres.
Megalitres (ML)	1 million litres.
M	Million.
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.
PWSR	Permanent Water Saving Rules.
Regional Outfall System (ROS)	The ROS pipeline transports approximately 50% of central Gippsland's wastewater to the Dutson Downs Wastewater Treatment Facility.
ResourceSmart AuSSI Vic	ResourceSmart Australian Sustainable Schools Initiative Victoria.

Saline Wastewater Outfall Pipeline (SWOP)	A Gippsland Water pipeline used to transfer saline wastewater from the Loy Yang Ash Pond to Bass Strait.
Statement of Obligations	Section 41 (2) of the <i>Water Industry Act 1994</i> prescribes that the minister may make Statement of Obligations to a water authority specifying obligations of the water authority in performing its functions and exercising its powers.
SORF	Soil and Organic Recycling Facility.
waterMAP	Water Management Action Plan. A mandatory program implemented by the DEPI for all non-residential customers consuming more than five million litres per annum.
WGCMA	West Gippsland Catchment Management Authority.
WSAA	Water Services Association of Australia.
WSDS	Water Supply Demand Strategy.

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