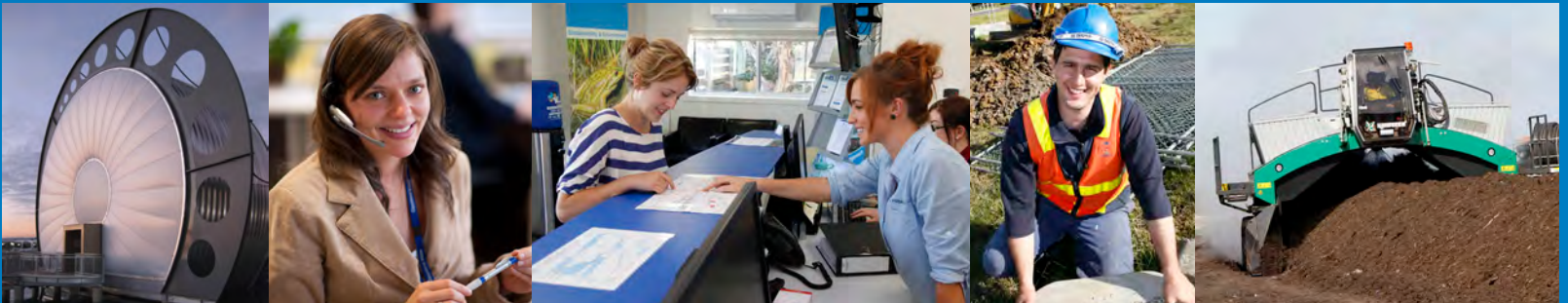




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ANNUAL REPORT





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Cover photographs include: the Vortex Education Centre, Customer Service staff, the Loch Sport i-HUB, Field Operations staff and the Soil and Organic Recycling Facility.

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Joint message from the Chairman and Managing Director

We are pleased to present Gippsland Water's 2013-14 Annual Report, which demonstrates our commitment to our customers and the region. This period saw our continued investment in services and infrastructure including major projects such as the first stage of the \$40.3M Loch Sport Sewerage Scheme.

That scheme will see 2,700 properties ultimately connected to reticulated sewerage and help protect the Gippsland Lakes environment. Our \$6M investment in the Moe Water Treatment Plant will benefit the growing communities of Trafalgar, Yarragon, Newborough, Yallourn North, Coalville and Moe.

We continue to work with local government to plan for the future development of the region and support the expansion of towns across the region. Among these have been significant investments in the Sale water supply infrastructure and the refurbishment or expansion of existing water and wastewater assets in Morwell, Yarragon, Trafalgar, Warragul, Drouin and Traralgon to cope with growth.

Through ongoing efficiency improvements, we were able to reduce our prices for customers in this year and we continue to focus on ways to deliver value. To this end, Gippsland Water signed two Memorandums of Understanding with adjacent water corporations, with the aim of seeking opportunities to share expertise and best practice. One, with 18 other Victorian water corporations, will share risk management information. The other, with the three other Gippsland water corporations, will further maximise opportunities for collaboration and increase the capabilities of each organisation.

This year we have introduced a Solicitors Online page to allow conveyancing to be done more smoothly and we have also streamlined the process that allows builders, plumbers and owners to request information from our Property Services team. We continue to seek more efficient ways of doing business.

Our Soil Organic Recycling Facility (SORF) team at Dutson Downs has developed and launched Revive Recycled Compost, in conjunction with Gippsland business Gibsons Groundspread, a project which supports local job growth. This innovative process diverts landfill, green waste and treated biosolids and turns it into a valuable agricultural-grade compost.

We encourage our customers to take an active interest in our operations and our Site Tours, Education Program and Open Days are well attended. These have included more than 500 attending Open Days at the SORF and at the Gippsland Water Factory at Maryvale, and more than 800 students participating in our education programs at the Vortex Centre.

The consolidation of our Customer Consultative Committee and Environment Consultative Committee into a new body will take shape in the first quarter of 2014-15 financial year. This new Community Consultative Committee continues our focus on ensuring customers and communities actively inform our decisions.

We again thank our Board of Directors for their guidance, including Dr Kevin McKenzie whose term on the Board expired this year, Bernadette Hannagan, who joined the Board in October 2013 and continuing members Sarah Cumming, Peter Day, Malcolm Eccles, Leonie Hemingway and Ormond Pearson.

We also thank our staff for their dedication throughout the year on a range of initiatives to achieve the best outcome for our customers. Regardless of whether their role is frontline operational or support, the commitment of our staff makes Gippsland Water a successful and valued member of the community.



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

Richard McDowell
Chairman



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

David Mawer
Managing Director

PART 1 OVERVIEW

An overview including Gippsland Water's Profile, Mission, Vision, Values and Joint Statement from the Board Chairman and the Managing Director. This section also features some of the Highlights for the year 2013-14.

Profile

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 2013 – 30 June 2014), the responsible Minister was the Hon 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

Efficient water and wastewater services for a healthy community and environment

Our values

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

Accountability:

We are accountable for how we efficiently deliver quality water and waste water services.

Capability:

We are committed to strengthening the capabilities of our people and communities.

Collaboration:

We work in partnership with our colleagues, customers and stakeholders to achieve the most efficient and sustainable solutions for our community.

Integrity and Respect:

We act with honesty, consistency and transparency, and demonstrate appreciation of peoples' diversity, needs and opinions.

Open Dialogue:

We engage with our colleagues, customers and stakeholders by actively listening and openly discussing and resolving issues of common interest.

Safety and Well-Being:

We place the safety and well-being of our staff and communities at the forefront of decisions and actions we take.

Highlights of the year

The 2013-14 financial year has seen another strong performance by Gippsland Water: investing significantly in the community, delivering quality services to customers, working in partnership with key stakeholders and maintaining high standards of compliance with regulatory requirements. Some of the key highlights include:

Resource sustainability

- The Department of Environment and Primary Industries (DEPI) accepted a "reverse planning permit" for the Loch Sport Sewerage Scheme, where native vegetation offsets are required only when disturbance occurs. This approach encourages minimal vegetation disturbance in construction activities, and saves significant costs in sourcing and maintaining offset vegetation elsewhere.
- A \$500,000 program of works in Moe, Morwell and Warragul was completed, which included work on the bio-reactors at the Warragul waste water treatment plant. The program involved taking the bio-reactors offline to clear out sludge, inspect and repair any concrete walls or assets that are usually submerged. The works will safeguard the facility for the next five years.
- We completed the Morwell North West sewer project, which provides for future growth in that part of Morwell, and eliminates the cost of an existing sewer pump station and rising main, thus providing better outcomes to customers and the environment.
- The Portable Dissolved Air Flotation Filtration Water Treatment Cell purchased last year was used to supply water to Neerim South township while an important upgrade of the Water Treatment Plant was undertaken, with no disruption to service for customers.
- Works at Seaspray raw water storage were completed and brought into service for the

first time over the 2013-14 summer to ensure security of supply for the township.

- We have undertaken significant projects to refurbish assets and protect water supply for contingency events. These include refurbishing the turbine pump at Blue Rock Lake, which will aid supply in a future dry event. We have also refurbished both pumps at Tanjil River pump station in a project worth \$250,000. We also completed testing of the business continuity plans for the Moondarra water supply system.
- The five-yearly comprehensive dam safety inspections for Moondarra and Buckley's Hill reservoirs were conducted and all were compliant.
- We acquired a 3GL allocation from Blue Rock, which will augment our resource sustainability planning.
- We remediated five kilometres of the Regional Outfall System channel lining, which protects nearby landowners and the environment.
- We worked with DEPI and the Australian Native Orchid Society to manage the population of the nationally endangered Maroon Leek-orchid (*Prasophyllum frenchii*) and the translocated Metallic Sun-orchid (*Thelymitra epipactoides*) at Dutson Downs. A critically endangered species of frog, *Martin's Toadlet*, was also discovered at Dutson Downs and further studies are being undertaken into its numbers.
- In conjunction with the West Gippsland Catchment Management Authority (WGCMA), we began work to ensure successful implementation of its Regional River Health Strategy, where the focus is on protection of potable water supply in-stream offtakes.
- The decommissioning of the Boolarra Water Treatment Plant, Walkleys Weir and O'Gradys Weir was completed on budget and on time. The planning involved coordination with DEPI,

WGCM, Latrobe City Council, property owners and contractors.

- The Soil Organic Recycling Facility (SORF) has continued to explore opportunities for the use of treated and recycled waste. In conjunction with local supplier, Gibsons Groundspreads, we developed and launched the *Revive Compost* agricultural-grade product, which is supporting local jobs growth. The innovative production process utilises waste diverted from landfill and from treated biosolids. In June 2014, Gibsons Groundspreads was granted \$150,000 from the State Government Regional Growth Fund, to further expand production. The compost product has already been the subject of keen interest from farming and community groups and was featured on *ABC Landline*.
- A robust quality assurance system for pasteurised and mature compost products has been implemented at the SORF. We utilise compost products to improve soil conditions across our Agribusiness properties. We have also made significant investment in irrigation scheme pivots, which enable the reuse of treated wastewater for Sale/Fulham, rather than discharge to ocean.

Customers, stakeholders and community

- We are keen to showcase our facilities and the value they deliver for the community. Throughout the year, we held a number of Open Days, site visits and attend a variety of community events. More than 400 people attended an Open Day at Dutson Downs to see the SORF, agribusiness operations and the environmental management aspects of our wastewater operations. Around 100 people also toured the Vortex Education Centre and Gippsland Water Factory at an Open Day in February. A wide range of community groups and school groups also undertook tours of our operational sites. Our staff were also asked to speak at local groups and at industry events on Gippsland Water's operations.
- We had a stand at one of the largest Gippsland events, *Farmworld*, at Lardner Park near Warragul, which attracts more than 50,000 people over four days. Our team spoke with customers about services, bills and future plans in the region. We were also invited to attend the Regional Victoria Living Expo in Melbourne, where major employers and local government showcased their regions and opportunities for those interested in moving to the country.
- The existing Environment Consultative

Committee and Customer Consultative Committee is evolving to form a new joint Community Consultative Committee. This new committee provides a broader stakeholder reference group to seek input on issues and that are relevant to our customers and help inform our decisions.

- We have introduced new technologies that make it easier to do business with us. These include an SMS automation application which alleviates the need to manually advise plumbers of the progress of their application. In March 2014, we also launched a new, single form that allows builders, plumbers or owners to request information on properties. It simplifies the process and provides a single request for various sources of information.
- All Gippsland Water employees benefited from the rollout of a customer-focused diversity program.
- Following the successful pilot program in use of public space drinking water fountain and refill stations, we partnered with Wellington Shire Council, Latrobe City Council and Baw Baw Shire Council to install further permanent stations at Warragul Rotary Park, Agnes Brereton Reserve in Traralgon and Lake Guthridge in Sale. We also supported the Gippsland Plains Rail Trail Committee by installing a drinking water station for users of the Rail Trail.
- Latrobe City, Wellington and Baw Baw Shires have also partnered with us to distribute free water efficient devices and increase community awareness around water conservation. Reduced-flow shower heads and trigger hose nozzles are now available through the council customer service centres. Wellington Shire is also featuring water-saving initiatives through its Sustainability Trailer.

Governance

- During December 2013 we successfully achieved re-certification of the Environmental Management System to the international standard ISO 14001:2004. Certification is for the period 2014 to 2017.
- Gippsland Water signed a Memorandum of Understanding with 18 other Victorian water corporations to share risk management information. The MOU will also enable the water corporations to benchmark current risk management activities to enable best practice to be achieved.
- In addition, the four Gippsland regional water corporations signed a Memorandum of

Understanding in November 2013 to form a strategic alliance to maximise opportunities and increase the effectiveness of each organisation. The alliance will seek collaborations that share expertise, best practice and the adoption of joint systems, where they are mutually beneficial and build capabilities.

- One new water district was created by amalgamating and extending the 24 existing water districts. One new sewerage district was created by amalgamating and extending the 25 existing sewerage districts. These changes will allow Gippsland Water to provide services to account for land development and growth.

Organisational sustainability

- We introduced new tablet computer technologies for operational fieldwork, which enables field services operators to record and report their work instantly to their home depot, without needing to submit paper reports. The mobile solutions improve efficiency through saving travel time and improving accuracy because it eliminates re-keying data.
- A new enterprise agreement has been successfully negotiated and implemented during 2013-14.
- We reviewed and implemented revised asbestos cement materials handling procedures to further mitigate health risks to employees and to the public.
- A safety review of Working Remotely and In Isolation for staff has been initiated with a target to implement for the 2014-15 fire season.
- We introduced innovative Aerial Drone Technology to capture asbestos pit and spatial data at the SORF. The drone technology eliminates Occupational Health and Safety risk to field surveyors from entering the asbestos pit and coming into contact with SORF stockpiles while undertaking surveys. This innovative technology has provided cost savings and a repeatable data quality standard.
- The corporation-wide telephone system upgrade took place in May. This delivers better call handling options, including improved management of calls and resolution of customer enquiries.
- We have implemented a preventative maintenance strategy to consider risks and costs in prioritising our spending and to efficiently manage our assets. An early win has been a reduction in preventative maintenance by more than 2,000 man-hours each year.

Major Projects and Asset Investment

- The latter half of 2013-14 saw the completion of the design phase for the \$40.3M Loch Sport Sewerage Scheme. The scheme is part of the Victorian Government's Country Towns Water Supply and Sewerage Scheme Program, which identified Loch Sport among 35 priority towns to be provided with water or wastewater services. We have laid the transfer main from Dutson Downs, 30km to Loch Sport and are well advanced on the two pump stations. Work has begun on the first tranche of customers' properties, which will be serviced by late 2014. The scheme will bring connections to around 1,700 homes in Loch Sport and services to a further 1,000 properties. The project is on track for completion by October 2015.
- The \$6M Moe Water Treatment Plant sludge management system was commissioned and brought online. It will increase water quality compliance, water recycling and reduce environmental impacts to benefit the growing communities of Moe, Coalville, Newborough, Yallourn North, Trafalgar and Yarragon.
- Work has begun on a \$5M major refurbishment of Sale's water infrastructure. We have completed two of the five rising mains from Sale Bore Headworks, which improves reliability of water supply and supports future growth. This has included significant pipework replacements throughout the town. In addition, significant cultural heritage issues needed to be addressed during the works, which were completed sensitively, on time, on budget, with no interruptions to water supply.
- The replacement of the Labertouche water main is nearing completion. This main had exceeded its design life span, and was exhibiting many breaks and failures. The investment will improve reliability of supply for those customers. The business case was made viable through an innovative partnership, involving co-funding from the Department of Regional Development Victoria, Gippsland Water and the major commercial customer in this region.
- A \$3.4M upgrade for the Traralgon Eastern sewer pump station and emergency storage was completed, allowing for future growth in domestic and industrial areas in the eastern parts of Traralgon.

Overview of the financials

Summary of financial results

	2013-14 \$'M	2012-13 \$'M	2011-12 \$'M	2010-11 \$'M	2009-10 \$'M
Core Business Revenue	120.6	114.5	106.3	99.1	96.2
Interest Received	0.3	0.5	0.7	0.8	0.6
Non Government Contributions	6.5	12.0	10.4	7.6	7.5
Government Contributions	0.4	0.0	0.0	0.0	0.0
Other Revenue (Farm and Gross Proceeds)	2.3	1.9	2.3	2.1	2.4
	130.0	128.8	119.7	109.6	106.7
Operations, Maintenance and Administration	78.2	81.5	81.0	70.8	53.7
Depreciation Expenses	32.2	29.4	29.1	24.9	19.8
Finance Expenses	14.6	13.6	13.2	12.6	12.1
	125.0	124.5	123.3	108.3	85.6
Net Operating Result	4.9	4.3	(3.6)	1.3	21.1
Current Assets	27.0	26.8	24.7	25.8	22.5
Non Current Assets	1,125.7	1,108.0	1,007.1	988.8	754.8
	1,152.7	1,134.8	1,031.8	1,014.6	777.3
Current Liabilities	78.4	52.6	73.2	65.1	42.2
Non Current Liabilities	344.9	355.8	226.6	212.6	142.0
	423.3	408.4	299.8	277.7	184.2
Net Cashflow from Operations	41.2	17.6	20.5	34.1	36.9
Payments for Capital Works	53.7	59.3	40.9	46.8	33.7

Overview of the financials

Key results for the financial year

Gippsland Water's net operating result for 2013-14 was a \$4.9M profit.

Core business revenue increased by \$6M in 2013-14. Core business revenue primarily includes Service Charges and Volumetric Revenue. Overall, this revenue was in line with internal expectations and forecasts. Service Charges increased by \$0.7M and this reflects minor growth in customer connections and the stability of water prices. Volumetric revenue was \$0.9M lower than 2012-13 due to wetter conditions in the early part of the year. Revenue was on budget for the year and in line with internal forecasts.

In 2014, the Corporation received \$5.8M in settlement of an insurance claim. This is reported as a component of core business revenue.

Non Government Contributions includes cash contributions and Gifted Assets from Developers. Revenue was \$6M lower than 2012-13. The figure was in line with internal budgets and forecasts and reflects that Developer activity in the Gippsland region was particularly strong in 2012-13.

Operations, Maintenance and Administration expenditure has decreased by \$3M since 2012-13. The costs reflect reduced maintenance costs on the Gippsland Water Factory (\$1.2M) as the plant has progressed out of the proving and optimisation phase and reduced costs at the Soil Organic Recycling Facility (\$1.4M).

Depreciation expense has increased by \$3M. The increase reflects additional depreciation of projects that have been completed during the year. The net value of new assets capitalised was \$70M, with some of the major assets included in this being the developer constructed assets and the partial capitalisation of the Coongulla/Glenmaggie and Loch Sport sewerage schemes.

Finance expenses for the year are marginally higher (\$1M) than 2012-13. This is due to new loans of \$10M progressively being drawn down. While this expense is higher than last year, interest expense was still \$0.2M lower than internal forecasts.

Performance Report for the year ended 30 June 2014

Financial Performance Indicators								
KPI No	Performance Indicator	2012-13 Result	2013-14 Result	2013-14 Target	Variance to prior year	Note	Variance to target	Note
F1	Cash Interest Cover (Times) Net operating cash flows before net interest and tax / net interest payments	2.34	3.92	2.88	68%	1a	36%	1b
F2	Gearing Ratio Total Debt (including finance leases) / Total Assets * 100	21.2%	21.7%	22.1%	2%		-2%	
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure * 100	29.7%	76.7%	57.8%	158%	2a	33%	2b
F4	Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	0.54	0.36	0.72	-33%	3a	-50%	3b
F5	Return on Assets Earnings before net interest and tax / average assets * 100	1.6%	1.7%	1.4%	6%		21%	4b
F6	Return on Equity Net profit after tax / average total equity * 100	0.4%	0.5%	0.1%	25%	4a	400%	5b
F7	EBITDA Margin Earnings Before Interest, Tax, Depreciation and Amortisation / total revenue * 100	36.4%	39.6%	37.6%	9%		5%	

- (1) 1a/1b/ 2a/2b. Net Operating cash flow for 2013-14 was significantly higher compared to both the prior year and target due to lesser creditor payments, lesser employee payments on salaries and wages and the insurance claim of \$5.8M received.
- (2) 3a/3b. Current ratio for 2013-14 has been deteriorated compared to both prior year and the target, due to higher value of current liabilities as a result of the extra \$20M worth of TCV borrowings (\$50M in 2013-14 and \$30M in 2012-13). Gippsland Water is considering a shift to more fixed (long term) borrowing facilities, which will result in an improved current ratio in future.
- (3) 4b. ROA is higher in 2013-14 compared to the target due to increased operating profit & significantly less average assets as a result of lower opening balance due to low capitalisations in 2012-13.
- (4) 4a/5b. ROE is comparatively higher to prior year due to higher operating profit in 2013-14. As with the target, forecasted operating profit was significantly lower (approx. \$3M) and average equity was higher (approx. \$60M) than the 2013-14 results.

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.

Environmental sustainability

SUSTAINABLE AND RESILIENT WATER SYSTEMS

(a) Community education

Water conservation and wastewater treatment education and awareness continues to be a key focus for our engagement with the community and schools, with a strong focus on the broader theme of sustainability.

As part of a consortium of nine local organisations that promote sustainability education, Gippsland Water offers its Gippsland Water Factory Vortex Centre and education programs to assist schools to complete their journey in the Resource Smart 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.

Throughout the financial year, more than 836 students from 26 primary and secondary schools and several community groups visited the Vortex Centre, 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.

Feedback from the tours 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' in terms of the effectiveness of the content and relevance to students' learnings in the classroom.

Primary and secondary school teachers received information about Gippsland Water's education program, site tours, and other educational resources in a school newsletter 'Water Wonders'. Produced in-house, the newsletter is distributed to 100 schools using an online tool which has the ability to provide statistics on its receivership. The newsletter also includes 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.

Community education plays a vital role in promoting the value that Gippsland Water delivers for its customers, stakeholders, and the community. Community and industry groups such as Rotary, Lions, Probus, Landcare and Warragul Beef-Cheque

Group have taken water industry-related tours throughout the year across several of our sites, including the SORF and Water Factory.

As part of National Water Week initiatives, more than 400 Refillit drink bottles were supplied to local Gippsland Little Athletics groups. Refillit is a savewater!® Alliance initiative, of which Gippsland Water is a member.

As mentioned in Part I Highlights, we use a variety of opportunities to showcase our facilities and our team, including Community Open Days at Dutson Downs in October 2013 and at the Gippsland Water Factory and Vortex Centre in February 2014, and attendance at the annual *Farmworld* event at Lardner Park. We are also attending a priority list of local events and Farmers' Markets to generate wider awareness of the range of services and assets Gippsland Water manages on behalf of the community.

(b) Community Consultation and Engagement

The high level of customer satisfaction and engagement in the Loch Sport Sewerage Scheme has been attributed to the establishment of the i-HUB information centre in the town at the end of 2013. This one-stop shop allows residents to meet face-to-face with project staff from Gippsland Water and its contractors to have their queries resolved more quickly.

In the reporting period, Gippsland Water met with its two customer-based committees: the Customer Consultative Committee and the Environment Consultative Committee, which were tasked with providing input and feedback to aid our decision-making. As mentioned in Part I Highlights, the committees undertook a review of their effectiveness in engaging with Gippsland Water, and how best to represent stakeholder interests. It was decided to evolve the two committees and form a joint Community Consultative Committee with a revised Charter. Nominations were opened in May and were being sought from representatives of community groups with a strong emphasis on wide cross-representation. The new Committee will be formed in August 2014.

i) Customer Consultative Committee

Established in 2011 to provide input and feedback on Gippsland Water activities and policies, the Customer Consultative Committee objectives were 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 three times within the 2013-14 period and comprised five members representing Gippsland Water's customers and the community.

ii) Environment Consultative Committee

The Environment Consultative Committee focused on environmental issues associated with the corporation's operations and performance. Its objectives were to:

- Provide a forum for Gippsland Water to consult with the community and stakeholders on environmental issues, including performance against criteria stated in the Environment Protection Authority (EPA) Amalgamated Licence.
- Provide feedback and input into actions undertaken to improve the sustainability of the business, including current project activity.
- 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.

It met twice and comprised 14 members representing stakeholders and the community.

(c) Water and waste initiatives

In addition to the ongoing program of promoting awareness of water conservation and waste reduction with Gippsland Water's major non-residential customers (see page 17), Gippsland Water has also developed information aimed at improving customer behaviour in the correct disposal of materials down drains. "Stop It. Don't Block It" has been developed to help prevent avoidable blockages, caused by customers putting unsuitable materials down the drain – either via the sink or toilet.

The initiative is dual purpose: covering the types of waste from both domestic and commercial properties that end up in the drains and cause problems and expensive repairs in the sewerage systems and wastewater treatment plants. The

problem list includes: oils, fats, chemicals, paints, petrol, diesel, lubricants, nappies, fruit stickers, sanitary products, toys, clothing and condoms. The campaign is using posters, vehicle decals, laminated signs for commercial and public toilet doors, and a website with FAQs, social media and links to resources with information about alternative disposal.

Gippsland Water has continued to promote water conservation with the distribution of information packs at events, and also trigger-nozzles and shower-heads to eligible customers during 2013-14.

(d) Local government initiatives

In partnership with local Wellington Shire, Latrobe City and Baw Baw Shire Councils, Gippsland Water has commissioned and supplied drinking water and refill stations for parks and public leisure spaces. This helps promote healthy lifestyles and drinking tap water.

The program has proved popular and is continuing with discussions underway for further water stations. New, ultra-portable, drinking and refill stations are being made available for use by community groups at local events.

We continue to work with local councils to promote water conservation initiatives. In addition to availability from the Gippsland Water Head Office, trigger nozzles and shower-heads can now be collected from Latrobe, City, Baw Baw Shire and Wellington Shire council offices.

(e) Playing fields

The supply of treated wastewater to playing fields in Maffra and Mirboo North is detailed in the Beneficial Re-Use table (page 19).

Water quality reporting

Water quality samples are taken at regular points in accordance with reporting procedures, and more frequently if there are potential changes caused by a weather or other unplanned event. These can be made available on customer request. During the Hazelwood Mine Fire in February-March 2014, Gippsland Water increased the frequency of the water quality testing in the nearby areas, but no detrimental impacts were noted. Detailed water quality reporting is available in Key Performance Indicator Table, (pages 35-37).

Environmental flow

Gippsland Water adheres to the passing flow requirements for environmental flows, as defined in the Bulk Water Entitlements (see pages 20-23). For the 2013-14 year, all requirements were met.

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 customers in relation to water restrictions, as well as detailing other contingency 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 Water Supply Demand Strategy (WSDS) in order that the WSDS be 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.

Consistently below average rainfall during the period November 2012 to April 2013, in some months by as much as 60%, saw Moondarra Reservoir drop to 63% by mid May 2013 despite the transfer of nearly 3,800ML from Blue Rock Lake to Moondarra Reservoir between March and June 2013.

However, with May 2013 rainfall at Mt Baw Baw being above average and June 2013 above the 90th percentile, Moondarra Reservoir quickly recovered and was spilling again at the commencement of the 2013-14 year. Rainfall at Mt Baw Baw was above average through Winter and Spring of 2013, restoring catchments to a state of wetness following the dry 2012-13 Summer and delivering good streamflows. Rainfall in the 2013-14 Summer was below average but not as dry as the previous year. Moondarra dropped only to 75% and significantly less water had to be transferred from Blue Rock Lake to Moondarra when compared with 2012-13.

Similar to 2012-13, the significant volumes of water in storage prior to summer, as well as catchment dampness from the above average winter rainfall, meant that Gippsland Water did not need to invoke its Drought Response Plan during 2013-14 and all systems in Gippsland Water's region remained on Permanent Water Saving Rules for the full 2013-14 year.

Water Supply Demand Strategy

The 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. We undertook a major update of our WSDS in 2011-12 and the document has been published on our website.

The WSDS examines each water system to determine drought resilience, as well as to forecast 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 Water Supply Demand Strategy 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 set actions to ensure the long and short term reliability of these systems.

Our Asset Planning and Delivery groups have been progressing with these actions during 2013-14. In particular, planning for stage 2 of the Moe – Warragul interconnection has been progressed. This project will include a pipeline between Darnum and Warragul, along with supporting infrastructure such as pumping stations, and will ultimately deliver a water grid between the Tarago and Latrobe systems, improving flexibility and reliability of supply.

Planning work on a groundwater augmentation for Thorpdale has also progressed during 2013-14. This augmentation aims to reduce the likelihood of water restrictions in this town during droughts.

While the next major WSDS update is not scheduled until 2017, Gippsland Water released a Water Security Outlook (WSO) in November 2013 and it is also available on the corporation's website. The purpose of the WSO is to provide customers and stakeholders with a forecast of the likely water resource situation for the coming summer, as well as providing a comparison of the latest annual demand figures against the long term yield outlook.

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 set a number of policies and actions that will affect Gippsland Water, in particular:

- The unallocated share of Blue Rock Lake has now been allocated. This share accounted for 35.6% of the capacity and inflow of Blue Rock Lake. To date, an environmental entitlement of 9% has been created, along with a drought reserve of 21.73%. The drought reserve is able to be accessed by entitlement holders of Blue Rock Lake during times of water shortage, via market-based water auction. These entitlement holders include Gippsland Water, irrigators and power stations. A limited amount of allocation from the drought reserve was offered on the market during the 2013-14 season but no sales occurred.
- 1% of the storage has been reserved for permanent water share purchase by irrigators. Should these shares fail to sell, this 1% will be added to the drought reserve.
- The remaining 3.87% has been set aside for permanent purchase by Gippsland Water, providing the corporation with the opportunity to increase the size of its current share of both the capacity and inflows of Blue Rock Lake from 12.4% to 16.27%. This action will improve reliability of supply in the Latrobe system, and also in the Tarago system after the Moe-Warragul interconnection is completed. Gippsland Water is currently in discussions with government in relation to implementing this action.

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. We continue to engage with government and Southern Rural Water with a view to working towards these goals.

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 Waterway Management Strategy sections of this report outline how Gippsland Water continues to meet these obligations.

Regional Catchment Management Strategy

We participate 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, we:

- Continued to collaborate with stakeholders on catchment management issues. This included municipal councils, crown land managers, industry groups associated with catchment land uses, individual property owners and parties looking at undertaking use and development activity in catchments.
- Commenced working with the West Gippsland Catchment Management Authority (WGCMA) to ensure successful implementation of their Regional River Health Strategy where the focus is on protection of potable water supply in-stream offtakes.
- Enhanced the risk management systems regarding catchment monitoring activities, including through ongoing participation in the Gippsland Regional Water Monitoring Partnership, as well as our own raw water sampling and catchment observations.
- Continued an ongoing progressive update of our catchment risk assessments by utilising computer-mapping based modelling. This will allow us to present evidence to land managers

about risks to water quality from point-source and disperse pollution. The updated assessments will be used to engage 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.
- We actively participate in the planning stage of crown land fire prevention rather than through the consultation phase with local DEPI fire management officers.

The West Gippsland Catchment Management Strategy 2013-2019 was released during the reporting year. We provided stakeholder input to the West Gippsland Catchment Management Authority (WGCMA) during the drafting of the strategy. While there are no specific activities identified for Gippsland Water in the strategy, we will continue to work with WGCMA to manage catchment activities that may threaten the water quality of catchments that service our customers.

Victorian Waterway Management Strategy

The Victorian Waterway Management Strategy (from September 2013) and the Victorian River Health Strategy (from 2002), set broad objectives for water corporations to minimise the impacts of operations on the health of Victorian waterways.

Gippsland Water manages a number of weirs to provide water to its customers. Under the terms of the Bulk Entitlement for each weir, sediment build-up, water quality, and bed and bank condition are regularly monitored to ensure that the impact of the weir on the ecological health of the waterway is minimised.

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

West Gippsland Catchment Management Authority has commenced drafting its Waterway Strategy 2014-22. We have provided input into the review, particularly in regard to maintaining and improving environmental conditions to support the economic values of waterways that we depend upon to supply water to customers.

State Environment Protection Policy (Waters of Victoria)

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 a number of the wastewater treatment plant discharge points. The results of these surveys were not available at the time of annual report preparation.

Environmental Protection and Biodiversity Conservation Act 1999

No referrals were made during 2013-14 to the Commonwealth Department of Sustainability, Environment, Water, Populations and Community for consideration under the *Commonwealth Environment Protection and Biodiversity Conservation Act 1999*.

Urban stormwater

Gippsland Water has no role in management of urban stormwater.

Biodiversity

Biodiversity objectives include:

- 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 bio-region.
- 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 Biodiversity objectives, we undertook the following activities during the reporting year:

- As mentioned in Part I Highlights, in conjunction with DEPI, we designed a revised vegetation assessment methodology for the Loch Sport sewerage reticulation system construction project. This methodology requires that vegetation offsets be provided only for vegetation that is removed during the construction process. This provides the incentive to minimise vegetation removal during project planning and construction, thus maintaining vegetation within the township whilst minimising the area of high ecological value offset vegetation required to be sourced and maintained following the project.
- We continue to work with DEPI and the Australian Native Orchid Society to manage the population of the nationally endangered Maroon Leek-orchid (*Prasophyllum frenchii*) and the translocated Metallic Sun-orchid (*Thelymitra*

epipactoides) at Dutson Downs. Translocation of the Metallic Sun-orchid to the same site from other nearby locations was undertaken by DEPI to allow management of the two orchid species at the same location.

- Martin's Toadlet (*Uperoleia martini*), a small frog listed as critically endangered in Victoria, was found at Dutson Downs during an ecological survey.
- Site preparation and fencing of the wildlife corridor for the New Holland Mouse (*Pseudomys novaehollandiae*), listed as vulnerable under the Environment Protection and Biodiversity Conservation Act 1999, has been completed. Plant propagation has been unsuccessful due to dry conditions following seeding, and will be repeated to achieve a more successful outcome. 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 continued 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.
- The empty site of the old Boolarra Water Treatment Plant has been revegetated as part of a four-way partnership between Gippsland Water, DEPI, the Boolarra South Landcare Group and the former GippsTAFE (now Federation Training), who planted 1,000 indigenous plant species. The project was led by Boolarra South Landcare Group, with the plants funded through a *Caring For Our Country* community action grant.

Water conservation program

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. Major outage work through 2014 include significant intake valve refurbishment that reduces exposure to water loss.
Energy Brix Australia (Morwell)	Overall water usage at Energy Brix has reduced in line with reduced production output. The major water recycling projects initiated five years ago continue to deliver water savings of on average 2 ML per day.
Fonterra Australia Pty Ltd (Darnum)	Environment and Resource Efficiency Plan (EREP) has been closed out with all action complete. Water reduction activities have taken place throughout the year with savings realised through process optimisation and improved boiler efficiency.
IPR-GDF SUEZ Australia (Hazelwood)	Hazelwood maintains water use efficiencies between 10% 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 2013, approximately 17% of total raw water use was directed to water quality management in the Hazelwood Cooling Pond during the drier period from January to May. Employee awareness of water use and conservation continues to be communicated on a regular basis, with monthly performance against target reported in monthly HSE reports to employees. Potable water continues to be monitored and reported internally.
IPR-GDF SUEZ Australia Loy Yang B Power Station (Traralgon)	Water usage patterns are routinely tracked for a range of power station processes. Key production water efficiency usage metrics are monitored and reported monthly. Any unexplained increases are investigated and remedied. Current water entitlement holdings are also monitored as well as the medium to long term potential for low water yield conditions in catchments. Loy Yang B's 2013-14 water conservation program remains unchanged and all previous initiatives are still in place.
Lion – Dairy and Drinks, Lion Pty Ltd (Morwell)	Lion Morwell has developed focused improvement teams, targeting waste and utilities usage reduction opportunities and improving environmental sustainability. Through the optimisation of processing, packaging and cleaning processes, the site has reduced its water consumption from 3.3 to 3.1 litres per kilogram of product produced.
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	Target	2013-14	2012-13	2011-12	2010-11	2009-10
Sewerage treatment and management ¹	N/A	24,774	28,575	28,446 ⁵	52,366	56,960
Water treatment and supply ²	N/A	10,228	11,065	9,906	9,664	9,558
Transport ³	N/A	1,474	1,770	2,157	2,068	1,973
Other ⁴	N/A	1,771	1,455	21,218	4,689	4,796
Total	70,000	38,246	42,865	61,727	68,787	73,287

- (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.

Energy consumption

Activity	Target	2013-14	2012-13	2011-12	2010-11	2009-10
Wastewater treatment and reticulation kWh/ML	N/A	549.55	700.98	578.56	489.38	276.50
Water treatment and supply kWh/ML	N/A	150.95	158.17	136.32	124.75	118.88
All systems treatment and reticulation kWh/ML	N/A	280.04	324.91	288.34	247.47	165.35
Waste disposal (SORF) kWh	N/A	33,039	15,402	23,220	28,645	16,961
Other Activities (Office, depot, ancillary) kWh	N/A	875,824	888,281	851,443	840,796	949,750

Beneficial re-use of treated wastewater and biosolids

During 2013-14 Gippsland Water reused 1,100ML treated wastewater, equivalent to 5.02% of wastewater treated in its service area. The return of more typical seasonal rainfall patterns allowed irrigation of treated wastewater from the lagoon-based wastewater treatment plants. Emergency discharge of treated wastewater to Latrobe River from Willow Grove WWTP was required, following approval by the Environment Protection Authority (EPA), as additional lagoon capacity was required to allow treatment of winter inflows following seasonal completion of seasonal irrigation.

The Gippsland Water Factory did not produce any recycled water for transfer to Pine Gully Reservoir. As Moondarra Reservoir held sufficient water over the season, additional recycled water to supplement raw water from the reservoir was not required.

Treatment system	Final fate of treated water	Volume reused (ML)		Volume discharged (ML)		Compliance with EPA water quality limits	
		2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Drouin	Irrigation to pasture or discharge to Shillinglaw Creek	71	66	618	583	86%	71.4% ⁽¹⁾
Heyfield	Irrigation to pasture or emergency discharge to Back Creek	41	57	0	71	100%	100%
Maffra	Irrigation to pasture and sporting field. Emergency discharge to Macalister River.	213	193	0	117	100%	100%
Mirboo North	Irrigation to pasture and sporting field or emergency discharge to Little Morwell River	68	53	0	97	100%	100%
Morwell	Supplement flow to wetlands	608	555	0	0	100%	100%
Seaspray	Irrigation to pasture	8	10	0	0	100%	100%
Stratford	Irrigation to pasture	93	42	0	0	100%	100%
Willow Grove	Irrigation to pasture or emergency discharge to Latrobe River	8	3	7	16	100%	100%
Neerim South	Discharge to Red Hill Creek	0	0	43	43	100%	100%
Rawson	Discharge to Coopers Creek	0	0	30	28	100%	100%
Warragul	Discharge to Hazel Creek	0	0	1,514	1,569	100%	100%
Moe	Discharge to Moe River	0	0	2,165	2,438	100%	100%
ROS	Recycled to Pine Gully (GWF) or discharge to Bass Strait (Delray Beach)	0	672	7,538	9,319	100%	100%
SWOP	Discharge to Bass Strait (McGaurans Beach)	0	0	9,111	8,835	100%	100%
Total		1,110	1,651	21,026	23,116		
% Reuse		5.02%	6.7%	94.98%	93.3%		

(1) Annual mean concentration of total nitrogen in treated wastewater discharged to Shillinglaw Creek was greater than the limit specified in the EPA Amalgamated Licence. 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 (2012-13).

Corporate water consumption

During 2013-14, Gippsland Water's estimated water consumption was 3,142 kilolitres (kL) – consumption is estimated due to a fault with the water meter. This equates to 13.15kL per full-time employee or 882.5 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
CGRWA - Blue Rock ¹	Tanjil River	15,150	3,550 (3,283)	<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 3 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): <ul style="list-style-type: none"> - 2013-14 Total = 1,813 ML; 3 yr rolling avg.: = 1,897 ML Specified point B - Tanjil River Pump Station: <ul style="list-style-type: none"> - 2013-14 Total = 1,458 ML; 3 yr rolling avg.: = 1,647 ML Specified point C - Latrobe River Pump Station: <ul style="list-style-type: none"> - 2013-14 Total = 12 ML; 3 yr rolling avg.: = 6 ML
Erica-Rawson	Trigger Creek	340	96	<ul style="list-style-type: none"> Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental program implemented.</i> - <i>Metering program implemented."</i>

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	185	<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	2,169	<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 ²	Tyers River	62,000	46,377 (46,990)	<ul style="list-style-type: none"> • Diversion at Tyers River Pump Station for 2013-14 = 9ML • 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 ³	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	32	<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	3,491	<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. Pederson Weir/Westernport Pipeline diversions 2013-14: 3,252ML of 4,070ML entitlement. Labertouche Creek diversions 2013-14: 0ML of 480ML entitlement. Tarago Reservoir (Neerim South) diversions 2013-14: 239ML of 275ML entitlement.
Thomson-Macalister	Thomson River / Macalister River	2,335	1,439	<ul style="list-style-type: none"> Credits granted under clause 11: <ul style="list-style-type: none"> <i>None.</i> Approval, amendment and implementation of programs under clause 12 (Metering Program): <ul style="list-style-type: none"> <i>Implemented.</i> Clause 13.1 (b) <ul style="list-style-type: none"> <i>Extraction at Maffra Weir: 1,139 ML</i> <i>Extraction at Thomson River at Heyfield: 246 ML</i> <i>Extraction at Lake Glenmaggie: 54 ML</i> <i>Extraction at Main Southern Channel: 0 ML</i> <i>Extraction at Cowwarr Weir: 0 ML</i> Clause 13.1 (d) Annual amount and location of water taken at any other works of the corporation = 0ML. Clause 13.1 (g) Period and degree of restriction of supplies of annual entitlement: <ul style="list-style-type: none"> <i>2013-14: 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	15	<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) Bulk Entitlement volume calculated as three year rolling average (figure in brackets is volume for 2013-14).

(2) Bulk Entitlement volume calculated as three year rolling average (figure in brackets is volume for 2013-14).

(3) Noojee Bulk Entitlement not currently utilised

General reporting requirements

Temporary or permanent transfer of authority entitlements
No transfer of authority entitlements in 2013-14.
Temporary or permanent transfers of licences or entitlements to authority
Gippsland Water has access to 400 ML/y in Tarago Reservoir as drought contingency. This water is held in reserve under agreement with the Melbourne Retailers but relinquished on 30 June each year if not used, and replenished with a new 400 ML allocation. The agreement is current until 1 July 2018. For 2013-14, this water was part of the Melbourne Retailers joint Bulk Entitlement. Bulk Water reform in the Melbourne system will occur in 2014-15 and Gippsland Water has agreed with the Melbourne Bulk Entitlement Management Committee for this agreement to operate under the reformed arrangements. Gippsland Water used 35.1 ML under this agreement in 2013-14.
Amendments to Bulk Entitlements
Bulk Entitlement (Gippsland Water – Blue Rock) Amendment Order 2013 - 4 July 2013
Bulk Entitlement (Tarago River - Gippsland Water) Minor Amendment Notice 2014 - 30 June 2014
New Bulk Entitlements
No new Bulk Entitlements in 2013-14.
Failure by authority to comply with provisions of Bulk Entitlements
No failures occurred in 2013-14.
Difficulties experienced in complying with entitlement and remedial actions
None.

Total Groundwater

Raw Water Taken (ML)	2013-14	2012-13
Briagolong	116	117
Sale	1,910	1,924
Dutson	67	61
Total	2,093	2,102

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

PART 3

CUSTOMERS, STAKEHOLDERS AND COMMUNITY

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.

Social sustainability

Gippsland Water strives to meet the needs of all its customers, including those on low income or who are financially vulnerable. Listening to customers helps Gippsland Water continue to improve its 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.

Community Consultation and Engagement

As detailed in Environmental Sustainability, the two previous customer and environment committees are evolving to form one Community Consultative Committee. Nominations were opened in May and are being sought from representatives of community groups with a strong emphasis on wide cross-representation. The new Community Consultative Committee will be formed in August 2014. Under its terms of reference, it will continue to be the forum for community feedback and input into all aspects of Gippsland Water's operations.

Customer-focused initiatives

Gippsland Water continues to improve procedures and make it easier for customers to do business with us. Initiatives this year have included:

- To help make bill management more convenient and increase payment options for our customers, we developed campaigns to promote opt-in to eBills and Direct Debit. These were scheduled for launch on 1 July 2014. They will also help increase efficiency in payment reconciliation and bill handling.
- We also improved our telephone contact procedures and introduced an integrated knowledge database for Customer Service operators. This will help resolve a greater number of queries at first contact.
- We upgraded our telephone systems, which will improve call handling and contact processes.
- All employees benefited from the rollout of a customer-focused diversity program.
- We launched an online solicitor updates system, which enables land conveyancers to directly advise Gippsland Water of changes to settlement dates for land purchases.

Community-focused initiatives

In addition to the extensive community education and engagement Gippsland Water undertakes across a variety of events, Open Days and tours of our facilities, we also connect with our community through sponsorship and other campaign-based initiatives.

Throughout the latter half of 2013-14, Gippsland Water also increased its presence on social media and in regular releases to local media and via our website.

Social media tools also enable Gippsland Water to become more quickly aware of issues customers have raised in a public forum, and to respond where appropriate. One of the most popular types of post has been our ability to update the community more widely, proactively and quickly when there are outages or service issues. One example was the responses given during a mains break in Warragul town centre. We were able to keep businesses and customers informed much more proactively than was possible on the ground or by phone.

The primary point of call for customers' enquiries, or to report faults and emergencies, remains the telephone numbers for our Customer Service contact centre.

Community service obligations					
	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010
Provision of concessions to pensioners	\$4,799,341	\$4,611,778	\$4,412,478	\$3,955,759	\$3,491,094
Rebates paid to not-for-profit organisations under the Water and Sewerage Rebate Scheme	\$268,530	\$249,182	\$234,081	\$214,938	\$210,134
Utility Relief Grant Scheme payments	\$139,129	\$164,859	\$108,073	\$88,415	\$96,437
Water concession on life support machines – Haemodialysis	\$2,571	\$2,250	\$2,494	\$2,252	\$2,098
Hardship Relief Grant Scheme (Water and Sewerage Connection Scheme) (i)	–	–	–	–	–

(i) The Hardship Relief Grant Scheme is administered and managed by the Department of Human Services, and is accessed via direct application to the Department by eligible concession cardholders.

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 ⁴	Billed volume (ML)	Billed connections ⁵	Billed volume (ML)	Billed volume(ML) ⁶	Volume (ML) ⁷	(ML) ⁸	(ML)	(ML)	
Briagolong	370	54.7	24	5.0	0.0	0.2	12.8	72.7	72.2	1%
Coongulla–Glenmaggie	466	33.1	11	5.7	0.0	0.0	2.4	41.1	42.1	-2%
Erica–Rawson	308	36.1	45	21.7	0.0	0.0	37.9	95.7	81.4	18% ¹
Heyfield	877	151.0	112	75.1	0.0	0.7	12.8	239.5	239.4	0%
Maffra–Stratford	3,045	545.1	318	85.7	308.1	4.7	114.3	1,057.9	1,046.2	1%
Mirboo North	755	107.6	85	28.1	0.0	2.2	47.5	185.4	182.8	1%
Moe–Newborough ²	11,042	1,620.2	877	237.9	1,141.6	5.2	527.7	3,532.5	3,576.2	-1%
Moondarra ³	25,006	4,385.9	2,445	781.3	42,241.4	6.4	1324.9	48,740.0	48,892.5	0%
Neerim South–Noojee	653	133.7	67	35.0	0.0	0.0	25.2	194.0	197.0	-1%
Sale–Wurruk	6,990	1,153.0	863	269.9	287.2	0.8	95.9	1,806.8	1,707.6	6%
Seaspray	355	19.6	12	5.4	0.0	0.0	3.5	28.5	30.5	-7%
Thorpdale	80	8.2	19	2.1	0.0	0.0	0.2	10.5	11.6	-9%
Warragul–Drouin ⁴	12,357	1,870.8	1,196	353.5	375.9	14.3	398.9	3,013.4	2,761.0	9%
Willow Grove	143	31.1	11	1.2	0.0	0.0	17.3	49.6	46.7	6%
Total	62,447	10,150.1	6,085	1,907.5	44,354.2	34.7	2,621.2	59,067.6	58,887.1	0%

- (1) The increase in Erica-Rawson consumption may be the result of a number of factors, including operational usage for mains cleaning, a leaking scour valve, and other unidentified leaks. Further investigations are continuing.
- (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.
- (8) A total for non-revenue water is provided below from ESC reporting. Further breakdown to more granular detail into causes is not possible. Gippsland Water delineates metered hydrant water (7) to improve understanding of this metric (page 27). Non-revenue treated water can comprise metering errors, theft, firefighting, operational use (such as mains cleaning) and leakage. Many factors can affect meter performance as they age. Theft and firefighting use is impossible to quantify (for example, the CFA does not use metered hydrants) and Operations do not meter usage for cleaning.

Non-revenue water breakdown		Source
Non-revenue water (ML) total	2486	As per the ESC Report
Leakage (ILI)	1.53	As per the ESC Report
Real Water Losses (KL/connection/day)	0.098	As per the ESC Report
Real Water Losses (KL/Km/day)	4	As per the ESC Report

Living Victoria Water Rebates

During 2013-14, Gippsland Water processed 334 rebates worth more than \$141,820 under the Living Victoria Water Rebate Program. There were 121 more rebates processed than the previous year.

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 2013-14, EWOV handled 35 referrals on behalf of Gippsland Water customers, with 33 handled as enquiries requiring no further action. Two were referred for further investigation. One investigation has been resolved, the other investigation is ongoing.

PART 4 GOVERNANCE

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.

Profile of the Board

Richard McDowell (Chairman)

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

Appointed October 2007

Current term expires September 2015

Richard is a semi-retired Chartered Accountant and was 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. For more than 19 years Richard has contributed to the Victorian 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 Chairman for two Gippsland councils, two hospitals, and the Gippsland Ports Authority. Richard had his family home in Maffra for almost 40 years before recently moving to be closer to grandchildren. He has two adult daughters and three grandchildren and has been an active member of many Gippsland community groups.

Sarah Cumming

B.A., LLB (Hons), EMBA, MAICD (Deputy Chair)

Appointed October 2011

Current term expires September 2017

Sarah is a lawyer and has an Executive MBA. She has held a range of senior management positions at the Australian Securities & Investment Commission (ASIC) for the past 11 years covering the areas of registry compliance, public information management, data integrity, business development, major projects and law reform implementation. Sarah was ASIC's Business Lead for Data Migration on the National Business Names project and most recently was responsible for designing and implementing ASIC's Business Name compliance approach. Her expertise is in providing strategic advice on registry compliance initiatives and complex business solution design. 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.

Leonie Hemingway

GAICD

Appointed October 2012

Current term expires September 2015

Leonie, until recently, 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 Melbourne Planning Authority (MPA) and Chair of the MPA Audit and Risk Committee, panel member for Geographic Place Names Advisory Panel, Ambassador for Open Family Australia/Whiteline and Committee Member Epworth Medical Foundation Special Events Committee. 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 of public health services in rural and regional South Australia and Victoria. Ormond recently resigned as Chief Executive Officer (CEO) 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 and is a Director of Latrobe Health Services. 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.

Peter Day

LLB, M Admin, FCPA, FCA, FAICD

Appointed October 2008

Current term expires September 2017

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 the Australian Securities and Investments Commission. He is currently a non-executive director of a number of ASX-listed companies and public interest organisations.

Malcolm Eccles

MSc, CEng, MIET, MAICD, FCMI

Appointed October 2011

Current term expires September 2017

Malcolm is the Chief Executive Officer and Managing Director of the Basslink Group (2007 – current). The group owns power and telecoms transmission assets. He was previously Basslink's Assets and Operations Director (2005-2007). He is also Chairman of Basslink Consulting Pty Ltd, an engineering consultancy business held within the Basslink Group. Prior to this, Malcolm held various senior engineering and management roles for Siemens Power Services in the United Kingdom (2002-2005) and British Nuclear Fuels Ltd (1986-2002). He is a non-executive director of City Gas Pte Ltd in Singapore (2011-current), which is the largest gas retailer in the country with more than 680,000 commercial, industrial and residential customers. He is also a Director and Executive Committee member 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 has graduate diplomas in Strategic Management & Project Management. He is a Chartered Engineer (CEng), 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.

Bernadette Hannagan

B.B. (Marketing) GAICD

Appointed October 2013

Current Term expires September 2017

Bernadette has 30 years private sector experience in Retail and Wholesale both in Australia and Internationally. She has held senior executive roles at Target Australia and Pacific Brands. Her international experience was gained whilst working and living in London and Hong Kong. She holds a Bachelor of Business in Marketing from Monash University, completed the Advanced Executive Programme from Melbourne Business School and the Australian Institute of Company Directors course. She was also a Director of Berlei (Indonesia), Pacific Brands Asia (HK), Target Group Trading (India) and Target Group Trading (China). Bernadette lives in Gippsland, is on the Course Advisory Committee at Holmesglen TAFE and has a keen interest in mentoring our youth and management of our environment.

David Mawer, Managing Director

Dip.M, MSM, MBA

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 NSW Manager for BHP Billiton Petroleum. A metallurgist, David is a director of the savewater!® Alliance and a member of the Federation University Gippsland engineering advisory committee.

Dr Kevin McKenzie

CoT(Elec) BBus, MBA, DBA, FAICD

Appointed October 2008

Term expired 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 held roles on Audit, Risk and Compliance Board sub-committees. Kevin is a fellow of the Australian Institute of Company Directors and chaired Gippsland Water's Safety Health and Environment (SHE) Board Sub-Committee.

Director attendances at board and committee meetings 1 July 2013 – 30 June 2014

Director	Board meetings		SHE Committee		Audit Committee		Exec Rem Committee	
	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance
Richard McDowell	11	10	0	0	1	1	3	3
David Mawer	11	11	0	1	1	0	3	3
Peter Day ¹	9	7	4	3	1	0	3	2
Kevin McKenzie ²	3	2	2	2	1	1	1	1
Sarah Cumming	11	10	0	0	4	3	3	3
Malcolm Eccles	11	10	0	1	4	3	3	2
Leonie Hemingway	11	10	4	4	1	1	3	3
Ormond Pearson	11	9	0	0	4	4	3	3
Bernadette Hannagan	8	8	2	2	0	0	2	2

1 Director Peter Day – leave of absence – July and August Board meetings

2 Director Kevin McKenzie – term expired September 2013

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 33 years' experience in the utilities sector and has held a range of senior management roles in infrastructure and service-based businesses in Australia and abroad.

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. 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 prior to joining Gippsland Water spent the past nine 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 2013-14 financial year, the Audit Committee met four times.

Audit Committee members for 2013-14

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 – May 2014

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 2013-14 financial year:

- Malcolm Eccles (from November 2012).
- Sarah Cummings (from November 2012).
- Ormond Pearson (from November 2012).

Board Safety, Health and Environment (SHE) sub-committee

Gippsland Water's 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 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.

The Safety, Health and Environment (SHE) Committee met four times in the year. Its members for 2013-14 were:

- Kevin McKenzie – Board member and Chairman (December 2012 to 30 September 2013).
- Leonie Hemingway – Board member (from December 2012).
- Peter Day – Board member (from December 2012).
- Bernadette Hannagan – Board member (from December 2013).

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 2013-14 reporting year.

Corporate Key Performance (pp35-38)

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 2013-14 reporting period, Gippsland Water reported against 33 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 2013-14

KPI no.	Key Performance Indicator	Unit of measure	2013-14 Target	2013-14 Actual	2012-13	2011-12	2010-11	2009-10
Water								
1	Unplanned water supply interruptions	per 100km	19.5	8.70	22.07	18.52	18.52	18.42
2	Average time taken to attend bursts and leaks (priority 1)	minutes	35	33.82	25.01	28.79	30.27	32
3	Average time taken to attend bursts and leaks (priority 2)	minutes	138	90.74	69.29	91.86	101.44	307
4	Average time taken to attend bursts and leaks (priority 3)	minutes	2,000	1,449.34	2,093.27	1,682.09	2,008.11	1,976.2
5	Unplanned water supply interruptions restored within 5 hours	per cent	98%	98.82%	98.89%	98.41%	97.87%	96.80%
6	Planned water supply interruptions restored within 5 hours	per cent	90%	96.19	97.09%	96.65%	98%	96.44%
7	Average unplanned customer minutes off water supply	minutes	10.8	7.88	10.33	8.74	9.53	8.34
8	Average planned customer minutes off water supply	minutes	12	18.51 ¹	31.67	17.59	15.08	10.51
9	Average frequency of unplanned water supply interruptions	number	0.12	0.1078	0.1197	0.1153	0.1412	0.1048
10	Average frequency of planned water supply interruptions	number	0.08	0.1083 ²	0.2018	0.1053	0.0957	0.0752
11	Average duration of unplanned water supply interruptions	minutes	90	73.1	86.43	75.82	67.45	80

KPI no.	Key Performance Indicator	Unit of measure	2013-14 Target	2013-14 Actual	2012-13	2011-12	2010-11	2009-10
12	Average duration of planned water supply interruptions	minutes	150	170.86 ³	156.88	167	157.57	140
13	Number of customers experiencing more than 5 unplanned water supply interruptions in the year	number	0	42 ⁴	0	0	0	10
14	Unaccounted for water	per cent	12	16.6% ⁵	14.2%	10.30%	10.60%	10.60%
Sewerage								
15	Sewerage blockages	per 100 km	18	8.76	7.93	8.11	14.64	17
16	Average time to attend sewer spills and blockages	minutes	40	30.63	40.78	31.32	34.43	32.05
17	Average time to rectify a sewer blockage	minutes	130	93.70	95.70	90.98	100.9	96.18
18	Spills contained within 5 hours	per cent	98	100%	96.43%	100%	100%	98.90%
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	0.08	0.03	0.015	0.015	0.015	0.078
21	Telephone calls answered within 30 seconds	per cent	84	83.04 ⁶	82.58%	82.02%	83.84%	83.95%
Additional Service Standards								
22	Population receiving water meeting E.coli standards	per cent	100	100%	100%	99.7%	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	2013-14 Target	2013-14 Actual	2012-13	2011-12	2010-11	2009-10
24	EPA Discharge Quality licence compliance	Yes / No	Yes	No ⁷	No	98.90%	95%	99.40%
25	Population receiving water meeting turbidity standards	per cent	100	100%	100%	100%	100%	100%
26	Total CO ₂ equivalent emissions	Tonne (000's)	70	38.246	47.84	61.73	68.78	73.29
27	Recycled water target	per cent	10.3	5.23% ⁸	6.7%	5.37%	4.20%	5.20%
28	Bio-solids re-use	per cent	100	100%	100%	45%	100%	100%
30	CTWSS connections	number	50	280	0	0	0	0
Our People								
30	The number of incidents / days lost due to Lost Time Injuries (LTIs)	number of LTIs	0	3 ⁹	3	3	3	3
		Days lost	0	181 ¹⁰	140	110	25	11
31	Injury frequency rate	number	35	19	12	25	28	15
32	OH&S Leading Index	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
33	Employee Availability	hours	≤34 annually per employee	29.94	32.50	33.25	30.53	32.93

- (1) (2), (3) Previously shown are the final figures for 2013-14 financial year (water). As predicted from the first quarter the targets that have not been met are KPI's 8, 10 and 12. Previously provided data shows that these targets could not be met due to air scouring activities. The targets for these KPIs were easily achievable with the air scouring data removed. All other KPIs have been attained within target range.
- (4) The change in water supply interruption from 2013 to 2014 is largely due to continued improvements with data collection, reporting and analysis of interruptions, not previously available. Additionally, the data is reflective of the remaining useful life profile of Gippsland Water's pipeline assets, which is detailed further in the recently established Water Supply Asset Class plan.
- (5) The target of 12% was not achieved this year. The outcome of 16.6% was also higher than last year's figure of 14.2%. Unaccounted for water can comprise both real losses (leaks, firefighting, mains flushing, etc.) as well as apparent losses (product of metering inaccuracies). Gippsland Water does not currently have the data to be able to determine the cause of this year's high figure. Subsequent investigation may be initiated to attempt to identify the cause, although there is no guarantee of a definite outcome.

There are a number of possible causes for high unaccounted for water figures. These include:

- Aging pipelines leading to increased leakage
 - Unmetered use for firefighting and hydrant testing; and
 - Flushing of mains
- (6) KPI target of 84% of telephone calls answered within 30 seconds is based on Gippsland Water's average performance over the previous 5 year period. For the 2013-14 period Gippsland Water achieved 83.04% which is slightly below this target. In order to add further value to our customers and the wider business there has been a deliberate focus on other service indicators such as First Call Resolution and Average Time to Handle calls. Gippsland Water's performance for this period is very favourable when compared to the contact centre industry standard of 80%.
- (7) Considerable growth in the Drouin area in recent years has seen increased pressure being placed on the lagoon treatment system. During the cooler months of the year, elevated concentrations of nitrogen in the Drouin Wastewater Treatment Plant resulted in a

median total nitrogen concentration of 13mg/L which is in breach of the annual median limit of 10mg/L. Milder conditions over the summer period resulted in more typical results, however a return to cooler conditions in recent times have caused a relapse of previous issues.

- (8) The low % effluent reuse (5.23%) compared to Target (10.3%) was due to the low volume of reuse water produced by the Gippsland Water Factory. Water availability from Moondarra Reservoir was sufficient to meet urban and industrial demands, negating the need to produce reuse water. This also explains the low Urban and Industrial percentage reuse (0.11%) in 2013-14, compared to 2012-13 (2.84%). The return to more typical seasonal rainfall in 2013-14 allowed more irrigation of reuse water (2.38%), compared to 2012-13 (1.58%).
- (9) The Lost Time Injury (LTI) incurred at the SORF in October 2012 was closed during this financial year, with the claimant's employment with Gippsland Water ceased and transitional arrangements made. This claim accrued a total of 298 days of lost time (with 155 days being in the 2013-14 financial year).
- (10) During the year, Gippsland Water also reported five medical treatment injuries (MTIs).

FOI requests

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 2014 is \$26.50.

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 2013-14 reporting period, Gippsland Water received three requests for information under the *Freedom of Information Act 1982*.

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.

- In 2013-14 full Essential Safety Measures site audits were completed of the Traralgon Head Office and Depot.

Gippsland Water has a facilities management contract with Glennmc 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.

During the reporting period no contracts commenced or were completed to which the VIPP applied

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).

Consultant services

The definition of consultancy was updated effective from 1 July 2013. Consequently, disclosures on the 2013-14 consultancy expenditure cannot be compared with previous year disclosures.

In 2013-14, there were **13 consultancies** where the total fees payable to the consultants **were \$10,000 or greater**. The total expenditure incurred during 2013-14 in relation to these consultancies is \$595,591 (excl. GST).

In 2013-14, there were **25 consultancies** where the total fees payable to the consultants **were less than \$10,000**. The total expenditure incurred during 2013-14 in relation to these consultancies is \$124,721 (excl. GST)

Details of individual consultancies (valued at \$10,000 or greater):

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (exc. GST)	Expenditure 2013-14 (exc. GST)	Future expenditure (exc. GST)
AWT	Morwell Waste Water Treatment Plant Capacity review	1/07/2013	31/07/2013	24	24	
CH2MHill	Technical Advice Panel - GWF	1/10/2013	31/05/2014	157.8	157.8	
Davis Langdon	ISO 14001 Accreditation review	1/12/2013	31/12/2013	18.5	18.5	
ECOS Environmental Consulting	Water Quality Risk Assessments	1/09/2013	30/06/2014	107.3	107.3	
GHD	Stack Odor Impact study	1/04/2014	30/04/2014	10	10	
GHD	APM Booster Pump Station Augmentation	1/08/2013	30/11/2013	43.7	43.7	
Mercer	Review of current award arrangements	1/07/2013	31/07/2013	20	20	
Net Balance Foundation	SORF - Environmental Management Plan	1/05/2014	30/06/2014	10.7	10.7	
Pressure Sewer Services	Seapray Health Check 2013	1/04/2014	31/05/2014	26	26	
Price Waterhouse Coopers	Risk Advisory Services - GWF Alliance	1/10/2013	30/11/2013	11.2	11.2	
Price Waterhouse Coopers	Contract Novation Risk Review	1/01/2014	31/05/2014	98.3	98.3	
SMEC Australia	Project and Design Management Technical Support	1/07/2013	30/06/2014	57.3	57.3	
SMEC Australia	Regional Outfall Sewer plan preparation	1/08/2013	30/09/2013	10.8	10.8	

For the purposes of the requirements of FRD 22E, a consultant is a particular type of contractor that is engaged primarily to perform a discrete task for an entity that facilitates decision making through:

- (i) provision of expert analysis and advice; and/or
- (ii) development of a written report or other intellectual output.

Protected Disclosures Act 2012 / Whistleblowers Protection Act 2001

Gippsland Water, as a public body defined in the Protected Disclosures Act 2012, has developed policy and procedures for managing protected disclosures and ensuring appropriate disclosures are reported to IBAC for investigation. Full details are available on the Gippsland Water website.

In the period 2013-14, Gippsland Water did not notify IBAC of any disclosures.

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

Protected Disclosure Coordinator:
Lynley Keene
Manager Commercial Services
Phone: 03 5177 4600

Independent Broad-Based Anti-corruption
Commission
GPO Box 24234
MELBOURNE VIC 3000
Phone: 1300 735 135

Fax: 03 8635 6444
Web: www.ibac.vic.gov.au

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.

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 Victorian Public Sector Commission website:

<http://vpssc.vic.gov.au/products/view-products/codes-of-conduct.html>

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.

Equal Employment Opportunity

Gippsland Water complies with Equal Employment Opportunity (EEO) legislation, the Victorian Public Sector Code of Conduct and the Charter of Human Rights and Responsibilities Act 2006.

Gippsland Water's employee induction program 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 was one formal EEO complaint at Gippsland Water for the reporting period.

Gender equity

A total of 85 females were employed at Gippsland Water during the reporting period, representing 30.8% of full-time equivalent workforce. Our women work in senior management, team leadership, professional, engineering, scientific, technical and administrative roles.

During the 2013-14 reporting period, we assisted several women to return from maternity leave through part-time, job sharing and other flexible working arrangements. Gippsland Water continues to encourage women to participate in networking and development opportunities.

Community inclusiveness

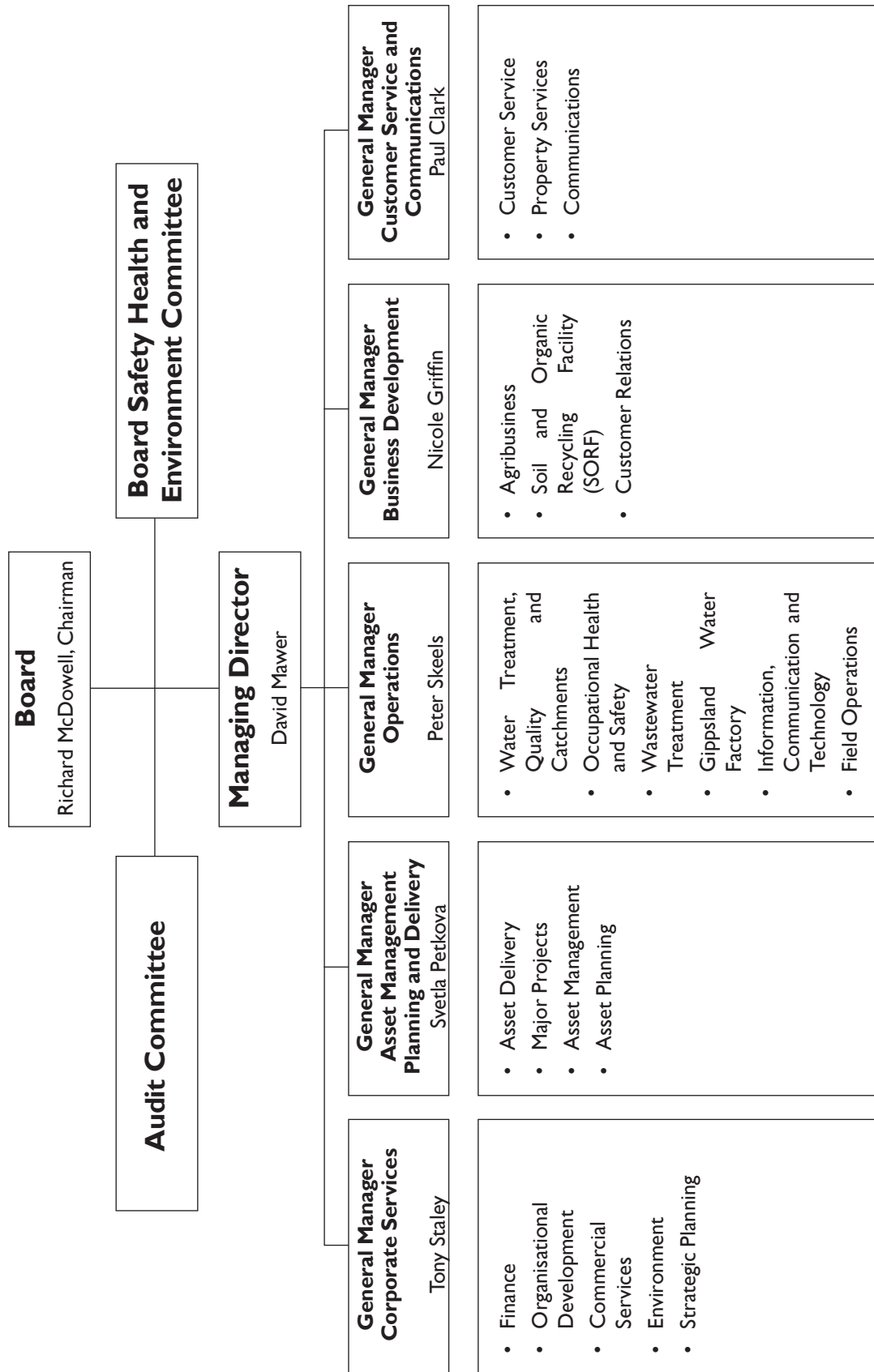
Gippsland Water has recruitment policies that ensure a fair and open opportunity for all potential employees. We have supported a number of career initiatives, including the Jobs Skills Expo in association with the Baw Baw Learning and Education Network at Lardner Park, the Regional Living Victoria Expo and attended local secondary school career nights.

Employment and development opportunities for young people

Opportunities for young people at the corporation include:

- Work experience.
- Vacation employment.
- Industry Placement Program, Federation University Australia.

Organisational structure as at 30 June 2014



Employment by category

Category	Number as at 30 June of each year					
	2014	2013	2012	2011	2010	
Full-time male	190	188	179	171	166	
Full-time female	51	52	52	43	52	
Part-time male	0	0	3	0	0	
Part-time female	27	21	21	20	26	
Casual male	1	3	1	6	6	
Casual female	7	7	6	3	6	
Total employees	276	271	262	253	256	
Full-time equivalent	254.66	251.7	244.65	233.59	226.56	
% Full-time equivalent female employees	25.39	25.24	32.47	24.66	26.7	

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:

1. Active leadership and communication, covering:
 - Enhanced safety culture.
 - Clearly defined OH&S responsibilities and accountabilities.
2. 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.
3. 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 2013-14 had a theme of '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.

Gippsland Water's Major achievements against the Gippsland Water Activity Plan for the 2013-14 year include:

- Continued promotion of timely reporting of incidents and injuries through various platforms, reinforcing through the Safety Health and Environment committees, workgroups and Water Words;
- Finalise Compliance in Procurement review;
- Review and improve end-to-end process of lifting gear compliance management; and
- Continue to streamline the employee records management, including medicals, training records and induction systems.

Training

In line with the OH&S Training Plan 2009-13 and, as identified in consultation with senior leaders, the revised OH&S Training Matrix, was completed. The following OH&S training was completed during the year:

- WorkSafe Approved health & safety representatives initial, 5-day course;
- WorkSafe Approved health & safety representatives refresher, 1-day course.
- B-class Asbestos Removal initial and refresher courses for operators and supervisors.
- Asbestos awareness.
- Install trench and support.
- Self Contained Breathing Apparatus.
- Manual handling & Ergonomics.
- Construction induction.
- Senior First Aid, including oxygen therapy.
- First Aid (CPR only).
- Heights (fall prevention).
- Heights awareness.
- Forklift.
- Electrical spotters.
- Hydrogen sulphide awareness.
- Chemical awareness including hazardous substances.
- Safe Systems of Work.
- Portable Gas Detection User includes H2S.
- Confined Space Entry (initial and refresher).
- Telehandler/Non-Slewing Crane.

Consultation and communication

The SHE committees encourage employee participation and a team-based consultative approach to occupational health and safety.

The objectives of the committees are to provide an avenue for employee and management representatives to monitor and evaluate safety performance, consult and communicate changes in occupational health and safety. The committees consist of employee and management representatives.

The Safety Health and Environment (SHE) Governance process defines workgroup committees are maintained for:

- Traralgon office.
- Operations.
- 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.

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.

Gippsland Water reported three lost time injuries for the 2013-14 financial year, for a total of 16 lost time days.

At the Soil and Organic Recycling Facility (SORF), an employee strained his back while sampling, resulting in seven days lost time. He leant over to pick up a sample bottle, after which he reported soreness in his lower back. The injured person has returned to full duties without complication.

A multi-skilled operator from the Field Services group reported back soreness after tightening a pipe repair band in an awkward posture, and three days lost time are associated with this injury. The injured person has returned to full duties without complication after a short period of modified duties.

An ICT employee was delivering computer hardware to the Gippsland Water Factory, and sustained a crush injury to his left index finger after

inadvertently closing the car door on it. First aid was applied on site, medical treatment at Latrobe Regional Hospital was sought and he was referred to a plastic surgeon. Due to the nature of the injury and treatment, it also became WorkCover notifiable in accordance with Gippsland Water's legal obligations.

A pin was inserted surgically and he was unfit for all duties for a period of six days. He has since returned to work on modified duties, expected to be for some time and continues to work with various specialists for the best possible outcome.

A lost time injury which occurred at the SORF in October 2012 was closed during this financial year when the claimant's employment with Gippsland Water ceased and transitional arrangements were made. This claim accrued a total of 298 days of lost time, 155 days of which were in the 2013-14 financial year.

Working Remotely in Isolation

A major achievement of the consultative process for the 2013-14 year has been the review of Gippsland Water's process for Working Remotely or In Isolation.

Through consultation and communication, Gippsland Water has assessed the risk of working remotely or in isolation, to a role-based risk level, and continues to work with all levels through the organisation to implement the most appropriate solution for the very high risk roles.

A video was developed in-house at minimal cost, featuring various staff members talking about Working Isolation procedures. The format has been well-received as a communication tool across the business.

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 2013-14 included:

- Health and Wellbeing Expo.
- Abdominal strength classes.
- Midday Motivational seminar.
- Skin Checks.
- Sunsmart Presentations.
- 10,000 Step Challenge.
- Sleep Well Seminar.
- Biennial Medicals, Audiology & Spirometry.
- Find Your Balance challenge.

Physical assets

Major achievements for 2013-14 in the management of our physical assets and infrastructure are included in Part I. Other achievements completed during this year were:

- Completed the conversion of the existing Maryvale Emergency Storage (located north of the Traralgon airport), to take emergency waste from the domestic sewerage flows from Traralgon, Rosedale and Glengarry and temporarily store it at Maryvale, and then progressively feed the waste to the Gippsland Water Factory when the wet weather or other event has passed.
- A \$1.8M project increased storage capacity for the sewer pump stations at Middle Road Trafalgar and Factory Road Yarragon, so that they can better handle population growth and future wet weather events.
- We replaced 4.2km of water line mostly AC pipes to ensure long-term sustainability of the organisation by optimising between maintenance and renewal costs to provide safe and palatable drinking water to Gippsland Water customers.
- We relined 8.8km of sewerage line to minimise environmental and health impacts from overflows.
- Continued our 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 on many of our assets, and the full synchronisation with our finance system.

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 and operational 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 2013-14 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 proposed changes to the corporate risk register made by risk owners

Gippsland Water's Risk Register as at June 2014 contained 51 active risks; 12 risks rated as 'high', 22 risks rated as 'medium' and 17 risks rated as 'low' in the controlled environment, with consideration of current controls upon the risk assessment.

During 2013-14, Gippsland Water undertook a review of the composition of the corporate and emerging risk registers. The emerging risks have now become the strategic risks and the current corporate risks have been categorized into strategic and operational risks and issues.

Gippsland Water conducts quarterly risk management reviews. Each quarter, the focus of risk management is on a different aspect (full risk register review considering the above risk categorisations, 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 2013 provides a state-wide picture of risks managed by water corporations.

Gippsland Water's Business Continuity Plan (BCP) and Policy outlines the corporation's approach to the identification, development, approval and review of business continuity plans.

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 *International Standard for Risk Management ISO 31000:2009* and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures.

The Board of Central Gippsland Region Water Corporation verifies this assurance and that the risk profile of the Central Gippsland Region Water Corporation has been critically reviewed within the last 12 months.



Richard McDowell

Chairman

Central Gippsland Region Water Corporation

Dated 19th August 2014.

PART 7

PERFORMANCE REPORT

Performance Report for the year ended 30 June 2014

PART I- Financial Performance Indicators								
KPI No	Performance Indicator	2012-13 Result	2013-14 Result	2013-14 Target	Variance to prior year	Note	Variance to target	Note
F1	Cash Interest Cover (Times) Net operating cash flows before net interest and tax / net interest payments	2.34	3.92	2.88	68%	1a	36%	1b
F2	Gearing Ratio Total Debt (including finance leases) / Total Assets * 100	21.2%	21.7%	22.1%	2%		-2%	
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure * 100	29.7%	76.7%	57.8%	158%	2a	33%	2b
F4	Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	0.54	0.36	0.72	-33%	3a	-50%	3b
F5	Return on Assets Earnings before net interest and tax / average assets * 100	1.6%	1.7%	1.4%	6%		21%	4b
F6	Return on Equity Net profit after tax / average total equity * 100	0.4%	0.5%	0.1%	25%	4a	400%	5b
F7	EBITDA Margin Earnings Before Interest, Tax, Depreciation and Amortisation / total revenue * 100	36.4%	39.6%	37.6%	9%		5%	

- (1) 1a/1b/ 2a/2b. Net Operating cash flow for 2013-14 was significantly higher compared to both the prior year and target due to lesser creditor payments, lesser employee payments on salaries and wages and the insurance claim of \$5.8M received.
- (2) 3a/3b. Current ratio for 2013-14 has been deteriorated compared to both prior year and the target, due to higher value of current liabilities as a result of the extra \$20M worth of TCV borrowings (\$50M in 2013-14 and \$30M in 2012-13). Gippsland Water is considering a shift to more fixed (long term) borrowing facilities, which will result in an improved current ratio in future.
- (3) 4b. ROA is higher in 2013-14 compared to the target due to increased operating profit and significantly less average assets as a result of lower opening balance due to low capitalisations in 2012-13.
- (4) 4a/5b. ROE is comparatively higher to prior year due to higher operating profit in 2013-14. As with the target, forecasted operating profit was significantly lower (approx. \$3M) and average equity was higher (approx. \$60M) than the 2013-14 results.

PART 2 - Water and Sewerage Performance Indicators								
KPI No	Performance Indicator	2012-13 Result	2013-14 Result	2013-14 Target	Variance to prior year	Note	Variance to target	Note
WS1	Unplanned water supply interruptions No. of customers receiving more than 5 unplanned interruptions in the year/total number of water (domestic and non-domestic) customers * 100	0.04%	0.06%	0.00%	50%	5a	100%	6b
WS2	Interruption time indicators Average duration of unplanned water supply interruption (minutes)	86.35	74.48	90	-14%	6a	-17%	7b
WS3	Restoration of unplanned water supply interruptions Unplanned water supply interruptions restored within 5 hours/ total unplanned water supply interruptions *100	98.91%	98.80%	98%	0%		1%	
SSI	Containment of sewer spills Sewer spills from reticulation and branch sewers contained within 5 hours / total sewer spills from reticulation and branch sewers %	100%	100%	98%	0%		2%	
SS2	Sewer spills interruptions No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	96.40%	96.00%	98.18%	0%		-2%	

- (5) 5a/ 6b. The change in water supply interruption numbers from 2013 to 2014 is largely due to continued improvements with data collection, reporting and analysis of interruptions not previously available. 2012-13 reflects no. of customers receiving 5 unplanned interruptions due to unavailability of data on more than 5 interruptions as opposed to 2013-14, which reflects more than 5 interruptions. Additionally, the data is reflective of the remaining useful life profile of Gippsland Water's pipeline assets, which is detailed further in the recently established Water Supply Asset Class plan. Gippsland Water is considering to revise the targets set based on last 5 years' average basis, since those years considered in targets do not reflect the improved data collection points resulting in inapt target levels.
- (6) 6a/ 7b. The majority of breaks in 2013-14 have taken place in nature strips rather than under driveways or in roads and major carriage ways. Gippsland Water also had experienced minimal breaks on major mains. This has enable the average duration to be shorter compared to prior year and to target.

PART 3 - Customer Responsiveness Performance Indicators

KPI No	Performance Indicator	2012-13 Result	2013-14 Result	2013-14 Target	Variance to prior year	Note	Variance to target	Note
CR1	Water quality complaints. (No.) No. of complaints per 100 customers	0.40	0.40	0.40	0%		0%	
CR2	Sewerage service quality complaints. (No.) No. of complaints per 100 customers	0.01	0.02	0.01	100%	7a	100%	8b
CR3	Sewerage odour complaints (No.) No of complaints per 100 customers	0.04	0.04	0.07	0%		-43%	9b
CR4	Billing complaints. (No.) No. of complaints per 100 customers	0.05	0.05	0.05	0%		0%	

- (7) 7a/ 8b. Even though the variance to both prior year & target is shown as 100%, number of complaints increased from prior year & target is just 4 (i.e. 7 in 2012-13 and 11 in 2013-14) and 5 (i.e. 6 as the target) respectively. Gippsland Water has made improvements to the AMS (Asset Management System) to identify and analyse sewer main breaks in order to provide a higher quality service to the customers, thus will result in lower number of complaints in future.
- (8) 9b. Actual complaints to target is much lower since the target was set at 37 (number of complaints) due to higher number of complaints reported in 2008-09 & 2009-10. (Gippsland Water uses last 5 years' average of complaints to derive at the target). Gippsland Water is considering to revise the targets set based on last 5 years' average basis, since those years considered in targets do not reflect the improved data collection points and process improvements, resulting in inapt target levels

PART 4 - Environmental Performance Indicators

KPI No	Performance Indicator	2012-13 Result	2013-14 Result	2013-14 Target	Variance to prior year	Note	Variance to target	Note
Reuse indicators								
E1	Effluent re-use volume (end use) % recycled for each category:	6.66%	5.02%	10.30%	-25%	8a	-51%	10b
E2	Total net CO₂ emissions Net tonnes CO ₂ equivalent	42,865	38,246	70,000	-11%	9a	-45%	11b

- (9) 8a/ 10b. The low % effluent reuse (5.02%) compared to both Target (10.3%) and Prior Year (6.66%) was due to the low volume of reuse water produced by the Gippsland Water Factory. Water availability from Moondarra Reservoir was sufficient to meet urban and industrial demands, negating the need to produce reuse water.
- (10) 9a. Emissions from both water and wastewater treatment have reduced in 2013-14. Lower wastewater inflows to the Gippsland Water Factory this year have reduced energy demand for treatment. In addition, energy demand was reduced due to the generation of electricity through the commissioning of the methane combustion turbine for the first time.
- (11) 11b. The target of 70,000 t/annum CO₂ equivalent greenhouse gas emissions was set when it was understood that greenhouse gas emissions from bio solids and green waste composting activities were included in the calculations. The Clean Energy Regulator has subsequently confirmed that emissions from these sources are not required. Consequently, total emissions are low in comparison to this target.
- (12) Note: We have re-stated the prior year customer numbers used to derive at some of the KPIs above to be in line with current year basis (i.e. using only the connected property customer numbers in calculations).

Performance Report For The Year Ended 30 June 2014

STATUTORY CERTIFICATION

We certify that the accompanying Performance Report of Central Gippsland Region Water Corporation in respect of the 2013-14 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2013-14 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

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



Richard McDowell
Chairman
Central Gippsland Region Water Corporation



David Mawer
Managing Director
Central Gippsland Region Water Corporation

Dated the 28th of August 2014.



Victorian Auditor-General's Office

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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 2014 of the Central Gippsland Region Water Corporation comprises the performance report, 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 performance report in accordance with the *Financial Management Act 1994* and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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 2014 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 2014 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
29 August 2014


John Doyle
Auditor-General

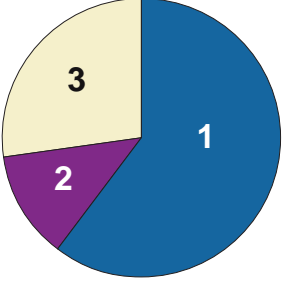
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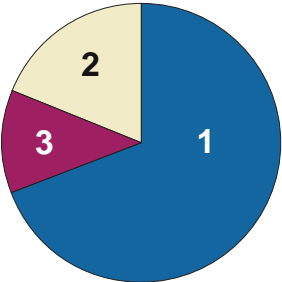
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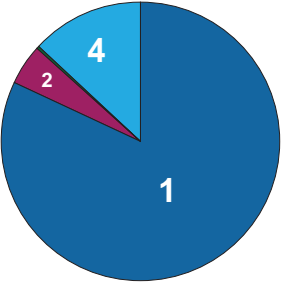
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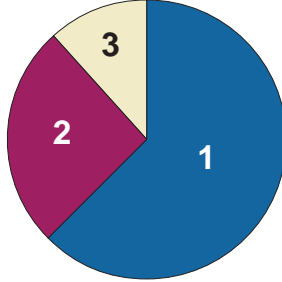
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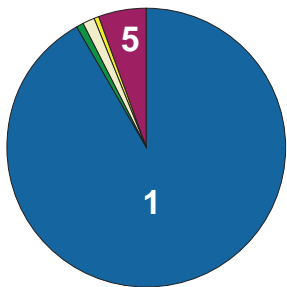
Financial Performance and Business Indicators as at 30 June 2014

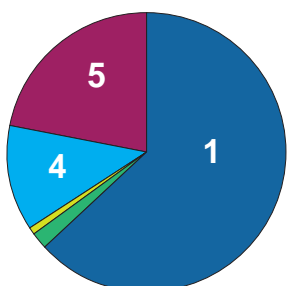
Water Income from Service and Volumetric Charges		
		2014
		\$'000
	1 Urban Residential	29,585
	2 Urban Non-Residential	6,061
	3 Major Clients	13,229
	TOTAL	48,875

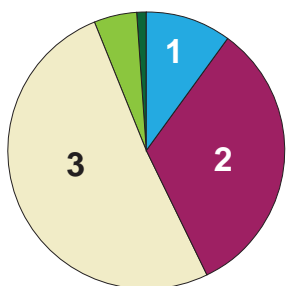
Wastewater Income from Service and Volumetric Charges		
		2014
		\$'000
	1 Urban Residential	39,876
	2 Urban Non-Residential	6,998
	3 Major Clients	10,754
	TOTAL	57,628

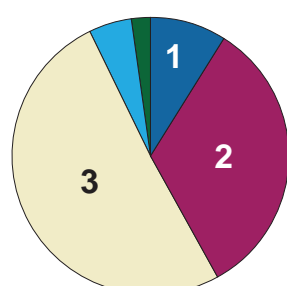
Total Income from All Sources		
		2014
		\$'000
	1 Service and Volumetric	106,503
	2 Development Contributions	6,461
	3 Interest	265
	4 Other	16,725
	TOTAL	129,954

Total Expenses		
		2014
		\$'000
	1 Operations, Maintenance and Administration	78,245
	2 Depreciation	32,209
	3 Interest	14,564
	TOTAL	125,018

Total Assets		
		2014
		\$'000
	1 Fixed Assets	1,058,182
	2 Cash and Investments	8,779
	3 Debtors and Receivables	15,954
	4 Inventory and Biological	6,399
	5 Other	63,342
	TOTAL	1,152,656

Liabilities and Equity		
		2014
		\$'000
	1 Equity	729,382
	2 Creditors and Accruals	21,076
	3 Provisions	8,394
	4 Deferred Tax Liability	143,304
	5 Borrowings	250,500
	TOTAL	1,152,656

Business Stream Revenue		
		2014
		%
	1 Bulk	10%
	2 Water	33%
	3 Waste	51%
	4 SORF	5%
	5 Agriculture	1%
	TOTAL	100%

Business Stream Expenses		
		2014
		%
	1 Bulk	9%
	2. Water	33%
	3. Waste	51%
	4. SORF	5%
	5. Agriculture	2%
	TOTAL	100%

FINANCIAL STATEMENTS 2013-14
CENTRAL GIPPSLAND REGION WATER CORPORATION

COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2014			
	Note	2014	2013
		\$'000	\$'000
Revenue from Operating Activities			
Service Charges	I (c) 4(a)	70,688	69,918
Volumetric Charges	I (c) 4(a)	35,815	36,715
Interest	I (c) 4(a)	265	457
Developer Contributions	I (c) 4(a)	6,461	11,998
Government Contributions	I (c)	360	-
Other Revenue	I (c) 4(a)	9,194	8,760
Total Operating Revenue		122,783	127,848
Revenue from Non-Operating Activities			
Other Revenue	I (c) 4(a)	7,171	1,096
Total Revenue from Non-Operating Activities		7,171	1,096
Total Revenue		129,954	128,944
Expenses			
Employee benefits	I (d)	28,976	29,925
Direct operating		21,942	23,770
Repairs and maintenance	I (d)	16,030	17,643
Administration		6,718	7,004
Environmental contribution	I (d)	4,660	2,793
Depreciation	I (d) 4(c)	31,650	28,985
Amortisation	I (d) 4(c)	559	382
Net loss on disposal of assets	4(b)	(188)	361
Impairment Loss	4(c)	107	26
Borrowing costs	I (d) 4(c)	14,564	13,639
Total Expenses		125,018	124,528
Net result before tax		4,936	4,416
Income Tax Expense / (Benefit)	I (j) 5(a)	1,643	1,271
Net Result	19	3,293	3,145

COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2014			
	Note	2014	2013
		\$'000	\$'000
Other Comprehensive Income			
Disposal on revalued infrastructure		(386)	(2,089)
Income tax relating to components of other comprehensive income	5(c)	116	627
Component of disposed assets transfer to Accumulated Funds		-	162
Total Other Comprehensive Income	18	(270)	(1,300)
Total Comprehensive Income		3,023	1,845

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

FINANCIAL STATEMENTS 2013-14
CENTRAL GIPPSLAND REGION WATER CORPORATION

BALANCE SHEET AS AT 30 JUNE 2014			
	Note	2014	2013
		\$'000	\$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	I(e) 6	7,532	5,902
Receivables	I(e) 7	15,582	17,248
Prepayments		544	483
Inventories	I(e) 8	2,352	2,219
Biological Assets	I(e) 11	644	669
Other Financial Assets	9	324	271
Total Current Assets		26,978	26,792
Non-current Assets			
Receivables	7	372	-
Other Financial Assets	9	1,247	9,464
Infrastructure, Property, Plant and Equipment	I(e) 10	1,050,913	1,029,288
Biological Assets	I(e) 11	3,403	2,877
Intangible Assets	I(e) 12	7,268	1,671
Deferred Tax Asset	I(j) 5(b)	62,474	64,659
Total Non-current Assets		1,125,677	1,107,958
TOTAL ASSETS		1,152,656	1,134,751

BALANCE SHEET AS AT 30 JUNE 2014			
	Note	2014	2013
		\$'000	\$'000
LIABILITIES			
Current Liabilities			
Payables	1(f) 13	21,076	16,087
Interest Bearing Liabilities	1(f) 14	50,500	30,500
Employee Benefits	1(f) 15	6,596	5,822
Provisions	1(f) 16	180	180
Total Current Liabilities		78,352	52,589
Non-current Liabilities			
Interest Bearing Liabilities	1(f) 14	200,000	210,000
Employee Benefits	1(f) 15	864	1,040
Provisions	1(f) 16	754	800
Deferred Tax Liability	1(j) 5(c)	143,304	143,963
Total Non-current Liabilities		344,922	355,803
TOTAL LIABILITIES		423,274	408,392
NET ASSETS		729,382	726,359
EQUITY			
Contributed Capital	17	254,822	254,822
Reserves	18	164,346	164,616
Accumulated Funds	19	310,214	306,921
TOTAL EQUITY		729,382	726,359

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

FINANCIAL STATEMENTS 2013-14
CENTRAL GIPPSLAND REGION WATER CORPORATION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014					
	Note	Equity at 1 July 2013	Total comprehensive income	Transactions with owners	Equity at 30 June 2014
		\$'000	\$'000	\$'000	\$'000
Contributed Capital		254,822	-	-	254,822
Capital appropriations		-	-	-	-
	17	254,822	-	-	254,822
Accumulated Funds		306,921	-	-	306,921
Profit for the period after tax		-	3,293	-	3,293
Other Comprehensive Income		-	-	-	-
	19	306,921	3,293	-	310,214
Asset Revaluation Reserve		164,616	-	-	164,616
Impairment, prior period adjustment, decommissioning		-	(270)	-	(270)
Transfers to Accumulated Funds		-	-	-	-
	18	164,616	(270)	-	164,346
Total equity at end of financial year		726,359	3,023	-	729,382

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014					
	Note	Equity at 1 July 2012	Total comprehensive income	Transactions with owners	Equity at 30 June 2013
		\$'000	\$'000	\$'000	\$'000
Contributed Capital		253,822	-	-	253,822
Capital appropriations		-	-	1,000	1,000
	17	253,822	-	1,000	254,822
Accumulated Funds		303,614	-	-	303,614
Profit for the period after tax		-	3,145	-	3,145
Other comprehensive income		-	-	162	162
	19	303,614	3,145	162	306,921
Asset Revaluation Reserve		166,078	-	-	166,078
Impairments and decommissioning		-	(1,300)	-	(1,300)
Transfers to Accumulated funds		-	-	(162)	(162)
	18	166,078	(1,300)	(162)	164,616
Total equity at end of financial year		723,514	1,845	838	726,359

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

FINANCIAL STATEMENTS 2013-14
CENTRAL GIPPSLAND REGION WATER CORPORATION

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014			
	Note	2014	2013
		\$'000	\$'000
Cash Flows from Operating Activities			
Receipts			
Fees and Charges		124,885	114,108
Interest Received		266	454
GST Received		5,760	4,027
Developer Contributions Fees Paid		2,041	2,340
		132,950	120,930
Payments			
Payments to Suppliers		(43,645)	(53,185)
Payments to Employees		(29,040)	(33,759)
Interest and Other Costs of Finance Paid		(14,394)	(13,573)
Environmental Contributions		(4,660)	(2,793)
		(91,738)	(103,310)
Net Cash Flows from Operating Activities	24	41,212	17,621
Cash Flows from Investing Activities			
Payments for Infrastructure, Property, Plant and Equipment		(53,743)	(59,349)
Payments for Intangible Assets	12	(4,817)	(570)
Proceeds from Sale of Property, Plant and Equipment	4(b)	558	1,047
Proceeds from/(Payments to) Investments	9	8,420	183
Net Cash Flows from Investing Activities		(49,582)	(58,689)
Cash Flows from Financing Activities			
Proceeds from Borrowings		10,000	38,000
Proceeds from Contributed Capital by State Government	17	-	1,000
Net Cash Flows From Financing Activities		10,000	39,000
Net Increase / (Decrease) in Cash and Cash Equivalents		1,630	(2,068)
Cash and Cash Equivalents at beginning of year	6	5,902	7,969
Cash and Cash Equivalents at end of year	6	7,532	5,901

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

Notes to the Financial Report for the Year Ended 30 June 2014

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 2014.

Note 1: Significant Accounting Policies

(a) Basis of accounting

General

The financial report includes separate financial statements for the Corporation as an individual reporting entity. This financial report is a general purpose financial report that consists of an Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these Statements. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the Financial Management Act 1994 and applicable Ministerial Directions. 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 28th August 2014.

The principal address is:

**Gippsland Water
Hazelwood Road
Traralgon Victoria 3844**

Accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Where appropriate, comparative figures have been amended to align with current presentation and disclosure.

The going concern basis was used to prepare the financial statements.

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 1(f) 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.

NOTES TO THE FINANCIAL REPORT 2013-14

CENTRAL GIPPSLAND REGION WATER CORPORATION

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 2013, and AASB 1054 Australian Additional Disclosures which became effective for reporting periods beginning on or after 1 July 2013.

(b) Changes in accounting policies

Subsequent to the 2012-13 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when the Corporation is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. The Corporation has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited. In light of AASB 13, the Corporation has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

However, AASB 13 has predominantly impacted the disclosures of the Corporation. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 Financial Instruments: Disclosures.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2012 13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 Financial Instruments: Disclosures.

AASB 119 Employee benefits

In 2013 14, the Corporation has applied AASB 119 Employee Benefits (September 2011, as amended) and the related consequential amendments for the first time.

The revised standard changes the definition of short term employee benefits. These were previously benefits that were expected to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, short term employee benefits are now defined as benefits expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service.

The effects of this new standard has been tested by the Corporation and found to have no material impact.

(c) 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 2013-14 financial year the Corporation estimated the outstanding revenue in respect of water meters which had not been read at balance date of \$2,953,424 (2012-13 \$2,895,912), 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 AASB 1004 Contributions, whichever is the sooner, and disclosed in the Operating Statement as Government Grants and Contributions. However, grants and contributions received from the Victorian State Government which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and/or the Minister for Water have indicated are in the nature of owners' contributions are accounted for as Equity – Contributions by Owners in accordance with Financial Reporting Direction, FRD119A Transfer through Contributed Capital.

During 2013-14, a contribution was received from Regional Development Victoria (RDV) of \$360,000 to assist with a water main replacement at Labertouche.

Interest

Interest income is recognised using the effective interest rate method, in the period in which it is incurred..

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.

Fair value of resources received free of charge

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when the Corporation obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

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. Revenue from these activities are recognized in the period which the service is rendered and on an accruals basis.

Other income

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.

(d) 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.

NOTES TO THE FINANCIAL REPORT 2013-14

CENTRAL GIPPSLAND REGION WATER CORPORATION

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(d).

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 Corporation has a statutory obligation to pay an environmental contribution to the Department of Environment and Primary Industries. The contribution is recognised as an expense during the reporting period as incurred.

Resources provided free of charge

Resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchases if not donated.

Other expenses

Supplies and services costs which are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

(e) Assets

Cash and cash equivalents

Cash and equivalents recognised on the Balance Sheet comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments (with an original maturity of three months or less) that are readily convertible to known amounts of cash which are subject to an insignificant risk of change in values.

Receivables

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services provided, loans to third parties, accrued investment income, and finance lease receivables; and
- statutory receivables, such as amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables.

Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment),

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but are not classified as financial instruments because they do not arise from a contract.

Contractual receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impaired receivables. Trade receivables are due for settlement no more than 30 days from the date of recognition for water utility debtors, and no more than 30 days for other debtors.

Collectability of contractual receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts 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 original effective interest rate. The amounts credited to the provision are recognised as an expense in the comprehensive 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 net realisable value. Costs are assigned to inventory quantities on hand at balance date on a weighted average cost (WAC) basis. Inventories include goods held for distribution at no or nominal cost in the ordinary course of business operations.

Inventories held for distribution or for consumption are measured at the lower of cost and current replacement cost, adjusted for any loss of service potential.

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 (2013: \$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 Financial Reporting Direction (FRD) 103E Non-current Physical Assets.

Revaluations are conducted in accordance with FRD 103E. 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 are measured at fair value less accumulated depreciation and impairment in accordance with FRD 103E. 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 systems.

Fair Value of Infrastructure, Property, Plant and Equipment

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.

Consistent with AASB 13 Fair Value Measurement, the Corporation determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment, biological assets, investment properties and financial instruments and for non-recurring fair value measurements such as assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Corporation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, the Corporation determines whether transfers have occurred between levels in the hierarchy by re assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer General Victoria (VGV) is the Corporation's independent valuation agency.

The Corporation utilises the services of other external third party valuers to determine fair value of Biological Assets. Agribusiness Valuations Australia, Certified Practising Valuers, complete an independent valuation of plantations as at 30 June 2014 and Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2014.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the following assumptions:

- that the transaction to sell the asset or transfer the liability takes place either in the principal market (or the most advantageous market, in the absence of the principal market), either of which must be accessible to the entity at the measurement date; and
- that the entity uses the same valuation assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Consideration of highest and best use (HBU) for non-financial physical assets

The valuations have been completed in accordance with AASB 13 and 116 and professional valuation standards.

The corporation has confirmed with the Valuer General Victoria (VGV) who believes the valuation conforms with the current accounting standards and valuation principles incorporating the concept of HBU has been applied.

The Corporation has also tested the asset values utilising the guidelines issued by the Victoria Water Industry Association (VWIA) and determined that the current values of assets are representative of the HBU requirements.

Revaluation of non-current physical assets

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 asset revaluation reserve.

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

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

Impairment of assets

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

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

Permanent Water Entitlements

Permanent water entitlements purchased after 1 July 2013 are treated as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109 Intangible Assets), and will not be subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent entitlements purchased after 1 July 2013 will be tested annually for impairment. Bulk permanent water entitlements prior to 1 July 2013 are not recorded on the Balance Sheet as an intangible asset, as they cannot be reliably measured.

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.

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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.

(f) Liabilities

Payables

Payables consist of:

Contractual payables, such as accounts payable, and unearned income including deferred income from concession notes. Accounts payable represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid, and arise when the Corporation becomes obliged to make future payments in respect of the purchase of those goods and services; and

- Statutory payables, such as goods and services tax and fringe benefits tax payables.
- Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

The contractual payables are unsecured and are usually paid within 30 days of recognition.

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.

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.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will occur and the amount of the receivable can be measured reliably.

Employee Benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits annual leave and accumulating sick leave, are all recognised in the provision for employee benefits as 'current liabilities', because the Corporation does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- undiscounted value – if the Corporation expects to wholly settle within 12 months; or
- present value – if the Corporation does not expect to wholly settle within 12 months.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

An unconditional legal entitlement for payment of LSL arises after a qualifying period (seven years of service). Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the Corporation does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

Where the qualifying period has not yet been reached, a conditional LSL entitlement is disclosed as a non-current liability. There is a right to defer the settlement of this entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value.

The components of this current LSL liability are measured at:

- undiscounted value if the Corporation expects to wholly settle within 12 months; and
- present value if the Corporation does not expect to wholly settle within 12 months.

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. At 30 June 2014, for those employees in accumulation funds the Corporation contributes 9.25% of employee earnings under the Superannuation Guarantee Administration Act 1992. This rate will change to 9.5% on 1 July 2014.

Employee benefit on-costs

Employee benefit on-costs, including payroll tax and Workcover, 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.

(g) 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.

Asset revaluation reserve

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

(h) 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.

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.

Fair value of Financial Instruments

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.

(i) 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 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 land fill for the disposal of inorganic waste. Land fill sites can remain open for many years, this provision recognises the final restoration cost to close and restore the land fill site. Based upon current utilisation management has estimated the land fill site has 12 years of remaining life. This provision is reviewed annually to ensure it adequately covers the rehabilitation costs and satisfies any changes to environmental regulations which may be enforced in subsequent years.

(j) Taxation

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 directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(k) 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 inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(l) 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 inclusive of GST receivable or payable respectively.

(m) 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 Water Minister and the Treasurer and a formal determination is made by the Treasurer (refer Note 25).

(n) Goods and Services Tax

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

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

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

(o) 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 2014 reporting period.

The Corporation has not and does not intend to adopt these standards early. DTF assesses the impact of all these new standards and advises the Corporation of their applicability and early adoption where applicable.

As at 30 June 2014, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2014.

Standard / interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on financial statements
AASB 9 Financial Instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	1 Jan 2017	The preliminary assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 10 Consolidated Financial Statements	This Standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities. The AASB has issued an Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.	1 Jan 2014 (not-for-profit entities)	For the public sector, AASB 10 builds on the control guidance that existed in AASB 127 and Interpretation 112 and is not expected to change which entities need to be consolidated. Ongoing work is being done to monitor and assess the impact of this standard.

Standard / interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 11 Joint Arrangements	This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.	1 Jan 2014 (not-for-profit entities)	Based on current assessment, entities already apply the equity method when accounting for joint ventures. It is anticipated that there would be no material impact. Ongoing work is being done to monitor and assess the impact of this standard.
AASB 12 Disclosure of Interests in Other Entities	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 Separate Financial Statements and AASB 131 Interests in Joint Ventures.	1 Jan 2014 (not-for-profit entities)	The new standard is likely to require additional disclosures and ongoing work is being done to determine the extent of additional disclosure required.
AASB 127 Separate Financial Statements	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 Jan 2014 (not-for-profit entities)	Current assessment indicates that there is limited impact on Victorian Public Sector entities. Ongoing work is being done to monitor and assess the impact of this standard.
AASB 128 Investments in Associates and Joint Ventures	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 Jan 2014 (not-for-profit entities)	Current assessment indicates that there is limited impact on Victorian Public Sector entities. Ongoing work is being done to monitor and assess the impact of this standard.

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Standard / interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 1055 Budgetary Reporting	AASB 1055 extends the scope of budgetary reporting that is currently applicable for the whole of government and general government sector (GGS) to NFP entities within the GGS, provided that these entities present separate budget to the Parliament.	1 July 2014	<p>[If separate budget is presented to the Parliament]:</p> <p>The entity will be required to restate in the financial statements the budgetary information in accordance with the presentation format prescribed in Australian Accounting Standards and explain the significant variances from the original budget.</p> <p>[If separate budget is not presented to the Parliament]:</p> <p>This Standard is not applicable as no budget disclosure is required.</p>
AASB 1056 Superannuation Entities	AASB 1056 replaces AAS 25 Financial Reporting by Superannuation Plans. The standard was developed in light of changes in recent years, developments in the superannuation industry and Australia's adoption of IFRS.	1 July 2016	<p>The standard was issued in June 2014. While preliminary assessment has not identified any material impact arising from AASB 1056, further work to assess the impact of this standard will be undertaken.</p>

In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2013-14 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting. The AASB Interpretation in the list below is also not effective for the 2013-14 reporting period and is considered to have insignificant impacts on public sector reporting.

- *AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).*
- *AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.*
- *2013-1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements.*
- *2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.*
- *2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting.*
- *2013-5 Amendments to Australian Accounting Standards – Investment Entities*
- *2013-6 Amendments to AASB 136 arising from Reduced Disclosure Requirements*
- *2013-7 Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policy holders*
- *2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- *AASB Interpretation 21 Levies.*

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	2014 Carrying amount	2013 Carrying amount
	\$'000	\$'000
Financial Assets		
Cash and Cash Equivalents	7,532	5,902
<i>Loans and Receivables:</i>		
– Trade Receivables	9,645	10,000
– Other Receivables	5,885	14,396
Total Financial Assets (a)	23,062	30,298
Financial Liabilities		
<i>At Amortised Cost:</i>		
Payables	20,724	15,739
Interest Bearing Liabilities	250,500	240,500
Total Financial Liabilities (b)	271,224	256,239

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

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

Note 2: Financial Risk Management Objectives and Policies (cont'd)

Net holding gain / loss on financial instruments by category

Financial Instrument 2014	Total interest income and expense	Fee income expense	Impairment loss	Total
	\$'000	\$'000	\$'000	\$'000
Contractual Financial Assets				
Cash and Cash Equivalents	157	-	-	157
Trade Receivables	-	-	-	-
Other Receivables	108	-	-	108
Total Financial Assets	265	-	-	265
Financial Liabilities				
Payables	-	-	-	-
Interest Bearing Liabilities	11,997	2,567	-	14,564
Total Financial Liabilities	11,997	2,567	-	14,564

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

Note 2: Financial Risk Management Objectives and Policies (cont'd)

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 of Victoria 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 management is to minimise the longer term cost of borrowings by limiting the exposure of the Corporation to interest repricing in any one period by adopting debt portfolio maturities and to spread debt between fixed and floating instruments.

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

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

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

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

(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 Treasury Corporation Victoria (TCV) indicate minimal movements in interest rates over the foreseeable future with the possibility of an interest rate hike in mid 2015.

Management believes there unlikely to be further downward pressure on interest rates in Australia over the next twelve months. Loans totalling \$20M will be renegotiated during 2014-15. These loans have interest rates which are above the current TCV forecast.

The sensitivity analysis set out below applies a weighted average possible decrease in interest rates of 0.25% (2013: 0.25%) over the financial instruments and shows a net profit of \$104,000 (2013: \$38,000) to Net Result and Equity. A chance remains that interest rates may increase in mid 2015, but management considers rates are unlikely to increase by more than 0.5% (2013: 0.25%). The impact of higher interest rates would generate a net loss of \$209,000 (2013: \$38,000) 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 30 June 2014 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.

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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 2014.

2014 Interest rate risk	Carrying amount	Interest rate risk			
		-0.25% Result	-0.25% Equity	+0.5% Result	+0.5% Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and Cash Equivalents ⁽¹⁾	7,532	(19)	(19)	38	38
Trade Receivables ⁽²⁾	9,645	-	-	-	-
Other Receivables ⁽²⁾	4,885	-	-	-	-
Other Receivable – TCV Deposit	1,000	(3)	(3)	5	5
Financial Liabilities					
Payables ⁽²⁾	20,724	-	-	-	-
Interest Bearing Liabilities – Fixed	200,000	-	-	-	-
Interest Bearing Liabilities – Maturing	20,000	50	50	(100)	(100)
Interest Bearing Liabilities – Variable	30,500	76	76	(153)	(153)
Total		104	104	(209)	(209)

(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 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)	15,739	-	-	-	-
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		38	38	(38)	(38)

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

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

Note 2: Financial Risk Management Objectives and Policies (cont'd)

(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; and
- (iv) The Corporation also provides water and wastewater services to major industry under long term commercial contracts. The Corporation regularly meets with each customer and has established a separate department to manage these customers. Residual risk is considered minimal.

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

The carrying amount of financial assets recorded in the Financial Report, net of any allowances for losses represents the 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.

Note 2: Financial Risk Management Objectives and Policies (cont'd)

(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 2014 the Corporation had no undrawn Financial Accommodation from 2013-14, excluding the undrawn Temporary Purpose funding of \$5M (2012-13 : Nil).

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

The Financial Accommodation for the Corporation has been approved by the Treasurer for 2014-15.

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

Borrowing facility	2014	2013
	\$'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

2014	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	20,724	-	-	-	-	20,724
Borrowings	30,500	20,000	50,000	50,000	100,000	250,500
Total Financial Liabilities	51,224	20,000	50,000	50,000	100,000	271,224

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	15,739	-	-	-	-	15,739
Borrowings	20,500	10,000	20,000	90,000	100,000	240,500
Total Financial Liabilities	36,239	10,000	20,000	90,000	100,000	256,239

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 2.67% to 7.13%, (2013: 2.87% 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	2014 Carrying amount	2014 Fair value amount	2013 Carrying	2013 Fair value
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and Cash Equivalents	7,532	7,532	5,902	5,902
Loans and Receivables				
– Trade Receivables	9,645	9,645	10,000	10,000
– Accrued Revenue / Other Receivables	4,314	4,314	4,661	4,661
– Deposits at TCV	1,000	1,005	9,420	9,425
Total Financial Assets	22,491	22,496	29,983	29,988
Financial Liabilities				
Payables	20,724	20,724	15,739	15,739
Interest Bearing Liabilities	250,500	263,109	240,500	251,019
Total Financial Liabilities	271,224	283,833	256,239	266,758

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 accruals, provisions, depreciation, the determination of values used in the asset revaluations and the recognition of deferred tax balances.

Note 4: Operating Statement – Disclosures

(a) Significant revenues

	Note	2014	2013
		\$'000	\$'000
Service Charges			
– Water Charges		19,019	18,864
– Wastewater Charges		51,417	50,802
– Trade Waste Charges		252	252
Total Service Charges	I (c)	70,688	69,918
Volumetric Charges			
– Water		29,856	30,391
– Wastewater		5,959	6,324
Total Volumetric Charges	I (c)	35,815	36,715
Developer Contributions			
– Fees Paid by Developers		1,895	2,327
– Assets Received from Developers		4,566	9,671
Total Developer Contributions	I (c)	6,461	11,998
Interest received from financial assets not at fair value through Operating Statement		265	457
Other Revenue – Operating			
– Agriculture Pursuits		2,653	2,886
– Prescribed Waste		4,386	3,205
– Rechargeable Works		842	1,338
– Other Fees		1,313	1,331
Total Other Revenue – Operating	I (c)	9,194	8,760
Other Revenue - Non- Operating			
– Liquidated Damages		5,800	-
– Other Fees		1,371	1,096
Total Other Revenue - Non-Operating	I (c)	7,171	1,096

Note 4: Operating Statement – Disclosures (cont'd)

(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	2014	2013
		\$'000	\$'000
Net Gain / (Loss) on Disposal of Property, Plant and Equipment			
– Proceeds on Sale		558	1,047
– Written Down Value		(370)	(1,408)
Net Gain / (Loss) on Disposal of Property, Plant and Equipment		188	(361)

(c) Significant expenditure

	Note	2014	2013
		\$'000	\$'000
Employer defined benefit and superannuation contribution expense	22	1,999	1,881
Net (Gain) / Loss arising from revaluation of Long Service Leave		(9)	(61)
Operating lease rental expense		64	166
Bad and doubtful debts			
– Written off		245	233
Auditors Remuneration			
– Auditor General for Audit of Financial Statements		58	57
– Internal Audit		115	150
Depreciation			
– Buildings		518	367
– Water Infrastructure		11,868	11,390
– Wastewater Infrastructure		16,394	14,947
– Plant and Equipment		1,837	946
– Motor Vehicles		981	1,335
– Under construction		52	-
Total Depreciation	10(b)	31,650	28,985
Amortisation			
– Software	12	559	382
Total Depreciation and Amortisation		32,209	29,367

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Borrowing costs		2014 000s	2013 000s
– Interest on TCV borrowings	I(d)	11,997	11,626
– Financial Accommodation Levy	I(d)	2,567	2,013
Total Borrowing Cost		14,564	13,639
Impairment Loss			
– Non-Financial Assets	I0(b)	107	-
– Financial Assets – Receivables	I(e) 7	-	26
Total Impairment Loss		107	26
Write down of inventory		123	83
Deemed Cost of Biological Assets Sold – Timber		0	58
Deemed Cost of Biological Assets Sold – Livestock		931	901

Note 5: Income Tax

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

	2014	2013
	\$'000	\$'000
Net result before income tax expense	4,936	4,416
Tax at the Australian tax rate of 30% (2013: 30%)	1,481	1,325
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Expenditure not allowable for income tax purposes	-	4
Benefit of tax losses not brought to account	-	-
Other Permanent Adjustment	162	(58)
Income tax expense as reported in the Operating Statement	1,643	1,271

(b) Deferred tax assets

	2014	2013
	\$'000	\$'000
This balance comprises temporary differences attributable to:		
Amounts recognised in Operating Statement		
Provisions and accrued expenditure not deductible	2,572	2,414
Other	499	526
Tax Losses	59,403	61,719
Net deferred tax assets	62,474	64,659
Movements:		
Opening balance at 1 July	64,659	60,818
Credited / (charged) to the Operating Statement	131	(1,386)
Tax losses	(2,316)	5,227
Closing balance at 30 June	62,474	64,659
Deferred tax assets to be recovered after more than 12 months	62,474	64,659

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(c) Deferred tax liabilities

	2014	2013
	\$'000	\$'000
This balance comprises temporary differences attributable to:		
Amounts recognised in the Operating Statement		
Depreciation	74,584	75,303
Other	1,744	1,569
Amounts recognised in equity		
Asset Revaluations	66,976	67,092
Net deferred tax liabilities	143,304	143,964
Movements:		
Opening balance at 1 July	143,964	139,478
Credited / (charged) to the Operating Statement	(544)	5,113
Credited / (charged) to the equity	(116)	(627)
Closing balance at 30 June	143,304	143,964
Deferred tax liabilities to be recovered after more than 12 months	143,304	143,964

Note 6: Cash and Cash Equivalents

	2014	2013
	\$'000	\$'000
Cash and Cash Equivalents		
Cash on Hand	1	1
Cash at Bank	7,531	5,901
Total Cash and Cash Equivalents	7,532	5,902

- (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:

	2014	2013
	\$'000	\$'000
Cash and Cash Equivalents		
Balances as above	7,532	5,902
Balances as per Cash Flow Statement	7,532	5,902

- (c) Deposits at call
The deposits are bearing floating interest rates between 2.50% and 2.75% (2013: 2.75% and 3.50%)

Note 7: Receivables

		2014	2013
		\$'000	\$'000
Current Receivables			
<i>Statutory Receivables</i>			
Goods and Services Taxation Refund Due		1,594	2,587
<i>Contractual Receivables</i>			
Trade Receivables		9,824	10,180
Provision for impaired receivables (a)		(179)	(180)
Loans to third parties		29	-
Accrued Revenue		4,314	4,661
Total Current Receivables		15,582	17,248
Non Current receivables			
<i>Contractual Receivables</i>			
Loans to third parties		372	-
Total Non Current Receivables		372	-
Total Receivables		15,954	17,248

(a) Movement in provision for impaired receivables

		2014	2013
		\$'000	\$'000
Opening balance at 1 July		(180)	(154)
(Increase) / decrease in allowance recognised in comprehensive operating statement		(244)	(259)
Amounts written off during the year	27	245	233
Closing balance at 30 June		(179)	(180)

Note 7: Receivables (cont'd)

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.

	2014	2013
	\$'000	\$'000
The carrying amount of Trade Receivables that would otherwise be past due or impaired whose terms have been renegotiated.	896	1,018

(b) Trade Receivables past due but not impaired

	2014	2013
	\$'000	\$'000
30 - 60 Days	1,094	1,055
60 - 90 Days	201	201
Over 90 Days	617	501
Total Trade Receivables past due but not impaired	1,912	1,757

Total impaired Trade Receivables at 30 June 2014 were \$179,000 (2013: \$180,000).

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 2014 (2013: Nil) the Corporation had no receivable denominated in a foreign currency.

(d) Fair value and credit risk

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

Note 8: Inventories

	2014	2013
	\$'000	\$'000
Stores and Consumables – at Cost	2,352	2,219
Total Inventories	2,352	2,219

There were no inventories pledged as security for liabilities (2013: Nil)

Note 9: Other Financial Assets

	2014	2013
	\$'000	\$'000
Current Other Financial Assets at Amortised Cost		
Private Schemes Unmatured Capital	15	3
Other	309	268
Total Current Other Financial Assets	324	271
Non-current Other Financial Assets at Amortised Cost		
Private Schemes Unmatured Capital	247	44
Deposit – TCV Country Towns Water Supply and Sewerage Scheme	-	8,420
Deposit – TCV Environmental Bond	1,000	1,000
Total Non-current Other Financial Assets	1,247	9,464
Total Other Receivables	1,571	9,735

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

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 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

The maximum exposure to credit risk at the reporting date is the carrying amount of these assets and the assets are not impaired and are not past due. The corporation does not hold any collateral over these assets. Based on the credit history, the receivables are expected to be received when due. The assets are in Australian dollars and there are no foreign currency exposures and no exposure to price risk.

Other Financial Assets at Fair Value

	2014	2013
	\$'000	\$'000
Other Financial Assets and Private Schemes	571	315
Deposit – TCV Small Town Water and Sewerage Program	-	8,419
Deposit – TCV Environmental Bond	1,005	1,006
Total Other Financial Assets at Fair Value	1,576	9,740

Note 10: Infrastructure, Property, Plant and Equipment

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

	2014	2013
	\$'000	\$'000
Land		
At Fair Value	2,227	1,009
At Independent Valuation	29,075	29,075
Total Land	31,302	30,084
Buildings		
At Fair Value	2,219	629
At Independent Valuation	9,511	9,511
Less: Accumulated Depreciation	(1,291)	(773)
	10,439	9,367
Water Infrastructure		
At Fair Value	51,878	33,035
At Independent Valuation	342,923	343,037
Less: Accumulated Depreciation	(34,086)	(22,238)
	360,715	353,834
Wastewater Infrastructure		
At Fair Value	84,400	37,189
At Independent Valuation	537,859	537,907
Less: Accumulated Depreciation	(45,826)	(29,432)
	576,433	545,664
Plant, Equipment and Other		
At Fair Value	20,502	15,738
Less: Accumulated Depreciation	(13,718)	(11,336)
	6,784	4,402
Motor Vehicles		
At Fair Value	7,371	9,573
Less: Accumulated Depreciation	(2,690)	(3,204)
	4,681	6,369
Under Construction (Work In Progress at cost)	60,559	79,568
	60,559	79,568
Total Infrastructure, Property, Plant and Equipment	1,050,913	1,029,288

Note 10: Infrastructure, Property, Plant and Equipment

(a) Classes of infrastructure, property, plant and equipment (cont'd)

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 (cont'd)							
b) Movements during the reporting period							
2013-14	Opening WDV 1 July 2013	Additions (ii)	Disposals	Transfers between categories	Impairment (i)	Depreciation (iii)	Closing WDV 30 June 2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land							
At Cost	142	-	-	-	-	-	142
At Independent Valuation	29,942	-	-	1,218	-	-	31,160
	30,084	-	-	1,218	-	-	31,302
Buildings							
At Cost	556	-	-	1,590	-	(193)	1,953
At Independent Valuation	8,811	-	-	-	-	(325)	8,486
	9,367	-	-	1,590	-	(518)	10,439
Water Infrastructure							
At Cost	32,063	1,109	-	17,744	(104)	(1,488)	49,324
At Independent Valuation	321,771	-	-	-	-	(10,380)	311,391
	353,834	1,109	-	17,744	(104)	(11,868)	360,715

b) Movements during the reporting period (cont'd)							
2013-14	Opening WDV 1 July 2013	Additions (ii)	Disposals	Transfers between categories	Impairment (i)	Depreciation (iii)	Closing WDV 30 June 2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Wastewater Infrastructure							
At Cost	36,260	3,448	(48)	43,763		(2,349)	81,074
At Independent Valuation	509,404	-				(14,045)	495,359
	545,664	3,448	(48)	43,763		(16,394)	576,433
Plant, Equipment and Other							
At Fair Value	4,402			4,219	-	(1,837)	6,784
	4,402	-		4,219	-	(1,837)	6,784
Motor Vehicles							
At Fair Value	6,369		(464)	(243)	-	(981)	4,681
	6,369	-	(464)	(243)	-	(981)	4,681
Under Construction	79,568	50,681		(69,638)		(52)	60,559
	79,568	50,681	-	(69,638)	-	(52)	60,559
Total Infrastructure, Property, Plant and Equipment	1,029,288	55,238	(512)	(1,347)	(104)	(31,650)	1,050,913

- (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.
(iii) A number of assets had commenced active service prior to 30 June 2014 but had not been capitalised. The asset therefore remained in Work-In-Progress. An estimate has been made of the assets depreciation expense.

Infrastructure, Property, Plant and Equipment (cont'd)							
b) Movements during the reporting period (cont'd)							
2012-13	Opening WDV 1 July 2012	Additions (ii) (iii)	Disposals	Transfers between categories	Impairment (i)	Depreciation	Closing WDV 30 June 2013
	\$'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 Cost	5,086	-	(100)	362	-	(946)		4,402	
	5,086	-	(100)	362	-	(946)		4,402	
Motor Vehicles									
At Cost	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	
<p>(i) Impairment during the year was due to derecognition of assets no longer in service.</p> <p>(ii) Water and Wastewater Infrastructure additions are Developer Gifted Assets net of adjustments for inventory and accruals.</p> <p>(iii) Land additions includes Crown land worth \$142000 transferred from DSE to Gippsland Water.</p>									

Note 10 Infrastructure, Property, Plant and Equipment (cont'd)

(c) Fair value measurement hierarchy for assets as at 30 June 2014

	Carrying amount at	Fair value measurement at end of reporting period using:		
	30 June 2014	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Land at fair value				
Non-specialised land	1,060	-	1,060	
Specialised land	30,242	-		30,242
Total of land at fair value	31,302	-	1,060	30,084
Buildings at fair value				
Non-specialised buildings	8,996	-	8,996	
Specialised buildings	1,444	-		1,444
Heritage assets		0		
Total of buildings at fair value	10,439		8,996	1,444
Plant, equipment and vehicles at fair value				
Vehicles	4,681		4,681	
Plant and equipment	6,784			6,784
Total of plant, equipment and vehicles at fair value	11,465	0	4,681	6,784
Water infrastructure at fair value				
Water reticulation	140,017			140,017
Water storage	8,643			8,643
Water Transfer	102,510			102,510
Water Treatment	46,263			46,263
Headworks	56,135			56,135
Pump Stations	7,032			7,032
Water Spares	114			114
Total water infrastructure at fair value	360,715			360,715
Wastewater infrastructure at fair value				
Waste Pump Stations	254,852			254,872
Waste Reticulation	309			309
Waste Storage	74,115			74,115
Waste Transfer	199,747			199,747
Waste Treatment	247			228
Waste Spares	576,433			576,433
Total Wastewater infrastructure at fair value	576,433			576,433
Total infrastructure, property, plant and equipment at fair value	990,354		14,736	975,618

(c) Fair value measurement hierarchy for assets as at 30 June 2014 (cont'd)

Non-specialised land and buildings

For non specialised land and buildings, an independent valuation was performed by the Valuer General of Victoria (using Egan National valuers) to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2011.

In addition, to this the Corporation has tested the value of these assets using the land and buildings indices as supplied by the Valuer General Victoria (VGV) and determined that the current values of assets are appropriate. The Corporation has also confirmed with VGV that the Financial Reporting Valuations completed remain appropriate and are in accordance with AASB 13.

Specialised land and buildings

The market approach is also used for specialised land, although this is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued. The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that it is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For the Corporation's majority of specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

An independent valuation of the Corporation's specialised land and specialised buildings was performed by the Valuer General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2011. In addition, to this the Corporation has tested the value of these assets using the land and buildings indices as supplied by the Valuer General Victoria (VGV)) and determined that the current values of assets are appropriate. The Corporation has also confirmed with VGV that the Financial Reporting Valuations completed remain appropriate and are in accordance with AASB 13.

Motor Vehicles

Motor Vehicles are classified as level 2 assets as there is an active and liquid market for their replacement.

Plant and equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method. There were no changes in valuation techniques throughout the period to 30 June 2011.

Water and wastewater infrastructure

Water and wastewater infrastructure are valued using the depreciated replacement cost method. This cost represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation. Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction including structure services and finishes as applicable.

An independent valuation of the Corporations water and wastewater infrastructure was performed by the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2011.

The Corporation has also tested the asset values utilising the guidelines issued by the Victoria Water Industry Association (VWIA) and determined that the current values of assets are representative of fair value utilising the highest and best use (HBU) requirements. The Corporation has confirmed with VGV that the Financial Reporting Valuations completed in 2010/11 remain appropriate and are in accordance with AASB 13.

Note 10 Infrastructure, Property, Plant and Equipment (cont'd)								
(d) Reconciliation of Level 3 fair value								
2014	Opening balance	Purchases / sales	Transfers in/ out of Level 3	Gains / losses recognised in Comprehensive Operating Statement	Depreciation	Impairment loss	Closing balance	Unrealised gains / losses on non-financial assets
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Special purpose Land	29,024	1,218				0	30,242	
Specialised Buildings	1,427	103			86	0	1,444	
Plant & Equipment (i)	4,402	2,291			1,837		6,784	
Water Infrastructure								
Water Reticulation	139,377	4,679	1,928		4,038	0	140,018	
Water Storage	8,978	117			453	0	8,643	
Water Transfer	101,958	2,858			2,305	0	102,510	
Water Treatment	42,254	8,114			4,106	0	46,263	
Headworks	54,748	1,977			590	0	56,135	
Pump Stations	6,410	1,102			376	(104)	7,032	
Spares	107	7					114	
Total of water infrastructure at fair value	353,834	18,854	0	0	11,868	(104)	360,715	

NOTES TO THE FINANCIAL REPORT 2013-14
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2014	Opening balance	Purchases / sales	Transfers in/out of Level 3	Gains / losses recognised in Comprehensive Operating Statement	Depreciation	Impairment loss	Closing balance	Unrealised gains / losses on non-financial assets
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Waste infrastructure								
Waste Pump Stations	41,523	7,482			1,842	0	47,163	
Waste Reticulation	247,001	13,078			5,208	0	254,872	
Waste Storage	59	281			32	0	309	
Waste Transfer	71,216	4,770			1,870	0	74,115	
Waste Treatment	185,571	21,598			7,442	0	199,727	
Spares	295	0			0	(48)	247	
Total wastewater infrastructure at fair value	545,664	47,211	0	0	16,394	(48)	576,433	
Total Level 3 assets	934,351	69,675	1,928	0	30,184	(152)	975,618	

(i) A number of assets previously classified as motor vehicles were reclassified as Plant and Equipment in 2013-14

Note 10 Infrastructure, Property, Plant and Equipment (cont'd)

(e) Description of significant unobservable inputs to Level 3 valuations

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Specialised land	Market approach	Community Service Obligation (CSO) adjustment	10-20% (i)	A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value
Specialised buildings	Depreciated replacement cost	Direct cost per square metre Useful life of specialised buildings	\$17-\$1 488 /m2 (\$342) 40-50 years (49 years)	A significant increase or decrease in direct cost per square metre adjustment would result in a significantly higher or lower fair value. A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Plant and equipment	Depreciated replacement cost	Cost per unit. Useful life of plant and equipment	\$18 – \$705,167 per unit (\$8,000 per unit) 1–50 years (8 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Water reticulation	Depreciated replacement cost	Cost per unit. Useful life of the infrastructure	\$6 –\$2,409,247 per unit (\$56,353 per unit) 5 to 110 years (36 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Water storage	Depreciated replacement cost	Cost per unit. Useful life of the infrastructure	\$301–\$829,408 per unit (\$43,520 per unit) 1 to 350 years (22 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Water transfer	Depreciated replacement cost	Cost per unit. Useful life of the infrastructure.	\$21–\$6,631,095 per unit (\$178 027 per unit) 5 to 100 years (54 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Water treatment	Depreciated replacement cost	Cost per unit. Useful life of the infrastructure.	\$1,289– \$2,350,814 per unit (\$191,310 per unit) 1 to 80 years (23 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Headworks	Depreciated replacement cost	Cost per unit. Useful life of the infrastructure.	\$13 – \$30,300,185 per unit (\$519 639 per unit) 1 to 350 years (36 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

(e) Description of significant unobservable inputs to Level 3 valuations (cont'd)				
Water Pump Stations	Depreciated replacement cost	Cost per unit. Useful life of the infrastructure.	\$2,400 – \$489,137 per unit \$23,980 per unit 1 to 80 years (21 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Water Spares	Depreciated replacement cost	Cost per unit. Useful life of the infrastructure.	\$221 – \$4,168 per unit (\$1 867 per unit) 2 to 15 years (7 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Waste Pump Stations	Depreciated replacement cost	Cost per unit. Useful life of the infrastructure.	\$88 – \$3,720,577 per unit (\$26,898 per unit) 1 to 100 years (27 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Waste Reticulation	Depreciated replacement cost	Cost per unit. Useful life of the infrastructure.	\$23 – \$14,702,660 per unit (\$111 268 per unit) 5 to 110 years (47 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Waste Storage	Depreciated replacement cost	Cost per unit. Useful life of the infrastructure.	\$4 500–\$66,071 per unit (\$28,952 per unit) 3 to 79 years (37 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Waste Transfer	Depreciated replacement cost	Cost per unit. Useful life of the infrastructure.	\$408 – \$26,220,145 per unit (\$763,445 per unit) 8 to 80 years (46 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Waste Treatment	Depreciated replacement cost	Cost per unit. Useful life of the infrastructure.	\$89 – \$45,277,546 per unit (\$651,805 per unit) 1 to 100 years (20 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Waste Spares	Depreciated replacement cost	Cost per unit. Useful life of the infrastructure.	\$10–\$48,530 per unit (\$3 677 per unit) 5 to 25 years (11 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

- (i) A weighted average was not calculated as the Corporation was unable to obtain sufficient information from the Valuer General.

Note 11: Biological Assets at Fair Value

	2014	2013
	\$'000	\$'000
Biological Assets at Fair Value		
Current - Plants		
Fodder	138	115
Crops - Feed Grade	89	58
	227	173
Current – Animals		
Cattle	416	494
Sheep	1	2
	417	496
Total Current Biological Assets	644	669
Non-current		
Plantation Softwood	2,239	1,894
Cattle	1,164	983
Total Non-current Biological Assets	3,403	2,877
Total Biological Asset at Fair Value at 30 June	4,047	3,545
Movement in Carrying Amount		
Carrying amount at 1 July	3,545	3,243
Increases due to:		
Purchases	318	278
Natural Increase	854	894
New Crops	-	-
Fair Value increase – Livestock and Plantations	889	1,010
Decreases attributable to:		
Sales	(1,517)	(1,821)
Deaths	(43)	(59)
Carrying amount at 30 June	4,047	3,545

	2014	2013	2014	2013
(a) Plants (i)	\$'000	\$'000	Qty	Qty
Consumable Assets				
Mature Assets				
Fodder				
Silage – (Qty Bales)	25	33	550	658
Cereal and Legume Silage (Tonnes)	104	74	1,730	920
Hay	9	8	260	179
Crops				
Feed Wheat (Qty Tonnes)	15	27	50	90
Feed Barley (Qty Tonnes)	22	22	80	80
Feed Lupins (Qty Tonnes)	7	-	20	-
Feed Triticale (Qty Tonnes)	45	-	165	-
Canola	-	9	-	30
Total Consumable Assets	227	173		
Non-bearer Assets				
Immature Assets				
Softwood Pinus Radiata (Qty Ha)	2,239	1,894	542	519
Total Non-bearer Assets	2,239	1,894		
(b) Animals (ii)				
Consumable Assets				
Mixed sex calves and weaners	416	494	614	924
Lambs	1	2	10	29
	418	496	624	953
Mature Assets				
Bullocks	-	-	-	-
Total Consumable Assets	418	496	624	953
Bearer Assets				
Immature Assets				
Heifers	607	602	900	814
Mature Assets				
Cows and Bulls	558	381	552	414
Total Bearer Assets	1,164	983	1,452	1,228
Output				
Crops and Livestock Fair value of output was determined at closing market value.	854	894	819	890

- (i) Agribusiness Valuations Australia, Certified Practicing Valuers, completed an independent valuation of plantations as at 30 June 2014 and previously at 30 June 2013.
- (ii) Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2014 and previously at 30 June 2013.

Note 11: Biological Assets at Fair Value (cont'd)

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.

Fair value measurement hierarchy for biological assets as at 30 June 2014

	Carrying amount at	Fair value measurement at end of reporting period using:		
	30 June 2014	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Plants	227		227	
Animals	1,581	-	1,581	
Plantations	2,239		2,239	
Total of biological assets at fair value	4,047	0	4,047	0

Biological assets are held at fair value using the current market value. AASB - 141 Agriculture determines fair value as the amount for which the asset could be exchanged or a liability settled between knowledgeable parties in an arms length transaction. There were no changes in valuation techniques throughout the period to 30 June 2011. For the plantation the methodology used incorporated determining Net Present Values of future economic benefits as determined by an independent valuer. The values for the plants and animal are determined based on current market value in a liquid market.

Agribusiness Valuations Australia, Certified Practicing Valuers, completed an independent valuation of the plantations as at 30 June 2014 and previously at 30 June 2013. Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2014 and previously at 30 June 2013.

Note 12: Intangible Assets

(a) Classes of intangible assets

	2014	2013
	\$'000	\$'000
Software at Cost	11,318	9,421
Water Entitlement	4,500	-
Accumulated Amortisation	(8,987)	(8,428)
	6,831	993
Software Development (Work in Progress)	437	678
Total Intangible Assets	7,268	1,671

(b) Movements during the reporting period

2013-14	Opening WDV	Additions	Transfers	Amortisation	Closing WDV
	1 July 2013				30 June 2014
	\$'000	\$'000	\$'000	\$'000	\$'000
Software at Cost	9,421		1,897	-	11,318
Water Entitlements (i)		4,500			4,500
Accumulated Amortisation	(8,428)	-	-	(559)	(8,987)
	993	4,500	1,897	(559)	6,831
Intangibles Development (Work in Progress)	678	317	(558)	-	437
Total Intangible Assets	1,671	4,817	(ii) 1,339	(559)	7,268

- (i) An entitlement for additional water allocation at the Blue Rock reservoir was purchased in June 2014.
- (ii) \$1,339K was recognised in WIP under construction in prior years and has been capitalised as an intangible in 2013-14.

2012-13	Opening WDV	Additions	Transfers	Amortisation	Closing WDV
	1 July 2011				30 June 2012
	\$'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	(iii) 297	(382)	1,671

- (iii) \$300K was recognised in Work in progress (WIP) under construction in prior years and upon capitalisation under FRD109 \$4K was deemed to be expenditure in 2012-13.

Note 13: Payables

	2014	2013
	\$'000	\$'000
Payables		
Current		
<i>Statutory Payables</i>		
GST Payable	211	202
Other Government Payables	141	146
	352	348
<i>Contractual Payables</i>		
Trade Creditors	5,388	290
Accrued Expenses	10,036	11,046
Other		
Security Deposits	1,020	1,143
Retentions	1,656	1,163
Overpaid Rates and Charges	2,608	2,092
Unclaimed Monies	4	5
Other	12	-
	20,724	15,739
Total Current Payables	21,076	16,087

Total Payables do not include any foreign currency denominated liabilities (2013: Nil)

Note 14: Interest Bearing Liabilities

	2014	2013
	\$'000	\$'000
Interest Bearing Liabilities		
<i>Current Secured</i>		
Borrowing – TCV	50,500	30,500
Total Current Interest Bearing Liabilities	50,500	30,500
<i>Non-current Secured</i>		
Borrowing – TCV	200,000	210,000
Total Non-current Interest Bearing Liabilities	200,000	210,000
Total Interest Bearing Liabilities	250,500	240,500
Term to Maturity		
0 - 1 year	50,500	30,500
1 - 4 years	90,000	100,000
4 - 8 years	90,000	70,000
8 years and over	20,000	40,000
Total Interest Bearing Liabilities	250,500	240,500
Credit Standby Arrangements		
Total facilities – TCV	5,000	5,000
Unused at balance date	(5,000)	(5,000)
	-	-
Bank Loan Facilities		
Total facilities	10,000	38,000
Used at balance date	10,000	38,000
Unused at balance date	-	-
Fair Value		
Non Traded Financial Liabilities		
Borrowing – TCV	263,109	251,019

The fair values of borrowings are based on cash flows discounted using borrowing rates varying from 2.67% to 7.13%, (2013: 2.87% 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 *Borrowing and Investment Powers (BIP) Act*.

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

Note 15: Employee Benefits

	2014	2013
	\$'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.	2,802	2,586
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.	3,794	3,236
Total Current Employee Benefits	6,596	5,822
<i>Non-current</i>		
Conditional Long Service Leave, measured at present value	864	1,040
Total Non-current Employee Benefits	864	1,040
Total Employee Benefits	7,460	6,862
Employee numbers at end of financial year (FTE)	255	251
The following assumptions were adopted in measuring the present value of long service leave and retirement gratuity entitlements:		
Weighted average increase in employee costs	4.44%	4.50%
Weighted average discount rates	2.55 - 3.81%	2.47 - 3.94%
Weighted average settlement period	13 years	13 years

Note 16 Provisions

	Notes	2014	2013
		\$'000	\$'000
Provisions			
<i>Current</i>			
Bioremediation Pond	(a)	150	150
Landfill Site Rehabilitation	(b)	30	30
Total Current Other Provisions		180	180
<i>Non-current</i>			
Bioremediation Pond	(a)	494	513
Landfill Site Rehabilitation	(b)	260	287
Total Non-current Other Provisions		754	800
Total Other Provisions		934	980

(c) Bioremediation Pond

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

(d) 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	663	317	980
Payments or other sacrifices of economic benefits	(19)	(27)	(46)
Closing balance at 30 June	644	290	934

Note 17: Contributed Capital

	Note	2014	2013
		\$'000	\$'000
Contributed Capital			
Opening balance at 1 July		254,822	253,822
Capital contributions		-	1,000
Closing balance at 30 June		254,822	254,822

Note 18: Reserves

	Note	2014	2013
		\$'000	\$'000
Reserves			
Asset Revaluation Reserve			
– Land (net of tax)		15,349	15,349
– Buildings (net of tax)		1,694	1,843
– Infrastructure (net of tax)		147,303	147,424
Total Reserves		164,346	164,616

Movements in Reserves			
Asset Revaluation Reserve			
Opening balance at 1 July		164,616	166,078
Revaluation increment / (decrement) on non-current assets, net of tax		(270)	(1,300)
Component of disposed assets transfer to Accumulated Funds	19	-	(162)
Closing balance at 30 June		164,346	164,616

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

Note 19: Accumulated Funds

	Note	2014	2013
		\$'000	\$'000
Accumulated Funds			
Opening balance at 1 July		306,921	303,614
Transfer from asset revaluation reserve	18	-	162
Net result for the period		3,293	3,145
Closing balance at 30 June		310,214	306,921

Note 20: Commitments

	2014	2013
	\$'000	\$'000
Commitments		
Non-Cancellable Operating Lease Commitments		
At 30 June 2014, 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	34	61
– Later than one year but not later than five years	48	39
– Later than five years	35	42
Total Operating Lease Commitments	117	142
Capital Expenditure Commitments		
Infrastructure, Property, Plant and Equipment		
– Within one year	14,986	6,261
– Later than one year but not later than five years	-	-
– Later than five years	-	-
Total Capital Commitments	14,986	6,261
Other Commitments		
Environmental contribution		
– Within one year	4,660	4,660
– Later than one year but not later than five years	4,660	9,320
– Later than five years	-	-
Total Environmental Contribution Commitment	9,320	13,980
The Corporation is required to make an annual contribution of \$4.66M per year until 30 June 2016. This is as per the Environmental Contributions Order 2012 to 2016.		
At 30 June 2013, the Corporation did not have any outstanding commitments for the purchase of biological assets or intangible assets.		

Note 21: Contingent Liabilities and Contingent Assets

At balance date, the Corporation was not aware of any material contingent liabilities or contingent assets which are not recorded or disclosed in these accounts apart from the items listed below.

- I. Gippsland Water currently has two outstanding insurance claims to be settled. These claims are in relation to the Warragul waste water treatment plant and the Seaspray sewerage scheme. Offers have been made for settlement of these claims, a final review is to be undertaken to validate the amount of the offer. The amount shown is GST inclusive.

	2014	2013
	\$'000	\$'000
<i>Contingent Asset</i>		
Gippsland Water currently has two outstanding insurance claims to be settled. These claims are in relation to the Warragul waste water treatment plant and the Seaspray sewerage scheme. Offers have been made for settlement of these claims, a final review is to be undertaken to validate the amount of the offer. The amount shown is GST inclusive.	709	—

Note 22: Superannuation

The Corporation makes the majority of its employer superannuation contributions in respect of its employees to Vision Super (The Fund). The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from the Corporation and the Corporation's legal or constructive obligation is limited to these contributions.

Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Operating Statement when they are made or due.

Accumulation

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2014, this was 9.25% required under Superannuation Guarantee Legislation). Our commitment to defined contributions plans is limited to making contributions in accordance with our minimum statutory requirements. 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 2014, the Superannuation Guarantee contribution rate is legislated to increase to 9.5%, and will progressively increase to 12% by 2019. Based on announcements included in the May 2014 Federal Budget, this progressive increase to 12% will be delayed until 2022.

Defined Benefit

As provided under Paragraph 34 of AASB 119, the Corporation does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of the Corporation in the Fund cannot be measured as a percentage compared with other participating employers. While there is an agreed methodology to allocate any shortfall identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for accounting purposes.

Note 22: Superannuation (cont'd)

Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

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. The Fund's employer funding arrangements comprise of three components:

1. Regular contributions- which are ongoing contributions needed to fund the balance of benefits for current members and pensioners;
2. Funding calls- which are contributions in respect of each participating employer's share of any funding shortfalls that arise; and
3. Retrenchment increments- which are additional contributions to cover the increase in liability arising from retrenchments.

The Corporation is also required to make additional contributions to cover the contribution tax payable on the contributions referred to above. Employees are also required to make additional contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the Trust Deed, as they accrue.

Employer contributions

Regular contributions

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 employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2014, this rate was 9.25% of members' salaries. This rate increased to 9.5% on 1 July 2014 and is expected to increase in line with the required Superannuation Guarantee contribution rate. In addition, the Corporation reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the VBI multiplied by the benefit).

Funding Calls

The fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund is required to target full funding of its vested benefits. There may be circumstances where:

- a fund is in an unsatisfactory financial position at an actuarial investigation (i.e. its vested benefit index (VBI) is less than 100% at the date of the actuarial investigation); or
- a fund's VBI is below its shortfall limit at any time other than at the date of the actuarial investigations.

If either of the above occurs, the fund has a shortfall for the purposes of SPS 160 and the fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. There may be circumstances where the Australian Prudential Regulation Authority (APRA) may approve a period longer than three years.

The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%. In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including the Corporation) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

Note 22: Superannuation (cont'd)

Funding arrangements

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's defined benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

The pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund are based on:

- The service periods of all active members split between the active members pre-1 July 1993 and post-30 June 1993 service period;
- The service periods of all deferred members split between the deferred members pre-1 July 1993 and post-30 June 1993 service period; and
- The pensioner (including fixed term pensions) liabilities which are allocated to the pre-1993 period.

The pre-1 July 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at 30 June 1993. The post-30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at the date the shortfall has been calculated. Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

Differences between calculations

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), for the calculation of accrued benefits as required in AAS 25 and for the values needed for the AASB 119 disclosure in the Corporations 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. Shortfall Amounts

The Funds 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 Corporation's share of the shortfall amounted to \$4.6M (excluding contributions tax) which was accounted for in the 2011-12 Comprehensive Operating Statement within Employee Benefits and in the Balance Sheet in Current Liabilities Provisions. No further amount has been accounted for in the 2013-14 Comprehensive Operating Statement within Employee Benefits and in the Balance Sheet in Current Liabilities Provisions. The amount of the unpaid shortfall at 30 June 2014 is Nil.

Retrenchment increments

During 2013-14, the Corporation was not required to make payments to the Fund in respect of retrenchment increments. The corporation's liability to the Fund as at 30 June 2014, for retrenchment increments, accrued interest and tax is Nil.

Note 22: Superannuation (cont'd)

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	2014 \$'000	2013 \$'000
Vision Super – Defined Benefits	Defined Benefit	9.25 - 15.25%	244	268
Vision Super – Super Saver	Accumulation	9.25%	1,121	1,064
AustralianSuper	Accumulation	9.25%	94	85
VicSuper	Accumulation	9.25%	61	57
EquipSuper Fund	Accumulation	9.25%	59	48
CBUS Superannuation	Accumulation	9.25%	45	41
Colonial First State	Accumulation	9.25%	33	30
REST Superannuation	Accumulation	9.25%	26	30
Hostplus Superannuation	Accumulation	9.25%	26	19
Asgard Superannuation	Accumulation	9.25%	20	20
BT Superwrap	Accumulation	9.25%	20	19
Hesta	Accumulation	9.25%	17	11
Unisuper	Accumulation	9.25%	15	17
AMP Flexible Superannuation			15	8
MLC Super	Accumulation	9.25%	13	13
Other Retail Superannuation Funds	Accumulation	9.25%	122	97
Self Managed Superannuation Funds	Accumulation	Various	68	54
Total			1,999	1,881

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

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 (Chairman)	1 July 2013 - 30 June 2014	
Sarah Cumming (Deputy Chair)	1 July 2013 - 30 June 2014	
William (Peter) Day	1 July 2013 - 30 June 2014	
Malcolm Eccles	1 July 2013 - 30 June 2014	
Leonie Hemingway	1 July 2013 - 30 June 2014	
Ormond Pearson	1 July 2013 - 30 June 2014	
Bernadette Hannagan	1 October 2013 - 30 June 2014	(appointed 1 October)
Kevin McKenzie	1 July 2013 - 30 September 2013	(retired 30 September)
David Mawer (Managing Director)	1 July 2013 - 30 June 2014	

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.

	2014	2013
	\$'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).	453	443

Remuneration of responsible persons (cont'd)

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

	Total remuneration	
Income band (\$'s)	2014 No.	2013 No.
Up to 9,999	1	2
10,000 - 19,999	1	2
20,000 - 29,999	5	4
30,000 - 39,999	-	-
40,000 - 49,999	1	1
270,000 - 279,999	-	1
280,000 - 289,999	1	-
Total numbers	9	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 2014 was \$nil (2013: \$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 (2013: \$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. During 2013-14, Gippsland Water made payments to this organisation of \$419,542 (2013: \$408,623).

David Mawer is a Director of the savewater! Alliance. During 2013-14, Gippsland Water made payments to this organisation of \$50,536 (2013: \$73,646). These payments were on standard commercial arrangements.

Note 23: Responsible Person and Executive Officer Disclosures

(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.

	Total remuneration		Base remuneration	
Income band (\$'s)	2014 No.	2013 No.	2014 No.	2013 No.
120,000 - 129,999	-	-	-	-
130,000 - 139,999	-	-	-	-
140,000 - 149,999	-	-	-	-
150,000 - 159,999	1	-	1	-
160,000 - 169,999	-	-	1	1
170,000 - 179,999	2	1	1	-
180,000 - 189,999	-	-	-	2
190,000 - 199,999	-	2	2	-
200,000 - 209,000	2	-	-	-
Total number of executives	5	3	5	3
Total Annualised Employee Equivalent (AEE)	5.00	(i) 5.00	5.00	(i) 5.00
Total remuneration for the reporting period of executive officers included above amounted to (\$'000):	925	569	885	538

(i) Two new senior executives were appointed in February 2013. The remuneration in 2013 did not exceed the reporting threshold.

(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.

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

	Note	2014	2013
		\$'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	3,293	3,145
Add / (Less) Non-cash Flows in Operating Activities			
Loss on Sale and Impairment of Property, Plant and Equipment	4(b) (c)	(81)	361
Depreciation and Amortisation	4(c)	32,209	29,365
Developer Contributions	4(a)	(4,566)	(9,658)
Provision for Impaired Receivables		-	26
Plantations Revenue Non-Cash		(345)	(772)
Income Tax Expense/ (Benefit)		1,643	1,271
Net Cash provided by Operating Activities Before Change in Assets and Liabilities		32,152	23,739
Changes in Operating Assets and Liabilities			
(Increase) / Decrease in Trade Receivables		2,022	(4,223)
(Increase) / Decrease in Other Current Assets		(317)	(142)
(Increase) / Decrease in Inventory and Livestock		(291)	276
(Increase) / Decrease in Deferred Tax Liabilities / Assets		(116)	(626)
(Decrease) / Increase in Payables		7,210	(1,773)
(Decrease) / Increase in Provisions		(45)	(116)
(Decrease) / Increase in Employee Benefits		598	485
Net Cash Flows From Operating Activities		41,212	17,621

Note 25: Dividends

No dividend has been provided for the current financial year. The process to determine the 2014 dividend has not been completed at the reporting date. This process requires the dividend be declared by resolution in a general meeting, following consultation between the Board, the Minister for Water and the Treasurer. The Board does not believe that it will be required to pay a dividend based on the 2013-14 result. No dividend was paid on the 2012-13 result.

Note 26: Events Occurring After the Balance Sheet Date

On 11 May 2014 the Minister for Water announced the Victorian Government's Fairer Water Bills initiative to deliver more than \$1 billion of savings that will be made across Victoria's water sector over the next four years.

As part of this initiative, Gippsland Water's residential water customers are entitled to a bill reduction of \$36 in their first quarter water bill. This will continue for each of the next four years starting from 2014-15.

Based on the conditions of the Victorian Government's Fairer Water Bills, Gippsland Water has not met the provision recognition criteria of AASB 137 Provisions, Contingent Liabilities and Contingent Assets, therefore has not recognised a provision as at 30 June 2014. The cost of this initiative to be recognised in the first quarter of 2014-15 and is estimated to be \$2.2M.

Note 27: Ex-Gratia Expenses

	2014	2013
	\$'000	\$'000
Ex-Gratia Expenses		
The Corporation made the following ex-gratia expenses (\$'000)		
Trade Receivables written-off	245	233
Property damage payments	27	4
Other	50	22
Total Ex-Gratia expenses	322	259

Trade Receivables written-off

Trade Receivables written-off is where the Corporation has made a commercial decision to no longer pursue customers who have a debt with Gippsland Water. This will generally be having exhausted all avenues of debt collection, where it is no longer commercially viable to pursue and is subject to sign-off at General Manager level. Amounts are typically less than \$1,000. This has been included in administration expenses in the comprehensive operating statement.

Property damage payments

Represents a contribution from owners who have experienced Property damage due to unforeseen events such as sewerage spill. Property damage payments in 2013-14 are all less than \$5k each. This has been included in administration expenses in the comprehensive operating statement.

Other

Other represents a termination arrangement with employees who have left the Corporation. In 2013-14, there were two such instances. This has been included in employee benefits in the comprehensive operating statement.

Financial Statements For The Year Ended 30 June 2014

STATUTORY CERTIFICATION

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2014 and financial position of the Corporation at 30 June 2014.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 28th August 2014.



Richard McDowell

Chairman

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 28th August 2014.



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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 2014 of the Central Gippsland Region Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of the 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 2014 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 2014 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
29 August 2014



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.

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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 2013-14 Annual Report is compliant with all statutory reporting requirements.



David Mawer
Managing Director

Central Gippsland Region Water Corporation

Dated the 28th August 2014.

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.
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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