



2014-15 Annual Report





Gippsland Water

55 Hazelwood Road
PO BOX 348
Traralgon VIC 3844

Account enquiries **1800 050 500**
Faults and emergencies **1800 057 057**

www.gippswater.com.au
contactus@gippswater.com.au

ABN 75 830 750 413

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Cover photographs include: 2014 National Water Week poster competition winners from Kosciuszko Primary School: Ethan Twite, Grade 2 (top) and Elyse O'Brien, Grade 1 (bottom); canola farming at Dutson Downs; composting at the Soil and Organic Recycling Facility; Gippsland Water's new 'Choose Tap' portable water fountain; students at Longford Primary School; the Moondarra Reservoir; and Customer Service and Operations staff.



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Joint message from the Chairman and Managing Director

We are pleased to present Gippsland Water's 2014-15 Annual Report. The past year has been one of constant effort and results for Gippsland Water as it continues to deliver services to existing customers and meet the demands of future growth in the region.

While the customer sees the very public construction of new assets that guarantee water and sewerage services, inside the organisation, the year has seen us continue to focus on just how we deliver those services.

The collaboration with our neighbouring water corporations at Westernport Water, South Gippsland Water, East Gippsland Water and Southern Rural Water, to identify areas where we can work together in procurement, contracts, information technology and fleet management, to name a few, is an industry leading group which promotes collaboration, information sharing, and a focus on efficiency savings for the organisations and customers. This Memorandum of Understanding will continue on into 2015-16.

The 'Challenge Accepted – Culture Change' program which will mould the organisation into one with a sharper focus on customer relations, workplace safety, collaboration, accountability, and respect, has been rolled out across the organisation and is already bringing positive change.

The safety of our field staff has been increased through the delivery of an improved Digital Mobile Radio System that highlights higher risk locations and delivers greater security for staff.

Investment of \$13 million in the West Gippsland region has seen the completion of the third stage of a new gravity sewer system, providing security for increased growth in the town of Warragul, as well as bringing some blocks reliant on septic systems on line.

The demand for housing in the Latrobe Valley has seen the completion and commissioning of the \$3.4 million Stockdale Road sewer and wet weather reliever pipe in Traralgon.

In the Wellington Shire, a \$13 million program of investments includes the rebuilding of the Sale Water Treatment Plant to help safeguard the supply of clean, fresh drinking water to the town.

Around 2,700 properties will soon be connected to the Loch Sport Sewerage Scheme with the \$40 million project on track for completion by October 2015. The scheme has seen the installation of pressure sewer systems on properties and is part of the Victorian Government's Country Towns Water Supply and Sewerage Scheme program. The project will provide environmental, economic, health and service quality benefits associated with the removal of failing or not functioning septic systems.

The work of the Soil and Organic Recycling Facility at Dutson Downs near Sale in the production of Revive Recycled Compost was acknowledged at the Victorian Water Industry Awards in November. The product, which blends biosolids from the sewerage treatment process with food, green and industrial waste to produce compost for agriculture, is industry-leading and has led to further private investment and jobs growth in the Wellington Shire.

The Agribusiness unit has installed further pivot irrigators at Dutson Downs allowing the property to utilise up to 1,500ML of Class C recycled water annually. This investment, along with the completion of the Sale-Fulham irrigation scheme covering 300 hectares, has allowed for further expansion of cropping at Dutson Downs including the planting of corn for the first time.

The new Community Consultative Committee has taken shape and has met formally twice. This group of people representing community groups from across the Gippsland Water region has already made an impression into how the business relates to customers and promises more in coming months.

Our Board of Directors have again worked tirelessly through the year and we thank them for their input, leadership and guidance. The staff at Gippsland Water continue to work hard to provide outstanding service to our customers and our community. Whether they be on our trucks, the farms, at our treatment plants or in the office, their efforts are acknowledged and applauded by the Board.

A blue ink signature of Richard McDowell.

Richard McDowell
Chairman

A blue ink signature of David Mawer.

David Mawer
Managing Director

PART 1

OVERVIEW

An overview of Gippsland Water including its profile, mission, vision, and values. It also features some of the highlights for the year 2014-15, future initiatives and projects.

Profile

The Central Gippsland Region Water Corporation, trading as Gippsland Water, was constituted on 21 December 1994 under the *Water Act 1989*. The responsible ministers during the 2014-15 period were:

- the Hon Peter Walsh MLA, Minister for Water for the period from 1 July 2014 to 3 December 2014; and
- the Hon Lisa Neville MP, Minister for Environment, Climate Change and Water for the period from 4 December 2014 to 30 June 2015.

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 supplies fresh, clean drinking water and wastewater services to more than 60,000 customers across an area of more than 5,000 square kilometres. Its service area spans from Drouin in the west, to Stratford in the east, and from Briagolong in the north, to Mirboo North in the south. Gippsland Water's customers also include major industries, six of which are of state and national significance.

The corporation maintains a \$1 billion infrastructure network, which includes more than 2,000 kilometres of water mains, 16 water treatment plants, more than 1,500 kilometres of sewer mains, 14 wastewater treatment plants, and 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 thousands of tonnes of green organic and industrial waste and transforms them into valuable, nutrient rich compost. Approximately 1,200 tonnes of Revive Recycled Compost is supplied to dairy, beef and horticultural farms across Gippsland each week through Rosedale-based distributor Gibsons Groundspread. By doing this, Gippsland Water completes the water and nutrient cycle, returning important organic content back to the soil.

The development of Revive Recycled Compost has seen private sector employment growth through Gibsons Groundspread and provides a valuable outlet to local business whose waste materials are recycled in the composting process.

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 wastewater 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 wellbeing

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

Highlights of the year

The 2014-15 financial year has seen another strong performance by Gippsland Water, delivering quality services to its customers and maintaining high standards of compliance with regulatory requirements. Some of the key highlights for the reporting period are outlined below.

Resource sustainability

- Sixty kilometres of critical sewer mains were inspected using Closed Circuit Television (CCTV), and resulted in 14.4 kilometres of gravity sewers being relined.
- A new chlorine dosing facility at the Moe Water Treatment Plant was commissioned to improve the reliability and safety of disinfection.
- Significant progress has been achieved on the demolition of the obsolete treatment infrastructure at the Sale Water Treatment Plant, and the construction of replacement infrastructure.
- The water main renewal program saw 10 kilometres of water mains replaced to maintain current service levels.
- The third stage of the new gravity sewer in Warragul was completed, which now transfers wastewater from the west side of Warragul to the treatment plant on the east side in order to increase service security and foster growth in the town.
- The new Stockdale Road sewer and wet weather reliever pipe in Traralgon was completed and commissioned, reducing the stress on the wastewater system in wet weather events.
- A strategic partnership with the Australian Water Recycling Centre of Excellence was formed in conjunction with the University of New South Wales and Victoria University. This partnership will initially focus on the

development of validation protocols for membrane-bioreactors in water recycling.

- The successful implementation of an environmental offsets planning process on the Loch Sport Sewerage Scheme has resulted in minimal disturbance of native vegetation for construction projects, significantly reducing the cost of provision of native vegetation offsets.
- Flora and fauna surveys of low-controlled lands at Dutson Downs and Moondarra were completed to quantify the future availability of biodiversity offsets.
- The installation of pivot irrigators allows Agribusiness to utilise up to 1,500ML of Class C recycled water annually.
- Gippsland Water's Revive Recycled Compost was recognised for innovation at the 2014 Water Awards in the Program Innovation category.
- The marketing of Revive Recycled Compost through Gibsons Groundspread has continued successfully, with the company establishing a blending facility within close proximity of the Soil and Organic Recycling Facility (SORF).

Customers, stakeholders, and the community

- A new Community Consultative Committee was formed with representatives of the community chosen via a more rigorous application process.
- The 'Stop it. Don't Block it.' campaign has been finalised in an attempt to educate customers on what can and can't go down drains, sinks and toilets.
- A refresh of our education program was delivered to primary and secondary schools.
- We have had a more assertive presence in the social media landscape, using platforms such as

Facebook, Twitter and YouTube to distribute positive messages about the organisation.

- Continuation of our water main air scouring program was undertaken to enhance our water quality compliance programs.
- An upgrade of the Geographic Information System (GIS) now provides improved base maps for Operations, Land Development and Property Services to enhance customer outcomes and assist in responding to emergencies.
- We continued to host community bird surveys on Gippsland Water properties at Moe and Trafalgar, resulting in the sighting of the Red-Capped Plover, previously unseen in the region.
- A new Water Agreement with Energy Australia, a major client, was finalised.
- As of 1 July 2014, businesses that had been passing through their Carbon Tax costs are now passing through the benefit of the Carbon Tax repeal to their customers. Gippsland Water has worked with the Essential Services Commission (ESC) to determine the value of the refund. All Gippsland Water customers, excluding new Loch Sport customers, received a refund of \$4.74. The refund appeared on customer invoices received between 1 March and 30 June 2015.
- Morwell Water Treatment Plant filters were upgraded for increased process control and water quality compliance.
- A powdered activated carbon plant was installed at the Seaspray Water Treatment Plant for control of taste and odour issues.
- The i-Hub at Loch Sport has continued to provide a one-stop shop for the sewerage scheme project making it easier for customers to interact with Gippsland Water.

Governance

- We participated with the Environment Protection Authority (EPA) in the development of industry-wide guidelines for sewer spill reporting, and coordinated a six-month trial of the guidelines by regional water corporations.
- Gippsland Water's Class B Asbestos Removal Licence was renewed.
- All Third Party Reuse Customer Management Plans and new data collection tools were completed and rolled out, with information and training sessions held with each customer and community group.

- The SORF achieved Australian Standard certification for its Revive Recycled Compost product. This certification now fully endorses the processes and systems used to produce Revive against the nationally recognised standard (AS 4454-2012 - Composts, soil conditioners and mulches).
- Working remotely or in isolation procedures were implemented prior to the 2014-15 bushfire season. This guides employees to use a range of communication tools to 'let someone know before you go' when working alone and/or in a remote location.

Organisational sustainability

- New corporate values across the organisation were introduced through six values workshops and were followed up by employee engagement initiatives, which included the launch of our 'Challenge Accepted' culture change program.
- Completion of the Employee Engagement Survey through Aon Hewitt has provided us with a baseline on employee engagement across the organisation.
- The Occupational Health & Safety (OH&S) Strategic Plan 2015-2018 including improved reporting formats prepared for use across the organisation was adapted during the year.
- The development of an online Environment Management System (EMS) and OH&S induction program for contractors, now allows for greater flexibility in completing inductions before commencing work for Gippsland Water.
- A Digital Mobile Radio System (DMR) was implemented for managing locational risks for remote workers.
- A Private Automatic Branch Exchange (PABX) was completed to incorporate new process capabilities such as Interactive Voice Response (IVR) Scripts, IVR Scripts for inbound calls, and IVR Geographical CallerID recognition/scripting.
- Document scanning technology was implemented in Accounts Payable, Property Services, and Commercial Services.
- The Gippsland Water Factory (GWF) Recycled Water Quality Management Plan, (including hazard and analysis critical control points) was reviewed and updated, simplifying operational activities. The revised plan was submitted to, and subsequently approved by, both Department of Health and Human Services (DHHS) and EPA.

- Stemming from the Memorandum of Understanding (MOU) with Westernport Water, South Gippsland Water, and East Gippsland Water, a number of collaborative media and promotional activities were deployed including the 'Stop it. Don't Block it.' campaign, and the 'Urban Water in Bushfire Preparedness' campaign.
- A collaborative approach to customer surveys reached 1,600 customers across Gippsland. This achieved combined savings, and identified a number of opportunities common to all water corporations.
- Other MOU successes to date include meter reading savings for South Gippsland Water, and the undertaking of a social media issues management workshop.

Future initiatives and projects

Western growth/expansion

The western growth corridor of Gippsland Water includes the towns of Warragul and Drouin. Whilst growth has eased in the last two years, these towns have experienced the highest growth rate in Gippsland (and are also among the highest in regional Victoria) with an average of 4.5% growth per annum over the past five years. The high growth rate has presented challenges for Gippsland Water to ensure our water supply and distribution systems and sewer systems are appropriately planned and developed to meet the future needs in both townships.

Strategies under current consideration include a new wastewater treatment plant in Drouin, and an interconnection between Warragul and Darnum to enable transfer of water between Moe and Warragul. Other future and recently completed projects include a new trunk sewer main in Warragul, and a new wet weather sewer main and upgraded wastewater treatment plant inlet works in Drouin.

Warragul sewer upgrade

A critical phase of the \$13 million Warragul sewer upgrade has been completed which involved burrowing more than 100 metres underneath Princes Way and railway line to make way for a new sewer. The new sewer main transfers wastewater from the west side of Warragul to the treatment plant on the east side of the town. It also has the capacity for emergency storage within the pipeline system, which means Gippsland Water is able to decommission two existing pump stations currently located on the western side of Warragul. Previously un-sewered properties close to the CBD will also be serviced.

Warragul to Moe Interconnect (Stage 2)

Planning for stage two of the Moe-Warragul interconnection is now complete and easement acquisition is underway. Preliminary works are scheduled for 2016-17 and 2017-18, followed by construction of the pipeline in 2018-19 (the first year of Water Plan 4). This pipeline will run from Darnum to Warragul and will include supporting infrastructure such as pumping stations. It will provide an interconnected water grid between the Tarago and Latrobe systems, improving flexibility and reliability of supply, and allow for future development of the Warragul township, along with fast-growing areas to the west and south of Warragul.

Loch Sport Sewerage Scheme

The \$40 million Loch Sport Sewerage Scheme is on track for completion by October 2015 with the connection of homes and businesses the key objective in the latter half of 2015. Reticulation works commenced in 2014 and the installation of pressure sewer units on customer properties is underway. 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 and wastewater services. The scheme will bring connections to around 1,700 homes in the lakeside township and services to a further 1,000 properties.

Sale Water Treatment Plant upgrade

Construction of a contact tank, new aeration towers and a new chemical dosing facility is well underway at the Sale Water Treatment Plant as part of nearly \$10 million worth of investment in the town over the next three years. The older plant was demolished to make way for the establishment of a second water supply line to the town, and a new pump station at the Cunninghame Street site. The upgrade, which will improve water quality at

the plant and improve performance, is expected to be completed in December 2015.

Sale sewer system – new outfall pump station

The existing main sewer pump station in Sale (SPS1) is located adjacent to the Port of Sale. This pump station is unable to cope with high rainfall events, and a new outfall pump station will be constructed on the south side of Sale. A new pipeline will be installed to redirect flows from the east and north side of Sale to the new outfall pump station, which will reduce the load on SPS1.

There are a number of sites that have been identified as possible locations for the new pump station along the alignment of the existing outfall sewer. A preferred site has not yet been selected and a study of the area is being reviewed to inform this decision.

Water reticulation and sewer reticulation system renewals program

Gippsland Water manages more than 1,480 kilometres of water reticulation pipes and approximately 1,156 kilometres of reticulation gravity sewer pipes. The corporation has well-established Water Main Replacement and Sewer Main Rehabilitation programs that are undertaken on an annual basis. The programs involve addressing risks that are associated with ageing and failing infrastructure, and identifying and replacing water and sewer mains.

A comprehensive monitoring program is in place for water reticulation pipes to record and track every water pipe leak and main break. A risk-based assessment is undertaken every year of every pipe segment in the reticulation system.

A monitoring program is also in place for the sewer reticulation system to determine the condition and remaining service life of the installed pipework, as well as a long term rolling program of replacement of poor condition pipework to ensure that levels of service can be maintained.

In the 2014-15 year, 60 kilometres of critical sewer mains were inspected using Closed Circuit Television (CCTV), and resulted in 14.4 kilometres of gravity sewers being relined. The water main renewal program saw 10 kilometres of water mains replaced to maintain current service levels.

Water treatment plant enhancement program

Gippsland Water has 16 water treatment plants and approximately 30 remote disinfection sites across the region. A site improvement plan process is in place to identify and prioritise minor improvement works that generally cost under \$100,000. These works may include filter inspection/refurbishment, basin inspection and cleaning, instrument upgrades and replacements, and upgrading plant infrastructure to ensure the ongoing delivery of safe drinking water in compliance with the *Safe Drinking Water Act 2003*, the *Victorian Safe Drinking Water Regulation 2005*, and the *Australian Drinking Water Guidelines 2011*.

In the 2014-15 period, in excess of \$1 million was invested in enhancement projects across our water treatment plants.

Efficiencies to deliver government water rebates

Productivity and efficiency gains to help deliver lower household water bills have been implemented in response to the Victorian Government's Fairer Water Bills initiative, which has seen Gippsland Water's residential customers receive the following rebates during 2014-15:

- Residential owner occupiers: \$36.00.
- Residential landlords: \$26.00.
- Residential tenants: \$10.00.

The initiative involved an efficiency review of Victoria's urban water corporations to identify cost savings that can be passed to households in the form of lower water bills from July 2014. Gippsland Water has identified capital and operational cost savings without any compromise to service standards to existing hardship protections that assist vulnerable customers. The savings achieved included a reduction in the use of external consultants, streamlining of internal processes, and encouraging customers to pay their bills via Direct Debit.

Collaboration within the water sector

Gippsland Water, in partnership with East Gippsland Water, South Gippsland Water, Westernport Water, and more recently, Southern Rural Water, continue to proactively engage in delivering efficiencies and service improvements for water customers across the region as part of their industry-leading Memorandum of Understanding. In the last 18 months, the five Gippsland water corporations in partnership have identified efficiencies and improvements across areas such as procurement, customer services and meter reading. The MoU will continue into 2015-16.

Organisation-wide baseline process mapping

This continual improvement project has been undertaken to strengthen and encourage greater efficiency and effectiveness in the delivery of our products and services that will provide cost and time savings that can be passed onto customers through:

- Eliminating waste.
- Improving resource planning and project delivery.
- Minimising rework.
- Improving intra-organisational communication.
- Enhancing employee engagement.

Overview of the financials

Summary of financial results

	2014-15 \$'M	2013-14 \$'M	2012-13 \$'M	2011-12 \$'M	2010-11 \$'M
Core Business Revenue	116.5	120.6	114.5	106.3	99.1
Interest Received	0.1	0.3	0.5	0.7	0.8
Non-Government Contributions	9.4	6.5	12.0	10.4	7.6
Government Contributions	0.2	0.4	0.0	0.0	0.0
Other Revenue (Farm and Gross Proceeds)	3.6	2.3	1.9	2.3	2.1
	129.8	130.0	128.8	119.7	109.6
Operations, Maintenance and Administration	75.8	78.2	81.5	81.0	70.8
Depreciation Expenses	33.8	32.2	29.4	29.1	24.9
Asset Transfer	3.2	0.0	0.0	0.0	0.0
Finance Expenses	15.3	14.6	13.6	13.2	12.6
	128.1	125.0	124.5	123.3	108.3
Net Operating Result	1.7	4.9	4.3	(3.6)	1.3
Current Assets	32.3	27.0	26.8	24.7	25.8
Non-Current Assets	1,143.7	1,125.7	1,108.0	1,007.1	988.8
	1,176.0	1,152.7	1,134.8	1,031.8	1,014.6
Current Liabilities	82.9	78.4	52.6	73.2	65.1
Non-Current Liabilities	361.6	344.9	355.8	226.6	212.6
	444.5	423.3	408.4	299.8	277.7
Net Cashflow from Operations	33.0	41.2	17.6	20.5	34.1
Payments for Capital Works	58.9	53.7	59.3	40.9	46.8

Overview of the financials

Key results for the financial year

Gippsland Water's net operating result for 2014-15 was a \$1.7M profit.

While Core Business Revenue decreased by \$4M in 2014-15, it should be noted that this is because revenue in 2013-14 was impacted by a \$5.8M insurance claim settlement. This settlement was treated as a component of core revenue. Core business revenue primarily includes Service Charges and Volumetric Revenue. In 2014-15, revenue was in line with internal expectations and forecasts. Service Charges increased by \$0.6M and this reflected minor growth in customer connections. Volumetric revenue was \$0.9M lower than 2014-15 due to wetter conditions in the latter part of the financial year. It should be noted that the corporation provided rebates of \$2.5M to customers in accordance with the Government's Fairer Water Bill Initiatives and the Carbon Tax repeal.

Non-Government Contributions includes cash contributions and gifted assets from developers. Revenue was \$2.9M higher than in 2014-15. The figure was favourable to internal budgets and forecasts. These figures reflect that developer activity in the Gippsland region was strong in 2014-15.

Operations, Maintenance and Administration expenditure has decreased by \$2.4M since 2013-14. This has been driven by lower chemical costs across the business and lower maintenance costs when compared to 2013-14 and Fairer Water Bill initiatives.

The expenditure in 2014-15 was impacted by an asset write-off of \$3.2M. This largely related to an individual transaction where \$2.9M in assets were transferred to a customer.

Depreciation expense has increased by \$1.6M. The increase reflects additional depreciation of projects that have been completed during the year. The net value of new assets capitalised was \$55M, with some of the major assets included in this being the developer constructed assets and the partial capitalisation of the Loch Sport Sewerage Scheme.

Finance expenses for the year are marginally higher (\$0.7M) than 2013-14. This is due to new loans of \$27M progressively being drawn down. While this expense is higher than last year, interest expense was \$0.5M lower than internal forecasts due to lower interest rates.

Performance Report for the year ended 30 June 2015

Financial Performance Indicators								
KPI No	Performance Indicator	2013-14 Result	2014-15 Result	2014-15 Target	Variance to prior year	Notes	Variance to target	Notes
F1	Cash Interest Cover (Times) Net operating cash flows before net interest and tax / net interest payments	3.92	3.21	2.70	-18.0%	1a	19.1%	1b
F2	Gearing Ratio Total Debt (including finance leases) / Total Assets * 100	21.73%	23.60%	23.71%	8.6%		-0.5%	
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure * 100	76.68%	55.95%	49.90%	-27.03%	2a	12.1%	2b
F4	Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	0.36	0.41	0.52	13.2%	3a	-21.4%	3b
F5	Return on Assets Earnings before net interest and tax / average assets * 100	1.68%	1.45%	1.27%	-13.9%	4a	14.0%	4b
F6	Return on Equity Net profit after tax / average total equity * 100	0.45%	0.05%	-0.09%	-89.9%	5a	152.1%	5b
F7	EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue * 100	39.53%	40.02%	38.19%	1.2%		4.8%	

(1a) Cash Interest Cover is lower than 2013-14. This is because net operating cash flows were higher in 2013-14 due to a one-off insurance claim for the Gippsland Water Factory amounting to \$5.8M.

(1b) Cash Interest Cover is higher than target. The 2014-15 operating cash flows are higher than the target due to non-core business cash revenues from liquidated damages of \$1.9M, higher agribusiness cash sales of \$0.6M and higher developer and Private Scheme contributions of \$1.0M. The corporation has also achieved savings on interest payments of \$0.5M as borrowings were not accessed till the end of the 2014-15 financial year.

(2a) The Internal Financing Ratio is lower than 2013-14. As identified above, net operating cash flow was higher in 2013-14 due to a one-off insurance claim for the Gippsland Water Factory amounting to \$5.8M. In addition, the payments for capital expenditure are \$5M higher in 2014-15 due to the capital program and high level of accrual at the end of 2013-14 which has resulted in higher capital cash payments in 2014-15.

(2b) The Internal Financing Ratio is favourable to the 2014-15 target. As identified above, net operating cash flow were higher than the target due to non-core business cash revenues from liquidated damages of \$1.9M, higher agribusiness cash sales of \$0.6M and higher developer and Private Scheme Contributions of \$1.0M. The corporation has also achieved savings on interest payments of \$0.5M. In addition, capital expenditure was \$5M lower than target.

(3a) Our current ratio is higher than in 2013-14. Current Assets in 2014-15 were higher than last year due to increased debtors and an increased cash balance at year end. The higher debtor levels arises due to amounts owing from major customers and the cash balance is due to a higher profit than expected. The increase in current assets is off-set by a higher level of current liabilities. This is primarily due to an increase in the current portion of borrowings. The increase of \$7.5M in short-term to take advantage of lower interest rates available while also complying with our Treasury Management Policy. These factors have resulted in a slight increase in current ratio compared to last year.

- (3b) Our current ratio is significantly lower than target which is due to an increase in the current portion of borrowings. The increase of \$7.5M in short-term was to take advantage of lower interest rates available while also complying with our Treasury Management Policy. Our overall borrowing levels are in line with target. It should be noted that our cash levels are \$5.5M higher than our target. The cash levels are favourable to target predominately as a result of higher debtor receipts, lower borrowing costs and increased income from developers.
- (4a) The Return on Assets is lower than 2013-14. A higher profit of \$4.9M was reported in 2013-14. The profit was significantly impacted by a one-off transaction amounting to \$5.8M which was due to a one-off insurance claim for the Gippsland Water Factory. In 2014-15, profit has been adversely impacted by an asset write-off of \$2.9M for the transfer of assets to a major customer.
- (4b) The Return on Assets is higher than the 2014-15 target. The 2014-15 profit is higher than the target due to strong non-core business revenues. These include strong revenue for liquidated damages (\$1.9M), Agribusiness (\$1.2M) and Developer and Private Scheme Contributions (\$2.8M). The business has also delivered a range of savings in the areas of operating costs, particularly chemicals, and maintenance. Borrowing costs were also \$0.5M favourable to our internal targets.
- (5a) The Return on Equity indicator is higher than the 2014-15 target. A higher profit of \$4.9M was reported in 2013-14 which was significantly impacted by a one-off transaction amounting to \$5.8M. In 2014-15, an asset write-off of \$2.9M for the transfer of assets to Energy Australia has adversely impacted the result. The increase in average asset will not adversely impact the result.
- (5b) The Return on Equity indicator is higher than the 2014-15 target. The 2014-15 profit is higher than the target due to strong non-core business revenues and the delivery of expenditure savings. These include favourable revenue against target for liquidated damages (\$1.9M), Agribusiness (\$1.2M) and Developer and Private Scheme Contributions (\$2.8M). The range of savings delivered are in the areas of operating costs, particularly chemicals, and maintenance. Borrowing costs were \$0.5M favourable to our internal targets due to not borrowing until later in the financial year.

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 service 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.

Gippsland Water launched a new schools education program in October 2014 which aims to build an appreciation of water from a young age. For many years, the water corporation has delivered water education to schools and community groups in the local area. This commitment is continuing with some exciting changes underway.

The new schools water education program focuses on four priority areas identified in consultation with local educators: after the drain (to tie in with our 'Stop It. Don't Block It.' campaign), the natural and urban water cycle, water efficiency activities, and water for health and hydration.

Free to schools within Gippsland Water's catchment area, the new program incorporates a number of activities including the award-winning Vortex Centre, tailored visits to schools, tours of Gippsland Water's treatment plants and water storages, and presentations from experienced Gippsland Water staff.

The education program has been promoted via local media, the Gippsland Water website, and through social media via Facebook and Twitter. A

promotional video has also been developed and viewed on YouTube. 'Water Wonders', Gippsland Water's education e-mail newsletter is also sent out during school terms promoting upcoming events.

Throughout the financial year, 1,618 Grade Prep to Third Year tertiary students from 47 schools across our service area participated in our education program, which included 31 incursions. Initial feedback from teachers about the new education program has been very positive with the majority strongly agreeing that the content is relevant, interesting and has met the school's purpose. A further nine visits were to the Gippsland Water Factory and Vortex Centre with a total of 400 students ranging from Grade 3 to Third Year university students.

Gippsland Water also participated in the Maffra Schools Expo which involved 120 students from six schools, and Federation University's Sustainability Expo with 200 students from across Gippsland.

Our National Water Week poster and short film competition attracted entries from young students across central Gippsland. The theme 'Water: Love it, Live it' was well illustrated in posters from a wide age group, including short animation films from some of the more senior students. The judges were impressed by the commitment shown in the competition, and the entries were also displayed on our Facebook page, which gave people an opportunity to see the talents of the local students. The winners each received \$150 in either iTunes or Google Play cards, and their work was displayed on our website.

The winning entries were:

- Poster competition: Elyse O'Brien, Grade 1; and Ethan Twite, Grade 2, Kosciuszko Street

Primary School, Traralgon.

- Short film: Natalie Schoolderman, Year 9, Flinders Christian Community College, Traralgon.

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 Sale Scouts, Cooina Hill Adult Disability Day Centre, Bass Coast Historical Automobile Society, and members of the Gippsland Community Leadership Program, have taken tours throughout the year across several of our sites, including the Gippsland Water Factory.

b) Community consultation and engagement

Gippsland Water has attended a range of local events including Federation University's Sustainable Schools Expo, Maffra Schools Expo, Traralgon Farmers' Market, and the Warragul Farmers' Market showcasing Gippsland Water's operations and services through information displays.

Representatives from Gippsland Water's Customer Service and Communications teams have also met with smaller community groups including members of Warragul Community House to provide general information about Gippsland Water, 'how to read your water bill', and the various bill payment options available. Similar information sessions have been held in Morwell and Sale with culturally and linguistically diverse (CALD) members of the community through the Gippsland Multicultural Services group.

Most recently, Gippsland Water has worked with Latrobe Community Health Service in an effort to encourage local residents to drink more tap water in promotion with the corporation's 'Choose Tap' message. Twenty-five Grade 4 students from Morwell's Commercial Road Primary School were invited to attend the partnership launch and participate in education activities at the Vortex Centre on World Oral Health Day in March 2015, which attracted local media.

Gippsland Water has also provided support to Lifeline Gippsland by encouraging staff to donate books. Money raised from Lifeline's book sales go towards funding the 24 hour telephone counselling service, education programs, and other initiatives that help Gippslanders experiencing depression and anxiety.

Gippsland Water's new portable water fountains known as 'Meet PAT' are a form of sponsorship that have been well received with a large number

of schools, community groups and organisations utilising these for local events. This includes the Traralgon Agricultural Show, Morwell Kris Kringle Market, Sale Carols by Candlelight, Moe Family Fun Day, Warragul Farmers Market, Boolarra Folk Festival, Wellington Shire Youth Council's FREEZA event, and Mirboo North Arty Gras. The use of the 'Meet PAT' units has allowed Gippsland Water to support a greater number of community events across the region in a far more cost-effective manner.

i) Community Consultative Committee

Established in 2011 to provide input and feedback on Gippsland Water activities and policies, the Community 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.

In the 2014-15 period, a new Community Consultative Committee was formed in August 2014, combining the former Customer Consultative Committee and Environment Consultative Committee. The new committee has met formally twice and comprises seven members representing a diverse range of interests and organisations from across Gippsland Water's operating area.

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, Gippsland Water has continued to promote water conservation with the distribution of information packs at events, and

also trigger nozzles and showerheads to eligible customers during 2014-15.

Gippsland Water's 'Stop It. Don't Block It.' campaign, which is aimed at improving customer behaviour in the correct disposal of materials down drains, has continued to be promoted using posters, vehicle decals, laminated signs for commercial and public toilet doors, social media, and advertising on television in partnership with South Gippsland Water, East Gippsland Water, and Westernport Water. Information is also available on our website with Frequently Asked Questions and links to resources on alternative disposal, and the message has also been brought to schools through our new education program topic 'after the drain'.

d) Local government initiatives

In partnership with South Gippsland Shire Council, a new drinking fountain was installed at Mirboo North's Baromi Park, one of several around the Gippsland Water area. A further partnership with the Rotary Club of Morwell has seen three water fountains installed around the township, while the partnerships with the Baw Baw and Wellington shires will see additional units installed in those areas.

Gippsland Water has also formed a partnership with Wellington Shire to attend its Community Councillor sessions through the municipality, and has attended sessions in Rosedale and Heyfield.

We have continued to work with local councils to promote water conservation initiatives. As well as being available for collection at Gippsland Water's head office, trigger nozzles and showerheads can also be collected from Latrobe City, Baw Baw Shire, and Wellington Shire council offices.

e) Playing fields

The supply of treated wastewater to playing fields is detailed in the 'Beneficial Reuse of Treated Wastewater and Biosolids' table (see Part 2).

Water quality reporting

Water quality samples are taken at regular points in accordance with regulatory requirements, and more frequently, if there are potential changes caused by weather or other unplanned events. Analysis of the water quality samples are undertaken by independent contractors. The water quality monitoring data can be made available on customer request.

In April 2015, Gippsland Water increased the frequency of the water quality testing following a water main break in Morwell, which resulted in the

issuing of a precautionary boil water alert in the high level reticulation system within the township of Morwell. Following compliant independent water quality testing results, the alert was lifted within 48 hours. Post the event, further infield asset rectification works were undertaken to identify and eliminate the cause of this event. Detailed water quality reporting is available in the Key Performance Indicator table (see Part 4 under 'Corporate Key Performance').

Environmental flow

Gippsland Water adheres to the passing flow requirements for environmental flows, as defined in Part 2 under 'Bulk Water Entitlement Reporting'. For the 2014-15 year, all requirements were met.

Water Supply Demand Strategy

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

The WSDS examines each water system to determine drought resilience, as well as 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 WSDS identified the Tarago system, and in particular that part of the system that supplies Warragul and Drouin, as well as the Thorpdale system, were the most critical water systems in the Gippsland Water region in terms of rapid growth and drought resilience. The WSDS sets actions to ensure the long and short term reliability of these systems. Gippsland Water's Asset Planning and Delivery groups have been progressing with these actions during 2014-15.

Planning for stage two of the Moe-Warragul interconnection is now complete and easement acquisition is underway. Preliminary works are scheduled for 2016-17 and 2017-18, followed by construction of the pipeline in 2018-19 (the first

year of Water Plan 4). This pipeline will run from Darnum to Warragul and will include supporting infrastructure such as pumping stations. It will provide an interconnected water grid between the Tarago and Latrobe systems, improving flexibility and reliability of supply.

Planning work on system augmentations for Thorpdale has also progressed during 2014-15. A key component being investigated is a groundwater supply for the town. This initiative aims to reduce the likelihood of water restrictions in this town during drought.

While the next major WSDS update is not scheduled until 2017, Gippsland Water released a Water Security Outlook (WSO) in December 2014. The purpose of the WSO is to provide customers and other interested persons with a forecast of the likely water resource situation for the coming summer, as well as providing a comparison of the latest annual demand figures against the long term yield outlook.

Drought Response Plan

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

2014 yielded below average annual rainfall, with another dry summer (2013-14) although reasonable rainfall was experienced in the Latrobe Valley during April. Rainfall for winter 2014 mostly fell in the early part of the season with low rainfall experienced from August through spring across most Gippsland Water catchments, with only a small area near Warragul and Drouin, and also around Sale being closer to average. The lowest rainfall conditions during spring 2014, relative to average, occurred in the Aberfeldy River catchment which is part of the catchment of the lower Thomson River, including supply to Heyfield. Rainfall in that catchment was at

the first decile meaning that only one in every 10 of all springs recorded has been drier. The remainder of Gippsland Water's catchments saw rainfall in the two to three decile range for spring 2014.

However, due to the relatively recent wet years, and following the seasonal variability over the last two years, water catchments are not as dry as they were at the end of the Millennium Drought. The relative dampness of catchments, when compared with the drought years prior to 2010, means that rainfall is more quickly converted into streamflow as it runs off catchments rather than being absorbed by dry soil. The Mt Baw Baw plateau is the source of the Tyers River, the primary tributary of Gippsland Water's major storage, the Moondarra Reservoir. While rainfall for 2014 was below the long term average, it was similar to most years over the last decade (except for the very wet years of 2011 and 2012, and the very dry years of 2006 and 2009). However, due to the relatively wetter catchment conditions, corresponding streamflow (runoff) in 2014 was the equal third highest of the last decade. The same rainfall during the Millennium Drought would have likely yielded lower stream flows.

During 2014-15, the Moondarra Reservoir spilled up until December. It was drawn down to around 81% during early April 2015 but has since begun to refill. The mild weather of last summer did not reduce demand significantly but maintained reasonably average reservoir inflows as the catchment did not dry out to the degree it has in drier, hotter summers. Accordingly, no transfers of water from Blue Rock Reservoir to Moondarra Reservoir occurred during 2014-15.

Other water supply systems throughout Gippsland Water's service region also fared well despite the dry spring of 2014, with no system suffering shortfalls over summer. Therefore, Gippsland Water did not need to invoke its DRP during 2014-15 and all systems in Gippsland Water's region remained on Permanent Water Saving Rules (PWSR) for the full 2014-15 year.

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, to secure water for towns, industry, the environment and agriculture.

The GRSWS was published in November 2011 and

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

- The unallocated share of Blue Rock Reservoir has now been allocated. This share accounted for 35.6% of the capacity and inflow of Blue Rock Reservoir. On 4 July 2013, an environmental entitlement of 9% was created, along with a drought reserve of 22.73%. The drought reserve is able to be accessed by entitlement holders of Blue Rock Reservoir 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 2014-15 season but no sales occurred.
- One per cent of the 22.73% allocated to the drought reserve has been reserved for permanent water share purchase by irrigators. Should these shares fail to sell, this 1% will be kept in the drought reserve.
- The remaining 3.87% was set aside for permanent purchase by Gippsland Water, providing the corporation with the opportunity to increase the size of its existing share of both the capacity and inflows of Blue Rock Reservoir from 12.4% to 16.27%. This purchase occurred on 30 June 2014, with the entitlement share increase taking effect on 1 July 2014. This action will improve reliability of supply in the Latrobe system, and also in the Tarago system after the Moe-Warragul interconnection is completed.
- 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 long term sustainability. In particular, the strategy listed 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. During 2014-15, Gippsland Water has continued to engage with both government and Southern Rural Water in relation to these actions, with assessments of some of these groundwater systems already underway and others planned for commencement later in 2015.

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 our 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.
- Continued 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, through ongoing participation in the Gippsland regional water monitoring partnership, as well as our own raw water sampling, and catchment land use observations.
- Continued an ongoing progressive update of our catchment risk assessments by utilising computer-mapping and aerial photography-based modelling. This included the development of high risk catchment water quality risk assessments. This will allow us to present evidence to land managers about risks to water quality from point-source and disperse pollution. These updated assessments will be used to engage with land managers in

an attempt to work collaboratively to reduce 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.
- Participated in the planning stage of Crown Land fire prevention rather than through the consultation phase with the local Department of Environment, Land, Water and Planning (DELWP, formerly the Department of Environment and Primary Industries) fire management officers.

Victorian Waterway Management Strategy

The Victorian Waterway Management Strategy (September 2013) provides the policy direction for managing Victoria's waterways over an eight-year period.

To achieve the strategy objectives regionally, the WGCMA released its West Gippsland Waterway Strategy 2014-2022. Under this strategy, Gippsland Water shares two activities with the catchment authority:

- Mid Latrobe Management Unit: investigate feasibility of addressing fish passage requirements in the Tyers River.
- Giffard Plain and Merriman Creek Management Unit: costs and feasibility of addressing the fish barrier in Merriman Creek assessed.

Gippsland Water has commenced discussions with WGCMA regarding the feasibility of addressing fish barrier requirements at its Merriman Creek Weir at Seaspray.

State Environment Protection Policy (Waters of Victoria)

Treated wastewater is discharged into rivers and creeks from wastewater treatment plants in Drouin, Warragul, Neerim South, Willow Grove, 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 upstream and downstream this year for the Willow Grove, Moe, Drouin, Mirboo North, and Rawson wastewater treatment plants. The water quality data results of these surveys indicate that the wastewater discharges have not had an adverse effect on the receiving environments. Biological monitoring for the Morwell, Neerim South and Warragul wastewater treatment plants has commenced for 2015-16 with autumn sampling completed.

Biodiversity and Natural Asset Management

As a manager of significant areas of land of high conservation significance, Gippsland Water continues to work on projects that help protect and improve Victoria's biodiversity. The work has been delivered in partnership with local agencies and contractors.

During the reporting period, environmental highlights include:

- Installation of the Loch Sport Sewerage Scheme reticulation system with a 90 percent reduction in impact on native vegetation than was permitted. This was achieved through implementation of our 'reverse offsetting amendment' methodology developed in conjunction with DELWP.
- Five properties owned by Gippsland Water have been placed under environmental covenants and landowner agreements to be

managed as biodiversity assets and to ensure all future impacts of constructing and operating our infrastructure on biodiversity can be offset. This has resulted in 500 hectares of vegetation (containing optimal habitat for approximately 50 threatened species) being secured into perpetuity across our operating region.

- The ecological significance of our Dutson Downs property continued to be recognised in the region. The site was included in the Melbourne Museum Gippsland Lakes Bioscan (for frog surveys) and the Zoos Victoria New Holland Mouse survey. Additionally, we contributed funds to the Gippsland Lakes Ministerial Advisory Committee Green and Golden Bell Frog survey project.
- The wildlife corridor project has continued (year three of six) to provide connection between genetically isolated populations of the New Holland Mouse.
- A species of bird not known to be seen in the region was spotted by members of the Latrobe Valley Field Naturalists Club Bird Group at the Moe Wastewater Treatment Plant during the annual BirdLife Australia Challenge Count in December 2014. The rare sighting of the Red-capped Plover was a first record for the Latrobe region.

Gippsland Water is committed to demonstrating leadership and empowering our staff to responsibly manage the environmental impacts of its operations. More information about our Environmental Policy can be viewed at www.gippswater.com.au.

Greenhouse gas emissions

The net greenhouse gas emissions, expressed as tonnes of CO₂ equivalent (tCO₂-e), for the whole business and its activities are shown in the table below in the relevant Essential Services Commission indicator categories.

Activity	Target	2014-15	2013-14	2012-13	2011-12	2010-11
Sewerage treatment and management ¹	N/A	28,445	24,774	31,617	28,446 ⁵	52,366
Water treatment and supply ²	N/A	10,312	10,228	12,644	9,906	9,664
Transport ³	N/A	1,475	1,474	1,609	2,157	2,068
Other ⁴	N/A	2,474	1,771	1,971	21,218	4,689
Total	70,000	42,706	38,246	47,841	61,727	68,787

- (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; 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.

Energy consumption

Activity	Target	2014-15	2013-14	2012-13	2011-12	2010-11
Wastewater treatment and reticulation kWh/ML	N/A	580	550	701	579	490
Water treatment and supply kWh/ML	N/A	150	151	158	136	125
All systems treatment and reticulation kWh/ML	N/A	286	280	325	288	247
Waste disposal (SORF) kWh	N/A	22,578	33,039	15,402	23,220	28,645
Other activities (office, depot, ancillary) kWh	N/A	1,121,606	875,824	888,281	851,443	840,796

Beneficial reuse of treated wastewater and biosolids

During 2014-15 Gippsland Water reused 1,701 ML treated wastewater, equivalent to 7.52% of total wastewater treated in its service area. Reuse has increased on last year's figure, primarily due to the commencement of a new irrigation process at Dutson Downs during 2014-15.

Water produced from the Regional Outfall System (ROS) and Saline Water Outfall Pipeline (SWOP) accounted for 73% of the total wastewater volume discharged in 2014-15, but is unable to be reused due to its high salinity levels. In addition, lower volumes of reuse water was produced by the Gippsland Water Factory, as water availability from Moondarra Reservoir has been sufficient to meet demand, negating requirements for reuse water production and use. Current dam and soil moisture levels also mean that less reuse water is required for irrigation.

When based on the total volume of water produced that is available for reuse, the percentage of water reused is 27.8%, which is above the target of 10.3%. All biosolids produced by Gippsland Water activities are reused at the SORF to produce Revive Recycled Compost which is supplied to external customers, as well as used in pasture application at Dutson Downs. Reuse is considered to include any residual composted biosolids which may have been stockpiled during the previous year.

Treatment System	Final Fate of Treated Water	Volume Reused (ML)		Volume Discharged (ML)		Compliance with EPA Water Quality Limits	
		2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Drouin	Irrigation to pasture or discharge to Shillinglaw Creek	71	71	662	618	86% ¹	86%
Heyfield	Irrigation to pasture or emergency discharge to Back Creek	76	41	0	0	100%	100%
Maffra	Irrigation to pasture and sporting field. Emergency discharge to Macalister River.	299	213	0	0	100%	100%
Mirboo North	Irrigation to pasture and sporting field or emergency discharge to Little Morwell River	73	68	0	0	100%	100%
Morwell	Supplement flow to wetlands	596	608	0	0	100%	100%
Seaspray	Irrigation to pasture	9	8	0	0	100%	100%
Stratford	Irrigation to pasture	139	93	0	0	100%	100%
Willow Grove	Irrigation to pasture or emergency discharge to Latrobe River	18	8	0	7	100%	100%
Neerim South	Discharge to Red Hill Creek	0	0	43	43	100%	100%
Rawson	Discharge to Coopers Creek	0	0	29	30	100%	100%
Warragul	Discharge to Hazel Creek	0	0	1,587	1,514	100%	100%
Moe	Discharge to Moe River	0	0	2,088	2,165	100%	100%
Sale ²	Irrigation to pasture	400		0		100%	
ROS	Recycled to Pine Gully (GWF) or discharge to Bass Strait (Delray Beach)	21	0	8,311	7,538	100%	100%
SWOP	Discharge to Bass Strait (McGaurans Beach)	0	0	8,196	9,111	100%	100%
Total		1,701	1,110	20,917	21,026		
% Reuse		7.52%	5.02%	92.48%	94.98%		

(1) An isolated low pH discharge event led Drouin to be unable to meet 100% compliance with the EPA Amalgamated Licence in 2014-15.

(2) Sale is a newly licenced treatment system for 2014-15.

Corporate water consumption

During 2014-15, Gippsland Water's water consumption was estimated at 3,142 kilolitres (kl) based on previous year's consumption (due to a fault with the master water meter which was rectified in early 2015).

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	20,000	3,798 (1,786)	<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 Sump Station. Specified Point A - Blue Rock Headworks Outlet (supply to Moondarra Reservoir and Willow Grove WTP): 2014-15 Total = 51ML; 3-yr rolling avg.: = 1,899ML. Specified Point B - Tanjil River Pump Station: 2014-15 Total = 1,735ML; 3-yr rolling avg.: = 1,892ML. Specified Point C - Latrobe River Pump Station: 2014-15 Total = 0ML; 3-yr rolling avg.: = 6ML.
Erica-Rawson	Trigger Creek	340	93	<p>► Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program):</p> <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	182	<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 implemented.</i> - <i>Metering Program implemented.</i>
Moe - Narracan Creek	Narracan Creek	3,884	1,822	<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 implemented.</i> - <i>Metering Program implemented.</i> ► No water was diverted downstream of the specified point under clause 8 (Making Allowances).
Moondarra ²	Tyers River	62,000	47,333 (47,677)	<ul style="list-style-type: none"> • Diversion at Tyers River Pump Station for 2014-15 = 0ML. • Approval, amendment and implementation of programs under clauses 12 (Environmental Program) and 13 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental Program implemented.</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 implemented.</i> - <i>Metering Program not required as no diversions are taking place.</i>
Seaspray	Merrimans Creek	133	26	<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 implemented.</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	3,106	<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 implemented.</i> <i>Remote metering improvements well under development.</i> Pederson Weir/Westernport Pipeline diversions 2014-15: <i>2,926ML of 4,070ML entitlement.</i> Labertouche Creek diversions 2014-15: <i>0ML of 480ML entitlement.</i> Tarago Reservoir (Neerim South) diversions 2014-15: <i>180ML of 275ML entitlement.</i>
Thomson-Macalister	Thomson River / Macalister River	2,335	1,349	<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: 1,074ML</i> <i>Extraction at Thomson River at Heyfield: 228ML</i> <i>Extraction at Lake Glenmaggie: 47ML</i> <i>Extraction at Main Southern Channel: 0ML</i> <i>Extraction at Cowwarr Weir: 0ML</i> Clause 13.1 (d) Annual amount and location of water taken at any other works of the corporation = <i>0ML.</i> Clause 13.1 (f) Any change to reliability of supply and annual entitlement under sub-clause 2.3 of Schedule 2 of BE (Thomson-Macalister – Southern Rural Water) Conversion Order 2001: <i>N/A.</i> Clause 13.1 (g) Period and degree of restriction of supplies of annual entitlement: <ul style="list-style-type: none"> <i>1/7/2014 - 30/6/2015: 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	9	<p>► Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program):</p> <ul style="list-style-type: none"> - <i>Environmental Program implemented</i> - <i>Metering Program implemented.</i>

- (1) Bulk Entitlement volume calculated as three year rolling average (figure in brackets is volume for 2014-15).
(2) Bulk Entitlement volume calculated as three year rolling average (figure in brackets is volume for 2014-15).
(3) Noojee Bulk Entitlement not currently utilised.

General reporting requirements

Temporary or permanent transfer of authority entitlements
No transfer of authority entitlements in 2014-15.
Temporary or permanent transfers of licences or entitlements to authority
Gippsland Water has access to 400ML/y in Tarago Reservoir as drought contingency. This water is held in reserve under agreement with the Melbourne retailers but relinquished on 30 June each year if not used, and replenished with a new 400ML allocation. The agreement is current until 1 July 2018. This agreement originally provided access to water held in the Melbourne retailers' joint Bulk Entitlement. Bulk Water reform in the Melbourne system occurred in 2014-15 which disaggregated the joint entitlement providing individual entitlements for retailers. Gippsland Water has agreed with the retailers for this agreement to continue to operate under the reformed arrangements. Gippsland Water used 0ML under this agreement in 2014-15.
Amendments to Bulk Entitlements
Bulk Entitlement (Gippsland Water – Blue Rock) Minor Amendment Notice 2014 - 7 August 2014.
New Bulk Entitlements
No new Bulk Entitlements in 2014-15.
Failure by authority to comply with provisions of Bulk Entitlements
No failures occurred in 2014-15.
Difficulties experienced in complying with entitlement and remedial actions
None.

Total groundwater

Raw Water Taken (ML)	2014-15	2013-14
Briagolong	73	116
Sale	1,850	1,910
Dutson	44	67
Total	2,027	2,093

Weekly household drinking water consumption (kL)

Month	Week 1	Week 2	Week 3	Week 4	Total
Jul	182,618	182,618	182,618	182,618	730,472
Aug	184,971	184,971	184,971	184,971	739,884
Sep	187,743	187,743	187,743	187,743	750,972
Oct	199,354	199,354	199,354	199,354	797,416
Nov	213,998	213,998	213,998	213,998	855,992
Dec	220,787	220,787	220,787	220,787	883,148
Jan	224,421	224,421	224,421	224,421	897,684
Feb	225,677	225,677	225,677	225,677	902,708
Mar	218,442	218,442	218,442	218,442	873,768
Apr	210,086	210,086	210,086	210,086	840,344
May	201,237	201,237	201,237	201,237	804,948
Jun	196,190	196,190	196,190	196,190	784,760

Note: Data is based on domestic customer water meter readings and reflects averaged monthly data (Gippsland Water reads a customer water meter every four months).

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	0
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	7

Major customers and their participation in water conservation programs

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)	<p>AGL Loy Yang aims to be a prudent and responsible user of water. AGL Loy Yang has ongoing maintenance and monitoring programs to maintain and improve the efficiencies already achieved through water saving initiatives. This includes:</p> <ul style="list-style-type: none"> Increasing the cycles of concentration of the cooling towers. Tighter control of cooling tower cycles. Improved plant maintenance and operation to reduce demineralised water consumption and reduce excess waste generation. Diversion of wastewater for fire service pond make-up water.
Australian Paper (Maryvale)	<p>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.</p>
EnergyAustralia Yallourn Pty Ltd (Yallourn)	<p>EnergyAustralia Yallourn continues to investigate water saving initiatives. Major outage works during 2015 include significant intake valve refurbishment that reduces exposure to water loss.</p>
Energy Brix Australia (Morwell)	<p>Overall water usage at EnergyBrix has reduced in line with the closure of the site. Water usage is expected to drop to 500ML per annum.</p>
IPR-GDF SUEZ Australia (Hazelwood)	<p>Hazelwood used between 10% to 20% per annum of its overall raw water volume within its contracted volume. In 2014, approximately 15% of total raw water used was directed to the management of water quality in the Hazelwood Cooling Pond during the drier period from January to May. This raw water for environmental management is dependent on climatic conditions, which requires additional raw water use in order to minimise water quality impacts of discharge to local streams. Employee awareness of water use and conservation continues to be communicated on a regular basis, with monthly performance against target reported in monthly health and safety reports to employees. Potable water continues to be monitored and reported internally.</p>
IPR-GDF SUEZ Australia Loy Yang B Power Station (Traralgon)	<p>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 2014-15 Water Conservation Program remains unchanged and all previous initiatives are still in place.</p>
Lion – Dairy and Drinks, Lion Pty Ltd (Morwell)	<p>As part of Lion Morwell's Waste Reduction and Continuous Improvement Strategy, the site has implemented waste and utilities optimisation projects to improve environmental sustainability. Through the optimisation of processing, packaging, and cleaning processes, the site has reduced its water consumption from 3.1 to 2.9 litres per kilogram of product produced.</p>
Murray Goulburn (Maffra)	<p>Murray Goulburn Maffra has continued to apply the Environment, Waste and Yield program during this financial year. This program, along with improvements to overall equipment effectiveness, should deliver an 8% decrease in potable water consumption this financial year based on year-to-date actual and forecast use. This has been achieved in a year when production tonnages are at a 10-year high.</p>

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 advocacy in sustainable water management.

Social sustainability

Gippsland Water strives to meet the needs of all its customers, including those on low incomes 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

Gippsland Water's two previous customer and environment committees evolved to form one Community Consultative Committee and met for the first time 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 (refer to Part 2 under 'Environmental Sustainability').

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 implemented campaigns to promote eBills and Direct Debit. These

have been very successful with around 4,000 customers opting to receive their bills electronically, and 7,587 customers signing up to Direct Debit.

- Our improved telephone contact procedures and introduction of an integrated knowledge database for Customer Service operators has significantly improved the number of queries resolved at first contact.
- Property Information Statements have been upgraded making it easier for customers to understand.
- Our online solicitor updates system has been success for 55% of solicitors using the system.

Community-focused initiatives

In addition to the extensive community education and engagement, Gippsland Water participates 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.

The corporation has formed a partnership with Latrobe Community Health Services to share the 'Choose Tap' message to LCHS clients. This was launched with a special event at the Vortex Education Centre in mid-March (refer to under 'Environmental Sustainability').

Gippsland Water continued its presence on social media via Facebook and Twitter, as well as distributing regular releases to local media and via our website. We have also uploaded a number of videos produced in-house to our YouTube channel.

Gippsland Water's social media channels have experienced growth, with Facebook in particular proving an effective platform to both inform customers as well as hear their concerns.

Facebook was utilised actively during a Boil Water Alert for a part of the Morwell community in April 2015. The channel allowed for the posting of up-to-date information to the community as well as responses to questions from the affected area. Some of the posts published reached more than 90,000 people. Several hundred questions were posted and responded to on this platform while the call centre took 109 calls during the event.

Community service obligations

	2014-15 \$	2013-14 \$	2012-13 \$	2011-12 \$	2010-11 \$
Provision of concessions to pensioners	4,988,032	4,799,341	4,611,778	4,412,478	3,955,759
Rebates paid to not-for-profit organisations under the Water and Sewerage Rebate Scheme	273,523	268,530	249,182	234,081	214,938
Utility Relief Grant Scheme payments	89,048	139,129	164,859	108,073	88,415
Water concession on life support machines – Haemodialysis	2,921	2,571	2,250	2,494	2,252
Hardship Relief Grant Scheme (Water and Sewerage Connection Scheme) (i)	–	–	–	–	–

- (i) The Hardship Relief Grant Scheme is administered and managed by the Department of Health and Human Services (DHHS), 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	5 Year Average Annual Demand	Consumption Variation
	Billed Connections ⁴	Billed volume (ML)	Billed Connections ⁴	Billed Volume (ML)						
Briagolong	371	52.2	23	3.3	0.0	0.0	5.8	61.3	70.0	-12%
Coongulla–Glenmaggie	468	31.9	11	4.7	0.0	0.0	4.7	41.3	41.9	-1%
Erica–Rawson	312	38.6	45	22.6	0.0	0.0	22.7	83.9	81.9	2%
Heyfield	878	144.0	111	75.1	0.0	0.0	0.0	219.0	235.3	-7%
Maffra–Stratford	3,075	538.6	316	81.3	287.7	2.0	145.4	1,055.0	1,048.0	1%
Mirboo North	761	105.0	84	31.6	0.0	1.0	39.5	177.0	181.6	-3%
Moe–Newborough ¹	11,137	1,600.1	864	240.0	1,437.2	5.0	241.3	3,524.0	3,565.7	-1%
Moondarra ²	25,218	4,215.8	2,436	759.3	40,764.2	4.0	1,933.7	47,677.0	48,649.4	-2%
Neerim South–Noojee	661	127.2	66	29.0	0.0	0.0	5.6	161.7	189.9	-15%
Sale–Wurruk	7,038	1,105.1	861	290.2	261.2	0.0	76.1	1,732.6	1,712.6	1%
Seaspray	357	19.1	11	4.0	0.0	0.0	2.9	26.0	29.6	-12%
Thorpdale	79	8.1	19	2.8	0.0	0.0	2.1	13.0	11.9	9%
Warragul–Drouin ³	12,754	1,843.4	1,200	352.4	187.7	3.0	394.4	2,781.0	2,765.0	1%
Willow Grove	146	33.0	11	1.1	0.0	0.0	10.9	45.0	46.4	-3%
Total	63,255	9,862.1	6,058	1,897.8	42,938.0	15.0	2,884.9	57,597.9	58,629.2	-2%

- (1) Supplies Moe, Newborough, Trafalgar, Yarragon, Darnum North, Yallourn and Yallourn North.
- (2) Supplies Boolarra, Churchill, Cowwarr, Glengarry, Hazelwood North, Morwell, Rosedale, Toongabbie, Traralgon, Traralgon South, Tyers, Jumbuk/Jeeralang and Yinnar.
- (3) Supplies Buln Buln, Drouin, Nilma, Darnum South, Rokeby and Warragul.
- (4) Number of assessments includes both connected and non-connected customers.
- (5) Includes untreated water supplied to major customers from the Moondarra system.
- (6) Includes volumes transferred to other systems.

Non-revenue water breakdown

Non-revenue water (ML) total	2,096
Infrastructure Leakage Index (ILI)	1.25
Real Water Losses (kL/connection/day)	0.08
Real Water Losses (kL/km/day)	3.3

Note: Based on ESC report calculation methodology, treated water losses only. Data includes water systems supplying more than 5,000 connections (Warragul, Moe, Morwell, Traralgon, and Sale).

Living Victoria Water Rebates

During 2014-15, Gippsland Water processed 675 rebates worth \$181,796.26 under the Living Victoria Water Rebate program. There were 341 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 2014-15, EWOV handled 37 referrals on behalf of Gippsland Water customers, with 30 referrals handled as enquiries requiring no further action. Three referrals were resolved by real time resolution, while four referrals were investigated by EWOV. All investigations have been resolved.

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. Directors provide the Board with a mix of skills, experiences and a range of viewpoints. Gender balance and cultural diversity are also taken into consideration. Following a Victorian Government announcement in April 2015, all current board members have been encouraged to participate in an expression of interest process. New board members will be in place by 1 October 2015 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 20 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 and remuneration 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 children and grandchildren. He has two adult daughters and three grandchildren and has been an active member of many Gippsland community groups.

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 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 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 Chair 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.

Sarah Cumming

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

Appointed October 2011

Current term expires September 2017

Sarah is a lawyer and has an Executive MBA. She is the Executive Manager, and is currently Acting General Manager Corporate Services at Latrobe City Council. Sarah's expertise is in governance, strategic advice, business solution design, business transformation and implementing regulatory reform. She has previously held a range of senior management positions at the Australian Securities and Investments Commission (ASIC) covering the areas of registry compliance, public information, data integrity, major projects, including being ASIC's Business Lead for Data Migration on the National Business Names project. Sarah was previously a Litigation Lawyer with Slater and Gordon with expertise in personal injuries and employment law. Sarah has a Bachelor of Arts (ANU), Bachelor of Law (Honours) (ANU), and a Master of Business Administration (Executive) (Mt Eliza/Melbourne Business School), and is a graduate of the Australian Institute of Company Directors. Sarah lives in Gippsland and has a strong interest in the local community.

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 ASIC. 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). Malcolm previously held various senior engineering and management roles for Siemens Power Services (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 700,000 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 led projects and operations in Europe, USA, Asia and Australia. Malcolm has a Master of Science in Electrical Engineering and Management Studies. He is a Chartered Electrical Engineer (CEng), a member of the Institute of Engineering Technology (UK), a senior member of the Institute of Electrical and Electronic Engineers (US) and a Fellow of the Chartered Management Institute (UK). Malcolm has also completed an Advanced Management Program at Henley Business School 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

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.

Director attendances at board and committee meetings 1 July 2014 – 30 June 2015

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

Profile of the executive team

Managing Director – David Mawer

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

General Manager Operations – Peter Skeels

BBus. (Acct. and Economics), FCPA

Peter is responsible for the management and leadership of the organisation's operational activities. Peter has 34 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, PhD

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 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

B.App Sci (SysAg), Grad Dip Env Mgmt GAICD

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 23 years and prior to joining Gippsland Water, spent the previous 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 of Business Administration 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.
- Establishing the scope of internal audits, including the three-year rolling Strategic Internal 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.
- Overseeing the investigation of any suspected cases of fraud within the organisation and monitor the progress of any major lawsuits facing the board.

In accordance with the *Financial Management Act 1994*, an annual attestation was submitted to the Board confirming all the committees' responsibilities. During the 2014-15 financial year, the Audit Committee met four times.

Audit Committee members for 2014-15

Joanne Booth – Independent Chairperson

August 2010 – current

Attended all four meetings during the reporting year

Joanne is a company director and former chief executive officer who has worked and consulted extensively in the public, not-for-profit and health sectors. She currently operates a governance and management consultancy in East Gippsland and Melbourne. Joanne holds non-executive directorships with Gippsland Lakes Community Health; Victorian Healthcare Association; East Gippsland Region Water Corporation, Inner East Community Health and Workways Australia Ltd where she is Chair of the Audit and Risk Committee. Joanne is also an Independent appointed Member of Latrobe City Council Audit Committee.

Joanne's qualifications include Master of Public Health, Graduate Diploma in Occupational Health, Bachelor of Arts, Diploma Company Directors and Practitioners Certificate in Mediation. Given her interest and commitment to effective governance, she is undertaking a Graduate Certificate in Internal Audit and has completed Governing for Non-Profit Excellence Program at Harvard Business School (Boston). Joanne is a Graduate of the Australian Institute of Company Directors and Member of Women on Boards.

Geoff Harry – Independent Member

July 2014 – current

Attended all four meetings during the reporting year

Geoff is a Chartered Accountant and a graduate member of the AICD. He was an assurance partner at PricewaterhouseCoopers for 25 years, and in addition to servicing a number of large corporate clients of PwC, Geoff was responsible for assurance and consultancy services to several water authorities in Melbourne and regional Victoria. He retired from PwC at 31 December 2006. Since then, Geoff has held roles with Jemena (formerly Alinta) for two years, and Fortescue Metals Group Limited for three years as the chief risk and assurance officer. He retired from full time executive roles on 30 June 2014.

Geoff has also been a leader in the development of improved governance performance and reporting for the Victorian local government sector over many years, and he has developed and delivered training courses on enhancing the effectiveness of audit committees in that sector.

Geoff has held a number of independent memberships of audit committees since his retirement and is currently a member of audit and risk committees at the Department of Premier and Cabinet, City of Monash (Chairperson), and Regional Kitchens. Geoff is also Chairperson of a large Body Corporate of a holiday resort in Queensland.

The Audit Committee also included the following board members for the 2014-15 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 & Safety (OH&S), environmental, and emergency management at Gippsland Water. The SHE Committee carries the following responsibilities:

Policy

- To review the Gippsland Water Environmental Policy and recommend for approval by the Board, to be used to guide the corporation's environmental activities.
- To review the Gippsland Water OH&S Policy and recommend for approval by the Board, to be used to guide the corporation's OH&S activities.

Governance

- To review and make recommendations to the Board on environmental governance aspects of Gippsland Water'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.

Monitor and review performance

- To receive and review reports on OH&S and environmental incidents resulting in reportable matters to regulators, including WorkCover, EPA, and DELWP.
- To review the ongoing development of the Environmental Management System, and monitor activity under the Environment Strategic Plan.
- To review and monitor performance against the Safety Strategic Plan.
- To review and monitor compliance with the *Safe Drinking Water Act 2003* and the EPA Amalgamated Licence.

The Safety, Health and Environment (SHE) Committee met four times in the year. Its members for 2014-15 were:

- Leonie Hemingway – Board member and Chairperson.
- Peter Day – Board member.
- Bernadette Hannagan – Board member.

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 twice during the 2014-15 reporting year.

Corporate Key Performance

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

In the 2014-15 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 2014-15

KPI no.	Key Performance Indicator	Unit of Measure	2014-15 Target	2014-15 Actual	2013-14	2012-13	2011-12	2010-11
Water								
1	Unplanned water supply interruptions	per 100km	19.50	19.69 ¹	8.70	22.07	18.52	18.52
2	Average time taken to attend bursts and leaks (priority 1)	minutes	35	29.34	33.82	25.01	28.79	30.27
3	Average time taken to attend bursts and leaks (priority 2)	minutes	138	52.76	90.74	69.29	91.86	101.44
4	Average time taken to attend bursts and leaks (priority 3)	minutes	2,000	991.81	1,449.34	2,093.27	1,682.09	2,008.11
5	Unplanned water supply interruptions restored within 5 hours	per cent	98%	98.54%	98.82%	98.89%	98.41%	97.87%
6	Planned water supply interruptions restored within 5 hours	per cent	90%	97.77%	96.19%	97.09%	96.65%	97.55%
7	Average unplanned customer minutes off water supply	minutes	10.80	10.69	7.88	10.33	8.74	9.53
8	Average planned customer minutes off water supply	minutes	12	27.35 ²	18.51	31.67	17.59	15.08
9	Average frequency of unplanned water supply interruptions	number	0.120	0.130 ³	0.108	0.120	0.115	0.141
10	Average frequency of planned water supply interruptions	number	.08	0.17 ⁴	0.11	0.20	0.11	0.10
11	Average duration of unplanned water supply interruptions	minutes	90	80.57	73.10	86.43	75.82	67.45

KPI no.	Key Performance Indicator	Unit of Measure	2014-15 Target	2014-15 Actual	2013-14	2012-13	2011-12	2010-11
12	Average duration of planned water supply interruptions	minutes	150	157.82 ⁵	170.86	156.88	166.44	157.57
13	Number of customers experiencing more than 5 unplanned water supply interruptions in the year	number	0	0	0 ⁶	0	0	0
14	Unaccounted for water	per cent	12%	14.4% ⁷	16.6%	14.2%	10.3%	10.6%
Sewerage								
15	Sewerage blockages	per 100 km	18	14.98	8.76	7.93	8.11	14.64
16	Average time to attend sewer spills and blockages	minutes	40	28.84	30.63	40.78	31.32	34.43
17	Average time to rectify a sewer blockage	minutes	95	87.44	93.70	95.70	90.98	100.90
18	Spills contained within 5 hours	per cent	98%	100%	100%	96%	100%	100%
19	Customers receiving more than 3 sewer blockages in the year	number	0	0	0	0	0	0
Customer Service								
20	Complaints to EWOV	per 1000 customers	0.08	.059	0.030	0.015	0.015	0.015
21	Telephone calls answered within 30 seconds	per cent	84%	82.33% ⁸	83.04%	82.58%	82.02%	83.84%
Additional Service Standards								
22	Population receiving water meeting E.coli standards	per cent	100%	100%	100%	100%	99.7%	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	2014-15 Target	2014-15 Actual	2013-14	2012-13	2011-12	2010-11
24	EPA Discharge Quality licence compliance	Yes / No	Yes	No ⁹	No	No	98.90%	95%
25	Population receiving water meeting turbidity standards	per cent	100%	100%	100%	100%	100%	100%
26	Total CO ₂ equivalent emissions	tonne (000s)	70	42.7	38.25	47.84	61.73	68.78
27	Recycled water target	per cent	10.3%	7.52% ¹⁰	5.23%	6.70%	5.37%	4.20%
28	Bio-solids re-use	per cent	100%	100%				
29	CTWSS connections	number	50	536	280	0	0	0
Our People								
30	The number of incidents / days lost due to Lost Time Injuries (LTIs)	number of LTIs	0	2 ¹¹	3	3	3	3
31	Injury frequency rate	days lost number	0 35	7 17	181 19	140 12	110 25	25 28
32	OH&S Leading Index	colour		A ¹² 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	31.47	29.94	32.50	33.25	30.53

(1)(3) Minor increase in average frequency of unplanned water supply interruptions over the target is reflective of ageing infrastructures and a relatively dryer year. Over 18% of pipe failure was attributed to external damage, foreign material and increased ground movements.

(2)(4)(5) As predicted from the second quarter, the targets that have not been met are KPIs 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.

(6) The data supplied for 2013-14 was collected incorrectly. Improvements to reporting and data analysis have returned a correct figure of zero (0) customers experiencing more than five unplanned water supply interruptions in the year.

(7) The target of 12% was not achieved this year.

The outcome of 14.4% was lower than last year's figure of 16.6%.

Water unaccounted for may be due to causes such as leaks (ageing pipelines), water main breaks, firefighting, or mains flushing. It may also be caused by metering inaccuracies in customer and bulk system meters. Determination of the actual losses from each of these causes is difficult to identify and quantify.

(8) KPI target of 84% of telephone calls answered within 30 seconds is based on Gippsland Water's average performance over the previous five-year period.

For the 2014-15 period, Gippsland Water achieved 82.33% 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 favourable when compared to the contact centre industry standard of 80%.

(9) In the sample collected on 2 September 2014, discharge from the Drouin WWTP Dissolved Air Floatation Filtration (DAFF) plant was pH 5.5, below the minimum pH limit of 6.0. DAFF plant backwash is dosed with caustic soda (sodium hydroxide) to increase pH prior to discharge. Dosing has been modified to commence at the start of the backwash process, to ensure that pH is above the lower

limit of 6.0 prior to discharge. In addition, further modifications have been made to the pH monitoring system to improve operations. The pH levels at Drouin have been compliant for all the months following September.

(10) This year's result of 7.52% water reuse has not met the target of 10.3%; however, it has increased by 2.5% on last year's result of 5.02% which is specifically due to an increase in agricultural demand from the commencement of irrigation at Dutson Downs.

The low effluent reuse compared to the target of 10.3% is partially due to low volumes of reuse water being produced by the Gippsland Water Factory, as water availability from Moondarra Reservoir has been sufficient to meet demand, negating requirements for reuse water production and use. Current dam and soil moisture levels also mean that less reuse water is required for irrigation.

(11) Two separate lost time injuries (LTIs) were reported during 2014-15. A Gippsland Water employee was involved in a motor vehicle accident, resulting in being unfit for all duties for a period of six (6) working days. A single day time lost was incurred when an employee injured his eye. During the year, Gippsland Water also reported two medical treatment injuries (MTIs).

(12) A No. of OH&S audits conducted in a reporting period.

B Planned training attendances against action attendances.

C No. of incidents reported.

D No. of incidents with planned or completed corrective actions.

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 2014-15 reporting period, Gippsland Water received nil 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 22F 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 2014-15, full Essential Safety Measures audits were completed for 100 buildings.

Conflict of interest

Managing conflicts of interest is an important aspect of Gippsland Water's operations. The integrity of the organisation relies on public confidence that employees and board 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 \$1 million 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 \$10 million.

Government advertising expenditure

Gippsland Water's expenditure in the 2014-15 reporting period on government campaign expenditure did not exceed \$150,000.

Overseas travel

No overseas travel was undertaken in the 2014-15 period.

Consultant services

In 2014-15, there were 10 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2014-15 in relation to these consultancies is \$225,986 (excl. GST).

In 2014-15, there were 14 consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2014-15 in relation to these consultancies is \$126,775 (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)
ARUP P/L	Vortex Pond Options Assessment	26/08/2014	25/11/2014	10.7	10.7	-
Business Insights Group	Business Development Plan	1/04/2015	30/06/2015	30.9	30.9	-
CH2M Hill P/L	GWF General Engineering Advice	1/06/2015	30/06/2015	19.9	19.9	-
Ecosystem Management P/L	Bushfire Management Plan	1/06/2014	31/07/2015	26	20.8	-
Engineering Design Resource P/L	GWF Pump Station Upgrade - Technical Drawings	1/09/2014	31/01/2015	13.3	13.3	-
Engineering Design Resource P/L	Engineering Administrative Assistance	1/09/2014	31/01/2015	15.3	15.3	-
Geoff Nunn & Associates P/L	Remuneration Consulting Services	1/02/2015	31/03/2015	16	16	-
Key Energy & Resources P/L	Electricity Contract Review	1/04/2015	30/06/2015	76	76	-
Mott Macdonald Australia P/L	GWF Optimisation	1/03/2015	30/04/2015	12.1	12.1	-
Mott Macdonald Australia P/L	Seaspray Water Treatment Plant	1/07/2015	31/07/2015	10.5	10.5	-

For the purpose of the requirements of FRD 22F, a consultant is a particular type of contractor that is engaged primarily to perform a discreet 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.

Note: The definition of consultancy was updated effective from 1 July 2013. Consequently, disclosures on the 2014-15 consultancy expenditure cannot be compared with previous year disclosures.

Protected Disclosures Act 2012

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 the Independent Broad-based Anti-corruption Commission (IBAC) for investigation. Full details are available on the Gippsland Water website.

In the period 2014-15, Gippsland Water did not notify IBAC of any disclosures.

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>.

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.

Gippsland Water is committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination.

PART 5

ORGANISATIONAL SUSTAINABILITY

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

Equal Employment Opportunity

Gippsland Water complies with Equal Opportunity (EO) 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 Equal Employment Opportunity (EEO) complaint at Gippsland Water for the reporting period.

Gender equity

A total of 80 females were employed at Gippsland Water during the reporting period, representing 29.8% of full-time equivalent workforce. Our women work in senior management, team leadership, engineering, scientific, technical and administrative roles.

During the 2014-15 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

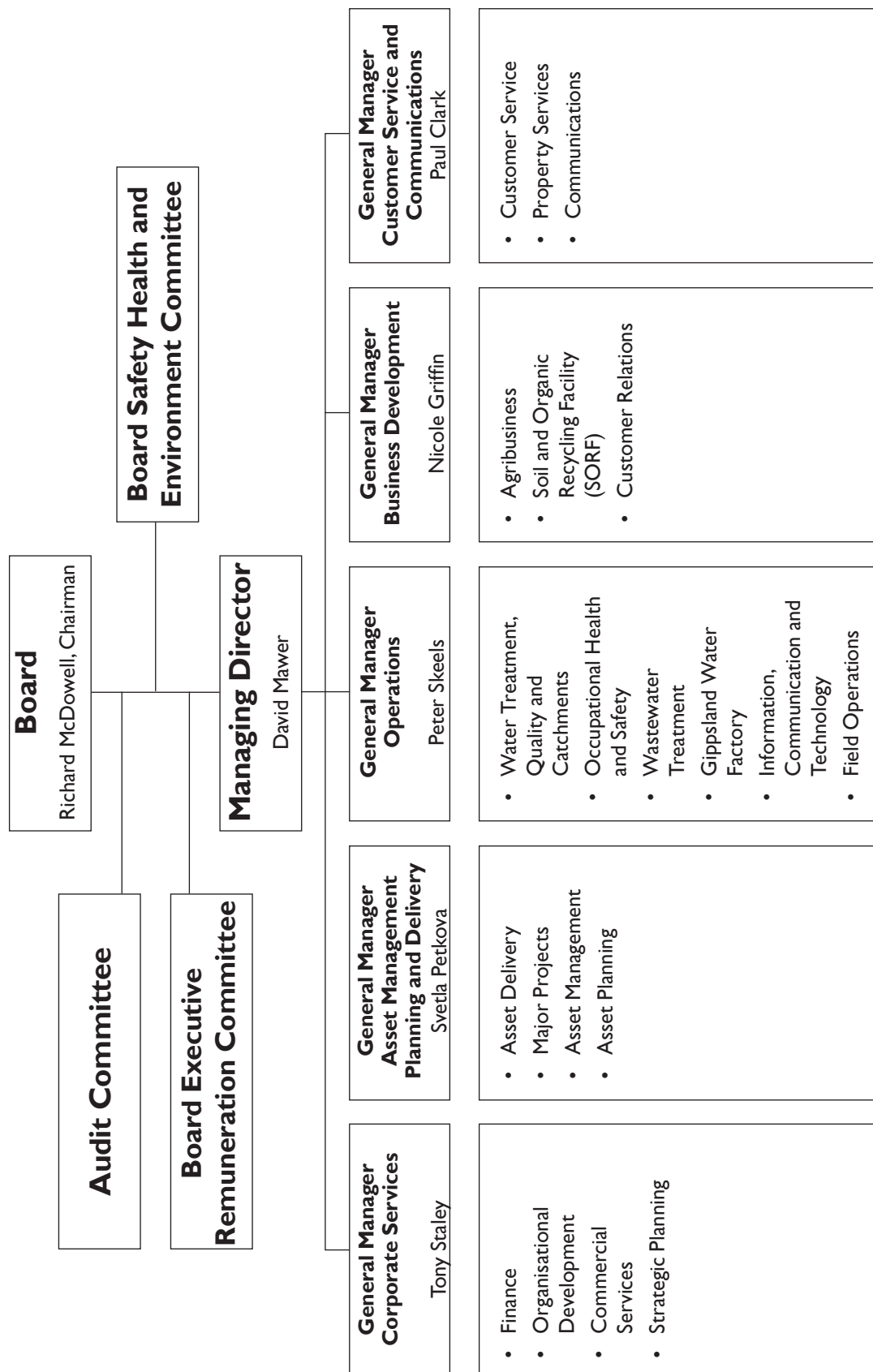
Gippsland Water has recruitment policies that ensure a fair and open opportunity for all potential employees. Gippsland Water has supported a number of career initiatives, including the Jobs Skills Expo in association with the Baw Baw Learning and Education Network at Lardner Park.

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 2015



Employment by category

		2013-14		2014-15		
		Ongoing		Ongoing		Fixed term and Casual
		Number (Headcount)	FTE	Number (Headcount)	FTE	FTE
Gender						
Male		190	190	186	186	4
Female		78	64	81	66.23	4
Age						
Under 25		7	7	8	8	0
25-34		54	48.71	54	48.64	4
35-44		81	73.94	83	74.93	1
45-54		67	65.76	64	62.76	1
55-64		48	47.59	48	47.59	0
Over 64		11	11	10	10	0

	Ongoing Employees				Fixed Term and Casual
	Number (Headcount)	Full time (Headcount)	Part time (Headcount)	FTE	FTE
2014-15	267	240	29	252.23	8
2013-14	268	240	29	254	7.58

Occupational Health & Safety (OH&S)

Gippsland Water's major achievements against the Gippsland Water Activity Plan for the 2014-15 year include:

- Continued delivery of OH&S training in accordance with the OH&S Training Requirements matrix.
- Proforma agendas and audit templates developed for use on Service Contracts to more clearly define OH&S outcomes for Service Contracts.
- Clearer expectations of the role of the Safety, Health and Environment (SHE) representatives with a standard agenda template for SHE representatives to report between team meetings, SHE workgroup and umbrella committees.
- 'Managing Electrical Safety' Code of Practice review to improve and standardise systems for managing electrical safety across Gippsland Water.

An extensive review of Gippsland Water's OH&S Strategy has been undertaken in this financial year, including the data that is collected and reported to measure performance and culture shift across the organisation at all levels.

Training

In line with the OH&S Training Plan 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 and safety representatives initial five-day course.
- B-class Asbestos Removal initial and refresher courses for operators and supervisors.
- Asbestos awareness.
- Self-Contained Breathing Apparatus.
- Breathing Apparatus Compressor.
- Manual handling and ergonomics.
- Noise awareness.
- Construction induction.
- First Aid Level 3.
- Senior First Aid.
- First Aid (CPR only).
- Heights (fall prevention).
- Heights awareness.
- Traffic Management and Control.
- Forklift.
- Electrical spotters.
- Safe Systems of Work.
- Portable Gas Detection User includes H2S.
- Confined Space Entry (initial and refresher).
- Rigging and Dogging.
- 4x4 Safe Driver and Recovery.
- Safety in the Office.

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 and consult and communicate changes in occupational health and safety. The committees consist of employee and management representatives. The 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 to address strategic areas of OH&S and environmental issues to these committees, and then make recommendations to the General Management Team and the Board for further consideration.

Occupational Health & Safety Strategy 2015-2018

In an effort to move Gippsland Water to an embedded OH&S culture from one of compliance and commitment, a strategic review team was formed with representation across the business to:

1. Develop the Gippsland Water OH&S Strategy 2015-2018.
2. Refine the format of the OH&S reports to best capture our progress against the strategic objectives and provide insight into the success of Gippsland Water's risk mitigation strategies.
3. Develop messages and campaigns to embed the OH&S culture across the business through an innovative range of communication strategies.

The Gippsland Water Occupational Health & Safety Strategy 2015-2018, with refined reports, has been endorsed by the SHE Board Sub-Committee and full Board.

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 2014-15 included:

- Health and Wellbeing Expo.
- Boot camp.
- Driver Awareness campaign.
- Skin checks.
- Sun Awareness packs.
- Fit2Work Healthy4Life Challenge.
- Fitness classes.
- Flu vaccinations.
- 10,000 Step Challenge.

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 two lost time injuries for the 2014-15 financial year, for a total of seven lost time days.

A lost time injury claim for six days was accepted for a motor vehicle accident that happened on the return from meetings in Melbourne when an employee blacked out while driving home. A series of inconclusive tests have been undertaken and no further action required by Gippsland Water. The employee has since returned to full duties without complication.

A single day lost time was recorded when a water treatment plant operator struck himself in the eye with a broom handle while washing a Gippsland Water vehicle. The employee was declared unfit for all duties for a single day as a precautionary measure and has since returned to full duties without any complication.

OH&S management measures

Measure	KPI	2014-15	2013-14
Incidents	No. of incidents (excl. contractors)	316	312
	No. of incidents (incl. contractors)	401	374
	Rate per 100 FTE (excl. contractors)	123	125
Claims	No. of standard claims	6	6
	FTE	252.23	254.66
	Rate per 100 FTE	2.38	2.36
	No. of lost time claims	3	2
	Rate per 100 FTE	1.19	0.79
	No. of claims exceeding 13 weeks	0	0
	Rate per 100 FTE	-	-
Fatalities	Fatality claims	0	0
Claim costs	Average cost per standard claim	\$13,678.83	\$4,077.50
Return to work (RTW)	Percentage of claim with RTW plan <30 days	100%	83%
Management commitment	Evidence of OH&S policy statement, OH&S objectives, regular reporting to senior management of OH&S and OH&S plans	Completed	Completed
	Evidence of OH&S criteria in purchasing guidelines (including goods, services, and personnel)	Completed	Completed
Consultation and participation	Evidence of agreed structure of designated workgroups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs)	Completed	Completed
	Compliance with agreed structure on DWGs, HSRs, and IRPs	Completed	Completed
Risk management	Percentage of internal audits/inspections conducted as planned	109%	116%
Training	Percentage of managers and staff that have received OH&S training including HSRs trained	97%	87%

Working remotely in isolation

A major achievement of the consultative process for the 2014-15 year has been the review of Gippsland Water's processes for Working Remotely or in Isolation.

OH&S law requires employers to eliminate or reduce risks to health and safety, so far as is reasonably practicable.

In response to this obligation, Gippsland Water sought to mitigate the risk associated with employees working remotely and in isolation, cognisant of the employee safety and privacy requirements. A working party consisting of management and employee representatives was formed who collaboratively worked together in consultation with our employees to develop the new work procedures.

'Working remotely or in Isolation' was defined as working anywhere an employee is unable to get immediate assistance from colleagues or other people because of the location, time or nature of the work being done. Assistance from other people includes rescue, medical assistance and emergency services.

The working party identified high risk (with respect to working in isolation or remotely) activities and also reviewed the available technology that could assist with managing and mitigating the risks of these, and recommended the use of Digital Mobile Radio (DMR) and its associated GPS facilities. The use of such technology triggered the need to undertake a Privacy Impact Assessment (PIA) on employees.

The PIA considered the impact of data collection and storage, disclosure and data security. The PIA affirmed that privacy issues were considered and that steps had been taken to provide an adequate level of privacy protection when the new technology is introduced.

The successful delivery of the Working in Isolation Procedure and the accompanying new DMR technology inclusive of duress alarm and GPS prior to the commencement of the 2014-15 fires season, can be attributed to the working party's commitment and engagement in reviewing and improving the systems of work relating to the Working Remotely or in Isolation risk in consultation with employees.

The DMR technology has delivered the benefits sought after from its implementation, and managers

have been empowered to further explore the benefits of the DMR system. To date, the Water Treatment, Quality and Catchment group have further identified a need to expand their fleet of DMR devices, and accordingly have rolled out this technology to their technologists and relief water treatment technologists.

Physical assets

Major achievements for 2014-15 in the management of our physical assets and infrastructure are included in Part I. Other achievements completed during the period include the following:

- The creation and loading of more than 9,000 missing water property connections and 4,000 missing sewer property connections into the Geographic Information System (GIS) was completed. This will improve reporting accuracy and assist dealing with customers. Now every water customer is identified in GIS.
- 1,800 square kilometres of 15cm imagery covering Traralgon, Tyers, Toongabbie, Cowwarr, Dutson Downs, Seaspray, Regional Outfall System (ROS) and Saline Wastewater Outfall Pipeline (SWOP) and all the land in-between has been captured and loaded into the GIS.
- Our GIS systems were upgraded from ArcMap 9.3 to ArcMap 10.2; and Dekho 3 to Dekho 4. This will provide upgraded base maps for Operations, Land Development and Property Information to improve dealing with customers and responding to emergencies. Imagery for Dekho 4 is cached at set scales to improve system performance.
- We reviewed and optimised preventative maintenance schedules for the Gippsland Water Factory to ensure all assets are maintained for optimum life.
- An ongoing program to continually update Piping and Instrumentation Diagrams (P&IDs) has been implemented to ensure all facility assets are captured and therefore properly maintained.
- We demolished a number of previously decommissioned assets including the Newborough high level water tower to eliminate organisational risk and on-going maintenance costs.
- Gippsland Water's Asset Management Information System (AMIS) software was upgraded in May 2015 to provide significant improvements to overcome some of the functional limitations of the asset management,

works management, and valuations modules. The implementation of the new version Infor Hansen 8.3 included 20 integrations with Gippsland Water's business systems.

The roll-out also involved redesigning interfaces, end-to-end testing of interfaces, user acceptance testing, and training of more than 100 staff. The software was initially installed in 2010, minor upgraded in 2013, and the recent full upgrade brings Gippsland Water to the forefront of asset management information system users within the Australasian utility industry.

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 and assess both strategic and operational level risks, and determine the most appropriate form of risk mitigation strategy. This ultimately ensures a safe, cost effective and efficient approach to managing risk is adopted.

Gippsland Water's Audit Committee reviewed all very high and high rated risks throughout the year. This is supported by the three-year *Internal Strategic Audit Plan* that targets specific high level risks to review current control measures. Gippsland Water's Board received quarterly risk management reports focusing on proposed changes to the corporate risk register made by respective risk owners.

Operational risks are reviewed on a quarterly basis within respective departments, with the more strategic risks referred to quarterly Risk Management Committee meetings. The composition of Gippsland Water's Risk Management Committee continues to include the Managing Director, general managers and other key stakeholders.

Following the latest quarterly review process, Gippsland Water's risk register now contains 43 active risks, with 0 rated as Very High, 9 risks rated as High, 20 risks rated as Medium and 14 risks rated as Low in the controlled environment. This compares favourably to last year's figures where we reported 51 active risks; 12 risks rated as 'High', 22 risks rated as 'Medium' and 17 risks rated as 'Low' in the controlled environment. These changes are driven by previous risks becoming inactive with

additional risks being identified and assessed.

Gippsland Water, along with other water corporations, continues to report risks to the state via the DELWP risk group. This process assists in providing a snap shot of risks and risk nature across all Victorian water corporations.

Gippsland Water united with 18 other Victorian water corporations in a combined effort to "group purchase" insurance policies and services. We have changed insurance brokers, however the final result of the combined effort is an increase in insurance coverage in some areas, and an overall cost saving across all insurance products. For Gippsland Water, this was reflected in a net saving of over 50% from 2013-14 total premium cost.

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 complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes.

The Central Gippsland Region Water Corporation's Audit Committee verifies this.



Richard McDowell

Chairman

Central Gippsland Region Water Corporation

Dated 28 August 2015

PART 7

PERFORMANCE REPORT

Performance Report for the year ended 30 June 2015

PART I - Financial Performance Indicators								
KPI No	Performance Indicator	2013-14 Result	2014-15 Result	2014-15 Target	Variance to Prior Year	Notes	Variance to Target	Notes
F1	Cash Interest Cover (Times) Net operating cash flows before net interest and tax / net interest payments	3.92	3.21	2.70	-18.0%	1a	19.1%	1b
F2	Gearing Ratio Total debt (including finance leases) / Total assets * 100	21.73%	23.60%	23.71%	8.6%		-0.5%	
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure * 100	76.68%	55.95%	49.90%	-27.03%	2a	12.1%	2b
F4	Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	0.36	0.41	0.52	13.2%	3a	-21.4%	3b
F5	Return on Assets Earnings before net interest and tax / average assets * 100	1.68%	1.45%	1.27%	-13.9%	4a	14.0%	4b
F6	Return on Equity Net profit after tax / average total equity * 100	0.45%	0.05%	-0.09%	-89.9%	5a	152.1%	5b
F7	EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue * 100	39.53%	40.02%	38.19%	1.2%		4.8%	

(1a) Cash Interest Cover is lower than 2013-14. This is because net operating cash flows were higher in 2013-14 due to a one-off insurance claim for the Gippsland Water Factory amounting to \$5.8M.

(1b) Cash Interest Cover is higher than target. The 2014-15 operating cash flows are higher than the target due to non-core business cash revenues from liquidated damages of \$1.9M, higher agribusiness cash sales of \$0.6M, and higher developer and Private Scheme Contributions of \$1.0M. The Corporation has also achieved savings on interest payments of \$0.5M as borrowings were not accessed until the end of the 2014-15 financial year.

(2a) The Internal Financing Ratio is lower than 2013-14. As identified above, net operating cash flow was higher in 2013-14 due to a one-off insurance claim for the Gippsland Water Factory amounting to \$5.8M. In addition, the payments for capital expenditure are \$5M higher in 2014-15 due to the capital program, and high level of accrual at the end of 2013-14, which has resulted in higher capital cash payments in 2014-15.

(2b) The Internal Financing Ratio is favourable to the 2014-15 target. As identified above, net operating cash flow were higher than the target due to non-core business cash revenues from liquidated damages of \$1.9M, higher agribusiness cash sales

of \$0.6M, and higher developer and Private Scheme Contributions of \$1.0M. The Corporation has also achieved savings on interest payments of \$0.5M. In addition, capital expenditure was \$5M lower than target.

- (3a) Our current ratio is higher than in 2013-14. Current Assets in 2014-15 were higher than last year due to increased debtors and an increased cash balance at year end. The higher debtor levels arises due to amounts owing from major customers and the cash balance is due to a higher profit than expected. The increase in current assets is off-set by a higher level of current liabilities. This is primarily due to an increase in the current portion of borrowings. The increase of \$7.5M in short-term to take advantage of lower interest rates available while also complying with our Treasury Management Policy. These factors have resulted in a slight increase in current ratio compared to last year.
- (3b) Our current ratio is significantly lower than target which is due to an increase in the current portion of borrowings. The increase of \$7.5M in short-term was to take advantage of lower interest rates available while also complying with our Treasury Management Policy. Our overall borrowing levels are in line with target. It should be noted that our cash levels are \$5.5M higher than our target. The cash levels are favourable to target predominately as a result of higher debtor receipts, lower borrowing costs and increased income from developers.
- (4a) The Return on Assets is lower than 2013-14. A higher profit of \$4.9M was reported in 2013-14. The profit was significantly impacted by a one-off transaction amounting to \$5.8M which was due to a one-off insurance claim for the Gippsland Water Factory. In 2014-15, profit has been adversely impacted by an asset write-off of \$2.9M for the transfer of assets to a major customer.
- (4b) The Return on Assets is higher than the 2014-15 target. The 2014-15 profit is higher than the target due to strong non-core business revenues. These include strong revenue for liquidated damages (\$1.9M), Agribusiness (\$1.2M) and Developer and Private Scheme Contributions (\$2.8M). The business has also delivered a range of savings in the areas of operating costs, particularly chemicals, and maintenance. Borrowing costs were also \$0.5M favourable to our internal targets.
- (5a) The Return on Equity indicator is higher than the 2014-15 target. A higher profit of \$4.9M was reported in 2013-14 which was significantly impacted by a one-off transaction amounting to \$5.8M. In 2014-15, an asset write-off of \$2.9M for the transfer of assets to Energy Australia has adversely impacted the result. The increase in average asset will not adversely impact the result.
- (5b) The Return on Equity indicator is higher than the 2014-15 target. The 2014-15 profit is higher than the target due to strong non-core business revenues and the delivery of expenditure savings. These include favourable revenue against target for liquidated damages (\$1.9M), Agribusiness (\$1.2M) and Developer and Private Scheme Contributions (\$2.8M). The range of savings delivered are in the areas of operating costs, particularly chemicals, and maintenance. Borrowing costs were \$0.5M favourable to our internal targets due to not borrowing until later in the financial year.

PART 2 - Water and Sewerage Performance Indicators								
KPI No	Performance Indicator	2013-14 Result	2014-15 Result	2014-15 Target	Variance to Prior Year	Notes	Variance to Target	Notes
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	0.00%	0.00%	0.00%	0.0%		0.0%	
WS2	Interruption time (Minutes) Average duration of unplanned water supply interruptions	74.48	88.93	90.00	19.4%	6a	-1.2%	
WS3	Restoration of unplanned water supply interruptions Unplanned water supply interruptions restored within 5 hours / total unplanned water supply interruptions * 100	98.80%	94.66%	98.00%	-4.2%		-3.4%	
SSI	Containment of sewer spills Sewer spills from reticulation and branch sewers contained within 5 hours / total sewer spills from reticulation and branch sewers %	100.00%	100.00%	98.00%	0.0%		2.0%	
SS2 (i)	Sewer spills interruptions No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	96.00%	97.76%	97.30%	1.8%		0.5%	

(6a) In 2014-15, we had a couple of interruptions on larger mains impacting more customers. Also, some maintenance events were extended due to safety and prioritising. While the variance to the prior year has increased, we are still operating within target.

- (i) This KPI was not included in the 2014-15 Corporate Plan. The target is set by calculating the average from the previous 5 years of data. The performance indicator targets have been included in future corporate plans.

PART 3 - Customer Responsiveness Performance Indicators

KPI No	Performance Indicator	2013-14 Result	2014-15 Result	2014-15 Target	Variance to Prior Year	Notes	Variance to Target	Notes
CRI (i)	Water quality complaints (No.) No. of complaints per 100 customers	0.40	0.43	0.43	8.1%	7a	-0.5%	
CR2 (i)	Sewerage service quality complaints (No.) No. of complaints per 100 customers	0.02	0.02	0.01	0.0%		100.0%	6b
CR3 (i)	Sewerage odour complaints (No.) No of complaints per 100 customers	0.04	0.05	0.06	25.0%	8a	-16.7%	7b
CR4 (i)	Billing complaints (No.) No. of complaints per 100 customers	0.12	0.12	0.22	0.0%		-45.5%	8b

- (i) This KPI was not included in the 2014-15 Corporate Plan. The target is set by calculating the average from the previous 5 years of data. The performance indicator targets have been included in future corporate plans.
- (6b) Sewerage service quality complaints have decreased from 11 complaints in 2013-14 to 9 complaints in 2014-15. We are continuing to employ our preventative maintenance programs in order to achieve our targets.
- (7a) The increase in water quality complaints was driven by a main break incident in Morwell during April 2015. This was managed through Gippsland Water's incident management process. As a result of the main break, Gippsland Water issued a boiled water alert and there were 67 complaints on dirty water. Actions identified during the incident debrief with regulators have been implemented. Taste and odour complaints were increased by just 6 compared to last year, which is normal and immaterial compared to the higher number of customers being served by Gippsland Water.
- (7b) Sewerage odour complaints for 2014-15 are favourable to the target. As stated in (i) above, the target of 0.06 was set on the basis of last 5 years of data. It should be noted that in 2009-10 and 2011-12, Gippsland Water had an above average number of complaints. This has caused the target to be higher than average. In order to improve and reduce the number of odour complaints experienced, Gippsland Water has begun to work more closely with all major customers to improve communications, planning and management of the wastewater produced from operational outages. Regular contract meetings are being held to reinforce and support the need for more robust and timely communication.
- (8a) The number of sewerage odour complaints increased by 7 compared to 2013-14. This was primarily due to an extended waste discharge by a major customer during December 2014. In order to improve and reduce the number of odour complaints experienced, Gippsland Water has begun to work more closely with all major customers to improve communications, planning and management of the wastewater produced from operational outages. Regular contract meetings are being held to reinforce and support the need for more robust and timely communication. A subsequent outage in June/July with this customer occurred without any odour generation or odour complaints. This would indicate that attention to the relationship between both parties is working.
- (8b) The variance is impacted by low complaint numbers in 2013-14 (81) and 2014-15 (78) and significantly higher complaint numbers in 2009-10 (193) and 2010-11 (182). A key contributor to the improved result is the introduction of a comprehensive frontline database that has resulted in an increase in contact being resolved at first point. Gippsland Water has also increased the utilisation of modern communication channels to better inform its customers.

PART 4 - Environmental Performance Indicators

KPI No	Performance Indicator	2013-14 Result	2014-15 Result	2014-15 Target	Variance to Prior Year	Notes	Variance to Target	Notes
E1 (i)	Effluent re-use volume (end use) % recycled for each category:	5.02%	7.52%	10.30%	49.8%	9a	-27.0%	9b
E2 (i)	Total net CO₂ emissions Net tonnes CO ₂ equivalent	38,246	42,705	70,000	11.7%	10a	-39.0%	10b

(i) This KPI was not included in the 2014-15 Corporate Plan. The target is set by calculating the average from the previous 5 years of data. The performance indicator targets have been included in future corporate plans.

(9a) This year's result of 7.52% water reuse has increased by 49.8% on last year's result of 5.02%. This is due to an increase in demand due to the commencement of irrigation at Dutson Downs. We investigate available options and pursue any viable opportunities for water reuse that arise, particularly at the Gippsland Water Factory and at Dutson Downs.

(9b) This year's result of 7.52% water reuse has not met the target of 10.3%. The low effluent reuse compared to the target of 10.3% is due to low volumes of reuse water being produced by the Gippsland Water Factory, as water availability from Moondarra Reservoir has been sufficient to meet demand, negating requirements for reuse water production and use. Current dam and soil moisture levels also mean that less reuse water is required for irrigation. We investigate available options and pursue any viable opportunities for water reuse that arise particularly at the Gippsland Water Factory and at Dutson Downs.

(10a) Small increases in CO₂ emissions are to be expected due to the general expansion of Gippsland Water's operations (Sale Wastewater Treatment Plant, irrigation at Dutson Downs), as well as the inclusion of contractor greenhouse gas data in Gippsland Water's emissions total for the first time. The majority of the emissions increase was from the Gippsland Water Factory; however, it is not believed to be due to any operational changes within the Gippsland Water Factory processes or increases in emissions. Upon review, it is believed that the increase may be due to the quantity of data available for biosolids, which may create statistically variable data from year to year. The scale of operations at the Gippsland Water Factory meant that this may have had an effect on the final emissions total. A process improvement to increase sampling has been identified and implemented, and will enable more statistically robust and accurate data in the future.

(10b) The target of 70,000 t/annum CO₂ equivalent greenhouse gas emissions was set when it was understood that greenhouse gas emissions from biosolids 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. Total emissions are low in comparison to this target as Gippsland Water has successfully maintained its emissions below this threshold again in 2014-15.

Performance Report For The Year Ended 30 June 2015

STATUTORY CERTIFICATION

We certify that the accompanying Performance Report of Central Gippsland Region Water Corporation in respect of the 2014-15 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 Environment, Climate Change and Water, and as set out in the 2014-15 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



Anthony Staley

Chief Financial Officer

Central Gippsland Region Water Corporation

Dated 28 August 2015



Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

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 2015 of the Central Gippsland Region Water Corporation which comprises the performance report, the related notes and the certification of performance report 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 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 2015 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

MELBOURNE
31 August 2015



John Doyle
Auditor-General

PART 8

FINANCIAL PERFORMANCE

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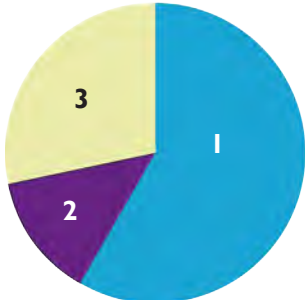
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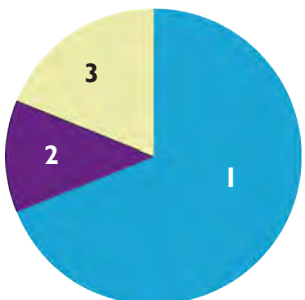
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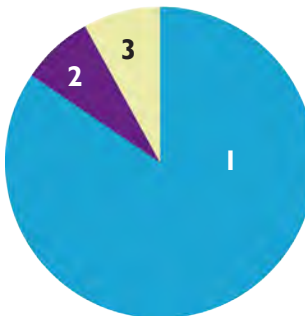
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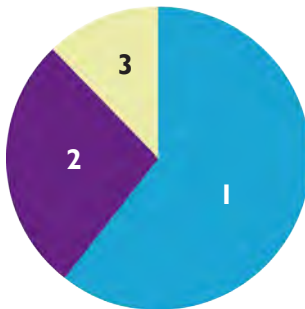
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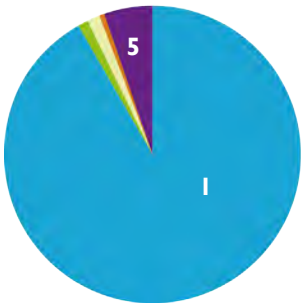
Financial Performance and Business Indicators as at 30 June 2015

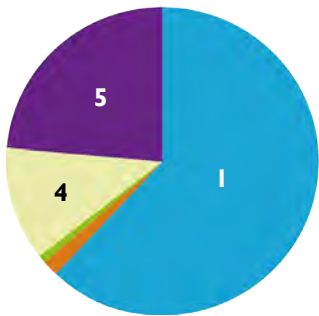
Water Income from Service and Volumetric Charges		
		2015
		\$'000
	1 Urban Residential	27,278
	2 Urban Non-Residential	6,292
	3 Major Clients	13,140
	TOTAL	46,710

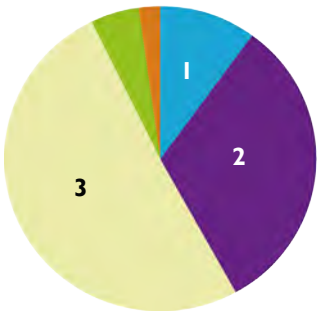
Wastewater Income from Service and Volumetric Charges		
		2015
		\$'000
	1 Urban Residential	41,744
	2 Urban Non-Residential	7,397
	3 Major Clients	11,307
	TOTAL	60,448

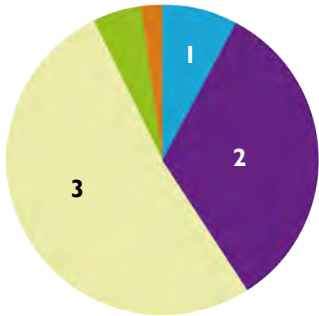
Total Income from All Sources		
		2015
		\$'000
	1 Service and Volumetric	107,158
	2 Development Contributions	9,360
	3 Interest	149
	4 Other	9,989
	TOTAL	126,656

Total Expenses		
		2015
		\$'000
	1 Operations, Maintenance and Administration	75,825
	2 Depreciation	33,814
	3 Interest	15,262
	TOTAL	124,901

Total Assets		
		2015
		\$'000
	1 Fixed Assets	1,079,988
	2 Cash and Investments	11,503
	3 Debtors and Receivables	18,603
	4 Inventory and Biological	7,102
	5 Other	58,885
	TOTAL	1,176,081

Liabilities and Equity		
		2015
		\$'000
	1 Equity	731,595
	2 Creditors and Accruals	18,482
	3 Provisions	8,474
	4 Deferred Tax Liability	140,030
	5 Borrowings	277,500
	TOTAL	1,176,081

Business Stream Revenue		
		2015
		%
	1 Bulk	10
	2 Water	32
	3 Waste	51
	4 SORF	5
	5 Agriculture	2
	TOTAL	99

Business Stream Expenses		
		2015
		%
	1 Bulk	8
	2 Water	33
	3 Waste	52
	4 SORF	5
	5 Agriculture	2
	TOTAL	99

FINANCIAL STATEMENTS 2014-15
CENTRAL GIPPSLAND REGION WATER CORPORATION

COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2015			
	Note	2015	2014
		\$'000	\$'000
Revenue from Operating Activities			
Service Charges	I (c) 4(a)	71,235	70,688
Volumetric Charges	I (c) 4(a)	35,923	35,815
Interest	I (c) 4(a)	149	265
Developer Contributions	I (c) 4(a)	9,360	6,461
Government Grants and Contributions	I (c)	210	360
Other Revenue	I (c) 4(a)	9,954	9,194
Net Gain / (Loss) on Disposal of Non-Current Assets	4(b)	(3,201)	188
Total Operating Revenue		123,630	122,971
Revenue from Non-Operating Activities			
Other Revenue	I (c) 4(a)	3,026	7,171
Total Revenue from Non-Operating Activities		3,026	7,171
Total Revenue		126,656	130,142
Expenses			
Employee Benefits	I (d)	29,774	28,976
Direct Operating		20,574	21,942
Repairs and Maintenance	I (d)	14,157	16,030
Administration		6,452	6,718
Environmental Contribution	I (d)	4,660	4,660
Depreciation	I (d) 4(c)	33,133	31,650
Amortisation	I (d) 4(c)	681	559
Impairment Loss	4(c)	208	107
Borrowing Costs	I (d) 4(c)	15,262	14,564
Total Expenses		124,901	125,206
Net Result Before Tax		1,755	4,936
Income Tax Expense	I (j) 5(a)	1,422	1,643
Net Result	19	333	3,293

COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2015			
	Note	2015	2014
		\$'000	\$'000
Other Comprehensive Income			
Items that will not be reclassified to net result			
Disposal on revalued infrastructure		-	(386)
Change in asset revaluation reserve		1,044	
Income tax relating to components of other comprehensive income	5(c)	(313)	116
Total Other Comprehensive Income	18	731	(270)
Comprehensive Result		1,064	3,023

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

FINANCIAL STATEMENTS 2014-15
CENTRAL GIPPSLAND REGION WATER CORPORATION

BALANCE SHEET AS AT 30 JUNE 2015			
	Note	2015	2014
		\$'000	\$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	I(e) 6	9,292	7,532
Receivables	I(e) 7	18,262	15,582
Prepayments	I(e)	578	544
Inventories	I(e) 8	2,620	2,352
Biological Assets	I(e) 11	757	644
Other Financial Assets	9	505	324
Assets Classified as Held for Sale	I(e)	335	-
Total Current Assets		32,349	26,978
Non-Current Assets			
Receivables	7	341	372
Other Financial Assets	9	2,211	1,247
Infrastructure, Property, Plant and Equipment	I(e) 10	1,073,272	1,050,913
Biological Assets	I(e) 11	3,725	3,403
Intangible Assets	I(e) 12	6,717	7,268
Deferred Tax Asset	I(j) 5(b)	57,467	62,474
Total Non-Current Assets		1,143,732	1,125,677
TOTAL ASSETS		1,176,081	1,152,656

BALANCE SHEET AS AT 30 JUNE 2015			
	Note	2015	2014
		\$'000	\$'000
LIABILITIES			
Current Liabilities			
Payables	1 (f) 13	18,482	21,076
Interest Bearing Liabilities	1 (f) 14	57,500	50,500
Employee Benefits	1 (f) 15	6,754	6,596
Provisions	1 (f) 16	130	180
Total Current Liabilities		82,866	78,352
Non-Current Liabilities			
Interest Bearing Liabilities	1 (f) 14	220,000	200,000
Employee Benefits	1 (f) 15	1,026	864
Provisions	1 (f) 16	564	754
Deferred Tax Liability	1 (j) 5(c)	140,030	143,304
Total Non-Current Liabilities		361,620	344,922
TOTAL LIABILITIES		444,486	423,274
NET ASSETS		731,595	729,382
EQUITY			
Contributed Capital	17	255,971	254,822
Asset Revaluation Reserve	18	165,077	164,346
Accumulated Funds	19	310,547	310,214
TOTAL EQUITY		731,595	729,382

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

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CENTRAL GIPPSLAND REGION WATER CORPORATION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015					
	Note	Equity at 1 July 2014	Total Comprehensive Income	Transactions with Owners	Equity at 30 June 2015
		\$'000	\$'000	\$'000	\$'000
Contributed Capital		254,822	-	-	254,822
Capital Appropriations		-	-	1,149	1,149
	17	254,822	-	1,149	255,971
Accumulated Funds		306,921	-	-	306,921
Net Result After Tax		3,293	333	-	3,626
Other Comprehensive Income		-		-	-
	19	310,214	333	-	310,547
Asset Revaluation Reserve		164,616	-	-	164,616
Revaluation increment/ decrement, net of tax		(270)	731	-	165,077
Transfers to Accumulated Funds		-	-	-	-
	18	164,346	731	-	165,077
Total Equity at end of financial year		729,382	1,064	1,149	731,595

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015					
	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
Net Result After Tax		-	3,293	-	3,293
Other Comprehensive Income		-	-	-	-
	19	306,291	3,293	-	310,214
Asset Revaluation Reserve		164,616	-	-	164,616
Revaluation increment/ decrement, net of tax		-	(270)	-	(270)
Transfers to Accumulated Funds		-	-	-	-
	18	164,616	(270)	-	164,346
Total Equity at end of financial year		726,359	3,023	-	729,346

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

FINANCIAL STATEMENTS 2014-15
CENTRAL GIPPSLAND REGION WATER CORPORATION

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015			
	Note	2015	2014
		\$'000	\$'000
Receipts			
Fees and Charges		119,049	124,855
Interest Received		151	266
GST Received (i)	(i)	4,595	5,760
Developer Contributions Fees Paid		2,468	2,041
		126,263	132,951
Payments			
Payments to Suppliers		(44,212)	(43,646)
Payments to Employees		(29,358)	(29,040)
Interest and Other Costs of Finance Paid		(15,060)	(14,394)
Environmental Contributions		(4,660)	(4,660)
		(93,290)	(91,739)
Net Cash Flows from Operating Activities	24	32,973	41,212
Cash Flows from Investing Activities			
Payments for Infrastructure, Property, Plant and Equipment		(58,931)	(53,743)
Payments for Intangible Assets	12	(56)	(4,817)
Proceeds from Sale of Property, Plant and Equipment	4(b)	774	558
Proceeds from Investments	9	0	8,420
Net Cash Flows from Investing Activities			(49,583)
Cash Flows from Financing Activities			
Proceeds from Borrowings	14	27,000	10,000
Net Cash Flows From Financing Activities			
Net Increase / (Decrease) in Cash and Cash Equivalents		1,760	1,630
Cash and Cash Equivalents at beginning of year	6		5,902
Cash and Cash Equivalents at end of year	6	9,292	7,532

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

(i) Goods and Services Tax received from ATO is presented on a net basis.

Notes to the Financial Report for the Year Ended 30 June 2015

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 2015.

NOTE I - SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

General

The financial report includes separate financial statements for the Corporation as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements for the period ending 30 June 2015. 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. The Corporation is a not-for-profit entity for the purpose of preparing the financial statements.

Where applicable, those 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 Board on 28 August 2015.

The principal address is:

Gippsland Water
55 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. 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.

Rounding

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

Historical cost convention

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

assets.

Accounting estimates

The preparation of financial statements in conformity with AAS 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. This is detailed in Note 3.

Financial statement presentation

The Corporation has applied the revised *AASB 101 Presentation of Financial Statements* which became effective for the reporting periods beginning on or after 1 July 2014, and *AASB 1054 Australian Additional Disclosures* which became effective for reporting periods beginning on or after 1 July 2014.

(b) Changes in accounting policies

Subsequent to the 2013-14 reporting period, the following new accounting standards have been issued:

- *AASB 10 - Consolidated Financial Statements*;
- *AASB 11 - Joint Arrangements*; and
- *AASB 12 - Disclosure of interests in other entities*.

The new standards have been considered and do not have any impact on the Corporation.

(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. This is included in Note 7-*Receivables*.

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 Comprehensive 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 the Minister for Environment, Climate Change and Water have indicated are in the nature of owners' contributions are accounted for as Equity – Contributions by Owners in accordance with Financial Reporting Direction, *FRD 119A Transfer through Contributed Capital*.

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.

Other Revenue from Operating Activities

Other Revenue includes revenue from prescribed waste, agricultural activities, new development connection fees and other operating miscellaneous fees and charges. Revenue from these activities are recognised in the period which the service is rendered and on an accruals basis.

(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 (DTF). The purpose of the FAL is to expose public sector corporations to competitive disciplines by neutralising the competitive advantage provided by a State Government guarantee on borrowings.

Depreciation and amortisation of Non-Current Assets

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

It should be noted that land is not depreciated as land is assumed to have an unlimited useful life.

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

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CENTRAL GIPPSLAND REGION WATER CORPORATION

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

Class of Infrastructure, Property, Plant and Equipment	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
<i>Other Assets</i>	
– 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 WorkCover premiums.

Superannuation

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by the Corporation to the relevant superannuation plans in respect to the services of the Corporation's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that the Corporation is required to comply with.

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.

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CENTRAL GIPPSLAND REGION WATER CORPORATION

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, Land, Water and Planning. 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 transferred 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 purchased 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 cash 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, 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), 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 impaired receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the 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 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. Bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

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 (2014: \$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) 103F *Non-Current Physical Assets*.

Revaluations are conducted in accordance with FRD 103F. A scheduled revaluation is undertaken every five years. An annual assessment of fair value occurs 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. A movement of greater than 40 per cent will involve an Approved Valuer or his agent (usually the Valuer General of Victoria (VGV)) to perform a detailed assessment of the fair value. If the movement in fair value of an individual asset class since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts. A movement of greater than 10 per cent was identified for the Buildings asset class at 30 June 2015 which is discussed further in Note 10.

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 103F. 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 VGV is the Corporation's independent valuation agency in relation to the valuation of infrastructure, property, plant and equipment.

The initial fair value assessment for water and wastewater infrastructure was undertaken at 30 June 2011 with involvement from VGV and in accordance with FRD 103F. The assessment was performed on a portfolio

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basis for various categories of water infrastructure assets. 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 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.

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

Judgements about HBU take into account the characteristics of the assets concerned, including restrictions on the use and disposal of assets arising from the asset's physical nature and any applicable legislative/contractual arrangements.

In considering the HBU for non-financial physical assets, valuers are probably best placed to determine HBU in consultation with the Corporation. The Corporation and their valuer therefore need to have a shared understanding of the circumstances of the assets.

In accordance with paragraph AASB 13.29, the Corporation assumes the current use of a non-financial physical asset is its HBU unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

Therefore, an assessment of the HBU is required when the indicators are triggered within a reporting period, which suggest that the market participants would have perceived an alternative use of an asset that can generate maximum value. Once identified, the Corporation will engage with VGV or other independent valuers for formal HBU assessment.

Revaluation of Non-Current Physical Assets

Revaluation increments are credited directly to equity in the asset 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.

Asset 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;
- financial instrument assets; and
- certain biological assets related to agricultural activity.

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 Comprehensive 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 Comprehensive 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 Cost)	Water Share Entitlements
Useful Life	Finite	Indefinite
Method Used	3-5 years - straight line	Not amortised or revalued
Internally generated / acquired	Internally generated and acquired	Acquired
Impairment Test / Recoverable Amount Test	Amortisation method reviewed annually together with indicators of impairment	Annually and where an indicator of impairment exists

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.

Other Financial Assets

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 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:

Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale equity investment, a significant or prolonged decline in value of the instrument below its cost is considered as an indicator that the investment is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the Comprehensive Operating Statement. Impairment losses are recognised in the Comprehensive Operating Statement. Impairment losses recognised in the Comprehensive Operating Statement on equity instruments classified as available for sale are not reversed through the Comprehensive Operating Statement.

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 held at fair value using the current market value. AASB - 141 *Agriculture* determines fair value as 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. There were no changes in valuation techniques throughout the period to 30 June 2015.

For livestock, fair value is based on relevant market indicators which include store cattle prices, abattoir market prices, and cattle prices received/quoted for the Corporation's cattle at the reporting date. Prices for cattle generally reflect the shorter term spot prices available in the marketplace and vary depending on

the weight and condition of the animal.

Agribusiness Valuations Australia, Certified Practicing Valuers, completed an independent valuation of the plantations as at 30 June 2015 and previously at 30 June 2014. Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2015 and previously at 30 June 2014.

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 Comprehensive Operating Statement, less the cost of acquiring and planting trees in the period.

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

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

Crops

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

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

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

Livestock

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

The value and physical quantity of livestock at balance date is recorded in Note 11 - Biological Assets. A visual appraisal of livestock was performed in undertaking this valuation with the condition, quality, age of the stock, current and projected market and seasonal conditions plus breeding values of cows and heifers was taken into consideration in calculating their net market value.

(f) Liabilities

Payables

Payables consist of:

- Contractual payables, such as accounts payable. 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

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subsequently measured at amortised cost. Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Comprehensive 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.

The Corporation has classified borrowings which mature within 12 months as non-current liabilities on the basis that the entity will and has discretion to refinance or rollover these loans with TCV, pursuant to Section 8 of the *Borrowings and Investment Powers Act 1987*. Borrowings known as I lam debt are classified as current borrowings.

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 be received 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.

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.

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.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised in the Comprehensive Operating Statement.

Employee Benefit On-costs

Provisions for on-costs such as payroll tax, workers' compensation and superannuation are recognised separately from the provision for employee benefits.

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.

Superannuation

The amount charged to the Comprehensive 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 2015, for those employees in accumulation funds the Corporation contributes 9.5% (2014: 9.25%) of employee earnings under the *Superannuation Guarantee Administration Act 1992*.

(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.

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 Comprehensive Operating Statement. Impairment losses recognised in the Comprehensive Operating Statement on equity instruments classified as available for sale are not reversed through the Comprehensive Operating Statement.

(i) 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 Comprehensive 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.

(j) Taxation

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

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 the 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.

In 2015, the Corporation has prepared the financial accounts on the basis that unbilled revenue is treated as assessable income for the purposes of tax effect accounting and this represents a change in accounting estimate. This is outlined in Note 5(d).

(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 TCV 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 Minister for Environment, Climate Change and Water 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 GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office. 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 Australian Taxation Office 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 Australian Taxation Office is classified as operating cash flows.

(o) Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Corporation and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

(p) 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 2015 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 2015, the following applicable standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2015.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 <i>Financial Instruments</i>	The key changes to include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	<p>The 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.</p> <p>While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.</p>

As at 30 June 2015, the following applicable standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2015 (continued):

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<i>AASB 14 Regulatory Deferral Accounts #</i>	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP.	1 January 2016	The assessment has indicated that there is no expected impact, as those that conduct rate-regulated activities have already adopted Australian Accounting Standards.
<i>AASB 15 Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2017 (Exposure Draft 263 – potential deferral to 1 January 2018)	<p>The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.</p> <p>A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.</p>

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Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<i>AASB 2014 1 Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASBs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 January 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
<i>AASB 2014 4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]</i>	Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to: <ul style="list-style-type: none"> establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; prohibit the use of revenue based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset. 	1 January 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2015 6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i> [AASB 10, AASB 124 & AASB 1049]	The Amendments extend the scope of AASB 124 Related Party Disclosures to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 January 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2014-15 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.

- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.
- AASB 2014 1 Amendments to Australian Accounting Standards [PART D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only] #
- AASB 2014 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11].
- AASB 2014 5 Amendments to Australian Accounting Standards arising from AASB 15.
- AASB 2014 6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141].
- AASB 2014 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014).
- AASB 2014 8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)].
- AASB 2015 2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049].
- AASB 2015 3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.
- AASB 2015 4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent [AASB 127, AASB 128] #
- AASB 2015 5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128] #

Note:

This Standard or Amendment may not be relevant to Victorian not-for-profit entities when operative.

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 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 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 and ageing analysis for credit risk.

Risk management is carried out by the Risk Management Committee under policies approved by the Board. The Finance department assists the Audit Committee and Board identify and evaluate financial risks in 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 and non-derivative financial instruments and investment of excess liquidity.

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

Financial Instrument	2015 Carrying Amount	2014 Carrying Amount
	\$'000	\$'000
Financial Assets		
Cash and Cash Equivalents	9,292	7,532
<i>Loans and Receivables:</i>		
– Trade Receivables	12,139	9,645
– Other Receivables	7,858	6,286
Total Financial Assets (a)	29,289	23,463
Financial Liabilities		
<i>At Amortised Cost:</i>		
Payables	18,198	20,724
Interest Bearing Liabilities	277,500	250,500
Total Financial Liabilities (b)	295,698	271,224

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

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

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Net holding gain / loss on financial instruments by category

Financial Instrument 2015	Total Interest Income and Expense	Fee Income Expense	Impairment Loss	Total
	\$'000	\$'000	\$'000	\$'000
Contractual Financial Assets				
Cash and Cash Equivalents	96	-	-	96
Trade Receivables	-	-	35	35
Other Receivables	53	-	-	53
Total Financial Assets	149	-	35	184
Financial Liabilities				
Payables	-	-	-	-
Interest Bearing Liabilities	11,978	3,284	-	15,262
Total Financial Liabilities	11,978	3,284	-	15,262

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

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, Department of Treasury & Finance (DTF) has the primary responsibility for ensuring the government's financial management objectives are achieved by setting guidelines and recommending borrowing and investment powers. Under these guidelines, the Corporation has agreed to deal with Treasury Corporation Victoria (TCV) for its funding needs. The Board has the responsibility for determining the funding needs of the Corporation and managing the risks associated with this business. The Corporation has not engaged hedging as part of its financial risk management strategy.

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

Exposure to interest rate risk may arise from borrowings. Minimisation of risk is achieved by mainly undertaking fixed rate instruments. These 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 term capital requirements and tariff structures of the Corporation. The aim of interest rate risk is to minimise the longer term cost of borrowings by limiting the exposure of the Corporation to interest repricing in any one period by adopting debt portfolio maturities and to spread debt between fixed and floating instruments.

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

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

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

(ii) Foreign exchange risk

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

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Current forecasts from TCV indicate minimal movements in interest rates over the foreseeable future with the possibility of an interest rate increase in mid 2016.

Management believes there is unlikely to be further downward pressure on interest rates in Australia over the next 12 months. Loans totalling \$50M will be renegotiated during 2015-16. 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 of 0.25% (2014: 0.25%) over the financial instruments and shows a net profit of \$117,000 (2014: \$104,000) to Net Result and Equity. A chance remains that interest rates may increase in mid 2016, but management considers rates are unlikely to increase by more than 0.5% (2014: 0.5%). The impact of higher interest rates would generate a net loss of \$235,000 (2014: \$210,000) 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.

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 2015:

2015 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⁾	9,292	(23)	(23)	46	46
Trade Receivables ⁽²⁾	12,139	-	-	-	-
Other Receivables ⁽²⁾	6,858	-	-	-	-
Other Receivable – TCV Deposit	1,000	(3)	(3)	5	5
Financial Liabilities					
Payables ⁽²⁾	18,198	-	-	-	-
Interest Bearing Liabilities – Fixed	220,000	-	-	-	-
Interest Bearing Liabilities – Maturing	50,000	125	125	(250)	(250)
Interest Bearing Liabilities – Variable	7,500	19	19	(38)	(38)
Total		117	117	(235)	(235)

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

(2) Receivables and Payables at 30 June 2015 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 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⁾	5,286	-	-	-	-
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	(210)	(210)

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

(2) Receivables and Payables at 30 June 2014 are not subject to interest, foreign exchange or other price risks.

(b) Credit risk

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

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

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

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

- 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*;
- 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;
- 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
- 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

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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 *BIP 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, Victorian Funds Management Corporation (VFMC) or where the Corporation is operating a bank account as part normal transactional banking operations.

(c) Liquidity risk

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

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

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

Financing arrangements

Annually, the Corporation completes a Corporate Plan which includes financial estimates for a five year period. This plan incorporates a cashflow forecast that then facilitates application to DTF for any necessary Financial Accommodation. Financial Accommodation establishes the Corporation's approval to enter borrowing arrangements with TCV. The Corporation does not have approved borrowing facilities with other financial institutions. At 30 June 2015 the Corporation had no undrawn Financial Accommodation from 2014-15, excluding the undrawn Temporary Purpose funding of \$4M (2013/14 : \$5M).

In light of the Corporation's planned capital expenditure program, and the ongoing need for debt funding to support this program, the organisation's ability to meet liabilities as they fall due is reliant upon DTF 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 2015-16.

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

Borrowing Facility	2015	2014
	\$'000	\$'000
Temporary Purpose Financial Accommodation	4,000	5,000
Annual Financial Accommodation	—	—
Total Undrawn Approved Borrowings	4,000	5,000

Maturity analysis of contractual financial liabilities

2015	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	18,197	-	-	-	-	18,198
Borrowings	47,500	10,000	40,000	90,000	90,000	277,500
Total Financial Liabilities	65,698	10,000	40,000	90,000	90,000	295,698

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

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 2.17% to 7.13%, (2014: 2.67% to 7.13%). 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.

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Comparison between carrying amount and fair value

Financial Instrument	2015 Carrying Amount	2015 Fair Value Amount	2014 Carrying Amount	2014 Fair Value Amount
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and Cash Equivalents	9,292	9,292	7,532	7,532
Loans and Receivables				
– Trade Receivables	12,139	12,139	9,645	9,645
– Accrued Revenue / Other Receivables	6,858	6,858	5,286	5,286
– Deposits at TCV	1,000	1,005	1,000	1,005
Total Financial Assets	29,289	29,294	23,463	22,468
Payables	18,198	18,198	20,724	20,724
Interest Bearing Liabilities	277,500	291,973	250,500	263,109
Total Financial Liabilities	295,698	310,171	271,224	283,833

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

NOTE 4 - OPERATING STATEMENTS AND DISCLOSURES

Comprehensive Operating Statement - Disclosures

(a) Revenue

	Note	2015	2014
		\$'000	\$'000
Service Charges			
– Water Charges		19,722	19,019
– Rebates on Tariffs (i)		(2,541)	
– Wastewater Charges		53,794	51,417
– Trade Waste Charges		260	252
Total Service Charges	I(c)	71,235	70,688
Volumetric Charges			
– Water		29,529	29,856
– Wastewater		6,394	5,959
Total Volumetric Charges	I(c)	35,923	35,815
Developer Contributions			
– Fees Paid by Developers		3,276	1,895
– Assets Received from Developers		6,084	4,566
Total Developer Contributions	I(c)	9,360	6,461
Interest received from financial assets not at fair value through Comprehensive Operating Statement		149	265
Other Revenue – Operating			
– Agriculture Pursuits		3,569	2,653
– Prescribed Waste		4,307	4,386
– Rechargeable Works		626	842
– Other Fees		1,452	1,313
Total Other Revenue – Operating	I(c)	9,954	9,194
Other Revenue – Non-Operating			
– Liquidated Damages		925	5,800
– Other Fees (ii)		2,101	1,371
Total Other Revenue – Non-Operating	I(c)	3,026	7,171

- (i) Rebates on Tariffs represents discounts to customers arising from the Government Water Rebate.
- (ii) During 2013-14, a contribution was received from Regional Development Victoria (RDV) of \$360,000 to assist with a water main replacement at Labertouche. During 2014-15, a final contribution of \$209,929 was received from RDV for the same project.

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

The gain / (loss) from ordinary activities includes the following specific net gains and expenses.

	Note	2015	2014
		\$'000	\$'000
Net Gain / (Loss) on Disposal of Property, Plant and Equipment			
– Proceeds on Sale		774	558
– Written Down Value (iii)		(3,975)	(370)
Net Gain / (Loss) on Disposal of Property, Plant and Equipment		(3,201)	188

(iii) During 2014-15, the Corporation transferred assets to a Major Customer in a one-off transaction. The assets concerned had a written down value of \$2,896,349.

(c) Expenditure

	Note	2015	2014
		\$'000	\$'000
Employer defined benefit and superannuation contribution expense	22	2,088	1,999
Operating Lease Rental Expense		31	64
Bad and Doubtful Debts			
– Written Off		238	245
Auditors Remuneration			
– Auditor General for Audit of Financial Statements		60	58
– Internal Audit		186	115
Depreciation			
– Buildings		515	518
– Water Infrastructure		12,003	11,868
– Wastewater Infrastructure		18,101	16,394
– Plant and Equipment		1,450	1,837
– Motor Vehicles		1,064	981
– Under Construction (i)		-	52
Total Depreciation	10(b)	33,133	32,209
Amortisation			
– Software	12	681	559
Total Depreciation and Amortisation		33,814	32,209

	Note	2015 \$'000	2014 \$'000
Borrowing Costs			
– Interest on TCV borrowings	1(d)	11,987	11,997
– Financial Accommodation Levy	1(d)	3,284	2,567
Total Borrowing Cost		15,262	14,564
Impairment Loss			
– Non-Financial Assets	10(b)	173	107
– Financial Assets – Receivables	1(e) 7	35	-
Total Impairment Loss		208	107

- (i) In 2013-14, depreciation was calculated on assets residing in work in progress that had reached practical completion but had not been capitalised.

NOTE 5 - INCOME TAX

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

	2015	2014
	\$'000	\$'000
Net result before income tax expense	1,755	1,936
Tax at the Australian tax rate of 30% (2014: 30%)	527	1,481
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Expenditure not allowable for income tax purposes	-	-
Benefit of tax losses not brought to account	-	-
Other Permanent Adjustment	895	162
Income tax expense as reported in the Comprehensive Operating Statement	1,422	1,643

(b) Deferred tax asset

	2015	2014
	\$'000	\$'000
This balance comprises temporary differences attributable to:		
Amounts recognised in Comprehensive Operating Statement		
Provisions and accrued expenditure not deductible	2,612	2,572
Other	395	499
Tax Losses	54,460	59,403
Net Deferred Tax Assets	57,467	62,474
Movements:		
Opening Balance at 1 July	62,474	64,659
Credited / (Charged) to the Comprehensive Operating Statement	(66)	131
Tax Losses	(4,941)	(2,316)
Closing Balance at 30 June	57,467	62,474
Deferred tax assets to be recovered after more than 12 months	57,467	62,474

(c) Deferred tax liabilities

	2015	2014
	\$'000	\$'000
This balance comprises temporary differences attributable to:		
Amounts Recognised in the Comprehensive Operating Statement		
Depreciation	71,876	74,584
Other	865	1,744
Amounts Recognised in Equity		
Asset Revaluations	67,289	66,976
Net Deferred Tax Liabilities	140,030	143,304
Movements:		
Opening Balance at 1 July	143,305	143,964
Credited / (Charged) to the Comprehensive Operating Statement	(3,588)	(543)
Credited / (Charged) to the Equity	313	(116)
Closing balance at 30 June	140,030	143,305
Deferred tax liabilities to be recovered after more than 12 months	140,030	143,305

(d) Change in accounting estimate

In 2015, based on ATO Interpretative Decision 2012/15, the Corporation has prepared the financial accounts on the basis that unbilled revenue is treated as assessable income for the purposes of tax effect accounting. In previous years, only billed revenue had been included as assessable income. Management has agreed to adopt the principles of Interpretative Decision ATO ID 2012/15 and accordingly this is a change in accounting estimate.

The Corporation has accounted for the change in the current period and the impact has resulted in a reduction in deferred tax asset of \$886,027. A decrease in deferred tax liability of \$886,027 was recognised as the Corporation has significant carried forward tax losses.

NOTE 6 - CASH AND CASH EQUIVALENTS

	2015	2014
	\$'000	\$'000
Cash and Cash Equivalents		
Cash on Hand (a)	1	1
Cash at Bank	9,291	7,531
Total Cash and Cash Equivalents	9,292	7,532

- (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:

	2015	2014
	\$'000	\$'000
Cash and Cash Equivalents		
Balances as above	9,292	7,532
Balances as per Cash Flow Statement	9,292	7,532

- (c) Deposits at call
The deposits are bearing floating interest rates between 2.50% and 2.75% (2014: 2.75% and 3.50%).

NOTE 7 - RECEIVABLES

	Note	2015	2014
		\$'000	\$'000
Current Receivables			
Statutory Receivables			
Goods and Services Taxation Refund Due		1,322	1,594
Contractual Receivables			
Trade Receivables		12,353	9,824
Provision for Impaired Receivables	(a)	(214)	(179)
Loans to Third Parties		31	29
Accrued Revenue		4,770	4,314
Total Current Receivables		18,262	15,582

For the 2014-15 financial year, the Corporation estimated the outstanding revenue in respect of water meters which had not been read at balance date of \$3,012,220 (2013-14: \$2,953,424), by multiplying the number of days since the last reading by each customer's average service usage.

	Note	2015	2014
		\$'000	\$'000
Non-Current Receivables			
Contractual Receivables			
Loans to Third Parties		341	372
Total Non-Current Receivables		341	372
Total Receivables		18,603	15,954

(a) Movement in provision for impaired receivables

	Note	2014	2013
		\$'000	\$'000
Opening Balance at 1 July		(179)	(180)
(Increase) / decrease in allowance recognised in Comprehensive Operating Statement		(273)	(244)
Amounts written off during the year		238	245
Closing Balance at 30 June		(214)	(179)

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.

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The ageing of these receivables is as follows:

	2015	2014
	\$'000	\$'000
3 to 6 Months	214	179
Over 6 Months	0	0
	214	179
The carrying amount of trade receivables that would otherwise be past due or impaired whose terms have been renegotiated	834	896

(b) Trade receivable past due but not impaired

	2015	2014
	\$'000	\$'000
30 - 60 Days	2,205	1,094
60 - 90 Days	1,287	201
Over 90 Days	741	616
Total Trade Receivables past due but not impaired	4,233	1,911

Total impaired Trade Receivables at 30 June 2015 was \$208,400 (2014: \$179,250). 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 2015 (2014: 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

	2015	2014
	\$'000	\$'000
Stores and Consumables – at Cost	2,620	2,352
Total Inventories	2,620	2,352

There were no inventories pledged as security for liabilities (2014: Nil).

NOTE 9 - OTHER FINANCIAL ASSETS

	2015	2014
	\$'000	\$'000
Current Other Financial Assets at Amortised Cost		
Private Schemes Unmatured Capital	69	15
Other	436	309
Total Current Other Financial Assets	505	324
Non-Current Other Financial Assets		
Private Schemes Unmatured Capital	1,211	247
Deposit – TCV Environmental Bond	1,000	1,000
Total Non-Current Other Financial Assets	2,211	1,247
Total Other Receivables	2,716	1,571

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

Renewable Energy Certificates (REC) and sundry receivables due from employees of the Corporation.

Deposit - TCV environmental bond

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

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 there is no exposure to price risk.

Other financial assets at fair value

	2015	2014
	\$'000	\$'000
Other Financial Assets and Private Schemes	1,716	571
Deposit – TCV Environmental Bond	1,005	1,005
Total Other Financial Assets at Fair Value	2,721	1,576

NOTE 10 - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

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

	2015	2014
	\$'000	\$'000
Land		
At Fair Value	32,447	31,302
	32,447	31,302
Buildings		
At Fair Value	12,476	11,730
Less: Accumulated Depreciation	(1,773)	(1,291)
	10,703	10,439
Water Infrastructure		
At Fair Value	397,340	394,801
At Independent Valuation	(45,809)	(34,086)
Less: Accumulated Depreciation	351,531	360,715
Wastewater Infrastructure		
At Fair Value	674,614	622,259
Less: Accumulated Depreciation	(63,954)	(45,826)
Plant, Equipment and Other		
At Fair Value	20,754	20,502
Less: Accumulated Depreciation	(14,966)	(13,718)
	5,788	6,784
Motor Vehicles		
At Fair Value	7,310	7,371
Less: Accumulated Depreciation	(14,966)	(13,718)
	4,515	4,681
Under Construction (Work In Progress at cost)	57,627	60,559
	57,627	60,559
Total Infrastructure, Property, Plant and Equipment	1,073,272	1,050,913

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(b) Movements during the reporting period

2014-15	Opening WDV 1 July 2014	Additions	Disposals	Revaluations	Transfers Between Categories	Impairment	Depreciation	Closing WDV 30 June 2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land								
At Fair Value	31,302	1,148	(25)	-	22	-	-	32,447
Buildings								
At Fair Value	1,953	-	-	59	46	-	(189)	1,869
At Independent Valuation	8,486	-	(310)	984		-	(326)	8,834
At Fair Value	10,439	-	(310)	1,043	46	-	(515)	10,703
Water Infrastructure								
At Fair Value	49,324	1,860	-	-	3,855	-	-	55,039
At Independent Valuation	311,391	-	(2,896)	-	-	-	(12,003)	296,492
At Fair Value	360,715	1,860	(2,896)	-	3,855	-	(12,003)	351,531
Wastewater Infrastructure								
At Fair Value	576,433	4,224	-	-	48,224	(120)	(18,101)	610,660
Plant, Equipment and Other								
At Fair Value	6,784	-	(165)	-	619	-	(1,450)	5,788
Motor Vehicles								
At Fair Value	4,681	-	(913)	-	1,864	(53)	(1,064)	4,515
Under Construction								
At Cost	60,559	51,913	-	-	(54,845)	-	-	57,627
Total Infrastructure, Property, Plant and Equipment	1,050,913	59,145	(4,309)	(1,043) (i) (ii) (iii)	(215)	(173)	(33,133)	1,073,271

- (i) \$74,000 has been transferred to Intangibles (refer Note 12).
- (ii) An adjustment on owner cost works for \$95,000 was transferred to the Comprehensive Operating Statement in 2014-15.
- (iii) Prior year capex of \$44,000 was transferred to the Comprehensive Operating Statement in 2014-15.

2013-14	Opening WDV 1 July 2013	Additions	Disposals	Revaluations	Transfers Between Categories	Impairment	Depreciation	Closing WDV 30 June 2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land								
At Fair Value	30,084	-	-	-	1,218	-	-	31,302
Buildings								
At Fair Value	9,367	-	-	-	1,590	-	(518)	10,439
Water Infrastructure								
At Fair Value	353,834	1,109	-	-	17,744	(104)	(11,868)	360,715
Wastewater Infrastructure								
At Fair Value	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
Motor Vehicles								
At Fair Value	6,369	-	(464)	-	(243)	-	(981)	4,681
Under Construction								
At Cost	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) Land additions include Crown Land worth \$142,000 transferred from Department of Environment, Land, Water and Planning (DELWP) to the Corporation.

(c) Fair value measurement hierarchy for assets as at 30 June 2015

2015	Carrying Amount at	Fair value measurement at end of reporting period using:		
	30 June 2015	Level 1 (i)	Level 2 (i)	Level 3 (i)
	\$'000	\$'000	\$'000	\$'000
Land at Fair Value				
– Non-Specialised Land	1,085		1,085	0
– Specialised Land	31,362		0	31,362
Total of Land at Fair Value	32,447		1,085	31,362
Buildings at Fair Value				
– Non-Specialised Buildings	9,646		9,646	0
– Specialised Buildings	1,057		0	1,057
– Heritage Assets			0	0
Total Buildings at Fair Value	10,703	0	9,646	1,057
Plant, Equipment and Vehicles at Fair Value				
– Vehicles (ii)	4,515		4,515	0
– Plant and Equipment	5,788		0	5,788
Total Plant, Equipment and Vehicles at Fair Value	10,303	0	4,515	5,788
Water Infrastructure at Fair Value				
– Water Reticulation	137,238		0	137,238
– Water Storage	7,560		0	7,560
– Water Transfer	98,979		0	98,979
– Water Treatment	44,532		0	44,532
– Headworks	55,563		0	55,563
– Pump Stations	7,537		0	7,537
– Spares	120		0	120
Total Water Infrastructure at Fair Value	351,529	0	0	351,529
Wastewater Infrastructure at Fair Value				
– Waste Pump Stations	59,192		0	59,192
– Waste Reticulation	273,617		0	273,617
– Waste Storage	410		0	410
– Waste Transfer	82,453		0	82,453
– Waste Treatment	194,742		0	194,742
– Waste Spares	247		0	247
Total Wastewater Infrastructure at Fair Value	610,661	0	0	610,661
Total Wastewater Infrastructure at Fair Value	1,015,643	0	15,246	1,000,397

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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 Land at Fair Value	31,302		1,060	30,242
Buildings at Fair Value				
– Non-Specialised Buildings	8,996		8,996	
– Specialised Buildings	1,444			1,444
– Heritage Assets				
Total Buildings at Fair Value	10,439	0	8,996	1,444
Plant, Equipment and Vehicles at Fair Value				
– Vehicles	4,681		4,681	
– Plant and Equipment	6,784			6,784
Total 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
– Spares	114			114
Total Water Infrastructure at Fair Value	360,715		0	360,715
Wastewater Infrastructure at Fair Value				
– Waste Pump Stations	47,163			47,163
– Waste Reticulation	254,852			254,852
– Waste Storage	209			309
– Waste Transfer	74,115			74,115
– Waste Treatment	199,747			199,747
– Waste Spares	247			247
Total Wastewater Infrastructure at Fair Value	576,433		0	576,433
Total Wastewater Infrastructure at Fair Value	990,354	0	14,736	975,617

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

Non-specialised land and buildings

For non-specialised land and buildings, an independent valuation was performed by the VGV (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 tested the value of these assets using the land and buildings indices supplied by the VGV to determine if the current values of assets are appropriate. The Corporation found that there was a material movement in the fair value, greater than 10%, to the buildings and as such has performed a managerial revaluation of this asset class at 30 June 2015. It was determined that Land asset values remain appropriate and are in accordance with AASB 13.

These assets have been included as Level 2 assets as management has assessed that the fair value can be determined from market sources as there is an active market for these properties. Specifically, if required the purpose and location of these assets is such they could be available for sale immediately and an active market does exist.

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 VGV. 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 tested the value of these assets using the land and buildings indices as supplied by the VGV to determine if the current values of assets are appropriate. The Corporation found that there was a material movement in the fair value, greater than 10%, to the buildings and as such has performed a managerial revaluation of this asset class at 30 June 2015. It was determined that land asset values 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.

Vehicles are valued using the depreciated replacement cost method. The Corporation acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by fleet managers in the Corporation who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

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 2015.

These assets are classified as Level 3 fair value as the lowest level input; the absence of an active market has a significant impact on the fair value which is unobservable.

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 Corporation's water and wastewater infrastructure was performed by the VGV. 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 tested the asset fair values as required by FRD 103F utilising the indices supplied by VGV. The Corporation has determined that the current values of assets are representative of fair value utilising the HBU requirements.

These assets are classified as Level 3 fair value as the lowest level input; the absence of an active market has a significant impact on the fair value which is unobservable.

(d) Reconciliation of Level 3 fair value

2014-15	Opening Balance	Purchases (Sales)	Transfers In (Out) of Level 3	Gains / Losses Recognised in Net Result	Depreciation	Impairment Loss	Closing Balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Special Purpose Land	30,242	1,145	(25)				31,362
Specialised Buildings	1,444	0	(310)		(77)		1,057
Plant and Equipment	6,783	619			(1,450)	(165)	5,787
Water Infrastructure							
– Water Reticulation	140,018	2,143			(4,059)	(864)	137,238
– Water Storage	8,643	7			(453)	(636)	7,561
– Water Transfer	102,510	118			(2,319)	(1,330)	98,979
– Water Treatment	46,263	2,506			(4,170)	(67)	44,532
– Headworks	56,135	31			(603)		55,563
– Water Pump Stations	7,032	904			(399)		7,537
– Spares	114	6					120
Total Water Infrastructure at Fair Value	360,715	5,715	0	0	(12,003)	(2,897)	351,530
Waste Infrastructure							
– Waste Pump Stations	47,163	14,564			(2,415)	(120)	59,192
– Waste Reticulation	254,872	24,620			(5,876)		273,617
– Waste Storage	309	138			(36)		410
– Waste Transfer	74,115	10,307			(1,970)		82,452
– Waste Treatment	199,727	2,872			(7,857)		194,742
– Spares	247	0					247
Total Waste Infrastructure at Fair Value	576,433	52,501	0	0			610,660
Total Level 3 Assets	975,617	59,980	(335)	0	(31,685)	(3,182)	1,000,397

NOTES TO THE FINANCIAL REPORT 2014-15
CENTRAL GIPPSLAND REGION WATER CORPORATION

2013-14	Opening Balance	Purchases (Sales)	Transfers In (Out) of Level 3	Gains / Losses Recognised in Net Result	Depreciation	Impairment Loss	Closing Balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Special Purpose Land	29,024	1,218				0	30,242
Total Specialised Buildings	1,427	103			(86)	0	1,444
Plant and Equipment (i)	4,402	2,291	1,928		(1,837)		6,784
Water Infrastructure							
– Water Reticulation	139,377	4,679			(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
– Water Pump Stations	6,410	1,102			(376)	(104)	7,032
– Spares	107	7					114
Total Water Infrastructure at Fair Value	353,834	18,854	0	0	(11,868)	(104)	360,715
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			-	(48)	247
Total Waste Infrastructure at Fair Value	545,664		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.

(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	\$17–\$1,488 /m2 (\$342)	A significant increase or decrease in direct cost per square meter adjustment would result in a significantly higher or lower fair value.
		Useful life of specialised buildings	40-50 years (49 years)	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	\$18 – \$705,167 per unit (\$8,058 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of plant and equipment	1–50 years (8 years)	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	\$6 –\$2,409,247 per unit (\$55,668 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	5 to 110 years (36 years)	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	\$301–\$829,408 per unit (\$40,140 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	1 to 350 years (22 years)	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	\$21–\$6,631,095 per unit (\$178 027 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	5 to 100 years (54 years)	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 VGV.

NOTES TO THE FINANCIAL REPORT 2014-15

CENTRAL GIPPSLAND REGION WATER CORPORATION

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Water treatment	Depreciated replacement cost	Cost per unit	\$1,289–\$2,350,814 per unit (\$166,387 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	1 to 80 years (23 years)	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	\$13 - \$30,300,185 per unit (\$493,255 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	1 to 350 years (36 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Water pump stations	Depreciated replacement cost	Cost per unit	\$2,400–\$489,137 per unit (\$24,693) per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	1 to 80 years (21 years)	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	\$221–\$4,168 per unit (\$1,867 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	2 to 15 years (7 years)	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	\$88–\$3,720,577 per unit (\$31,208 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	1 to 100 years (27 years)	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	\$23–\$14,702,660 per unit (\$117,269 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	5 to 110 years (47 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Waste storage	Depreciated replacement cost	Cost per unit	\$4,500–\$66,071 per unit (\$32,338 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	3 to 79 years (37 years)	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	\$408–\$26,220,145 per unit (\$780,046 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	8 to 80 years (46 years)	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	\$89–\$45,277,546 per unit (\$555,419 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	1 to 100 years (20 years)	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	\$10–\$48,530 per unit (\$3,677 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	5 to 25 years (11 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

NOTE 11 - BIOLOGICAL ASSETS AT FAIR VALUE

	2015	2014
	\$'000	\$'000
Biological Assets at Fair Value		
Current – Plants at Fair Value		
Fodder	134	138
Crops – Feed Grade	97	89
	231	227
Current – Animals at Fair Value		
Cattle	526	416
Sheep	-	1
	526	417
Total Current Biological Assets	757	644
Non-Current		
Plantation Softwood at Fair Value	2,189	2,239
Cattle	1,536	1,164
Total Non-Current Biological Assets	3,725	3,403
Total Biological Asset at Fair Value at 30 June	4,482	4,047
Movement in Carrying Amount		
Carrying Amount as at 1 July	4,047	3,545
Increases due to:		
Purchases	399	318
Natural Increase	1,344	854
New Crops	-	-
Fair Value Increase – Livestock and Plantations	1,047	890
Decreases attributable to:		
Sales	(2,322)	(1,517)
Deaths	(33)	(43)
Carrying Amount at 30 June	4,482	4,047

NOTES TO THE FINANCIAL REPORT 2014-15
CENTRAL GIPPSLAND REGION WATER CORPORATION

(a) Plants (i)

	2015	2014	2015	2014
	\$'000	\$'000	Qty	Qty
Consumable Assets				
Mature Assets				
Fodder				
Silage – (Qty Bales)	24	25	512	550
Cereal and Legume Silage (Tonnes)	98	104	1,630	1,730
Hay	13	9	198	260
Crops				
Feed Wheat (Qty Tonnes)	23	15	77	50
Feed Barley (Qty Tonnes)	11	22	40	80
Feed Lupins (Qty Tonnes)	-	7	-	20
Feed Triticale (Qty Tonnes)	7	45	25	165
Feed Mixed Grain (Qty Tonnes)	6	-	20	-
Feed Corn – Winter Crops (Qty Tonnes)	49	-	170	-
Canola	-	-	-	-
Total Consumable Assets	231	227		
Non-Bearer Assets				
Immature Assets				
Softwood Pinus Radiata (Qty Ha)	2,189	2,239	542	542
Total Non-Bearer Assets	2,189	2,239		

(b) Animals (ii)

	2015	2014	2015	2014
	\$'000	\$'000	Qty	Qty
Consumable Assets				
Immature Assets				
Mixed Sex Calves and Weaners	526	416	617	614
Lambs	-	1	-	10
	526	417	617	624
Mature Assets				
Bullocks	-	-	-	-
Total Consumable Assets	526	417	617	624
Bearer Assets				
Immature Assets				
Heifers	694	607	730	900
Mature Assets				
Cows and Bulls	842	558	682	552
Total Bearer Assets	1,536	1,164	1,412	1,452
Output				
Crops and Livestock Fair value of output was determined at closing market value	1,344	854	801	819

- (i) Agribusiness Valuations Australia, Certified Practicing Valuers, completed an independent valuation of plantations as at 30 June 2015 and previously at 30 June 2014.
- (ii) Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2015 and previously at 30 June 2014.

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.

NOTES TO THE FINANCIAL REPORT 2014-15

CENTRAL GIPPSLAND REGION WATER CORPORATION

Fair value measurement hierarchy for biological assets as at 30 June 2015

2015	Carrying Amount at	Fair value measurement at end of reporting period using:		
	2015	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Plants	231		231	
Animals	2,062		2,062	
Plantations	2,189		2,189	
Total Biological Assets at Fair Value	4,482		4,482	

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

2014	Carrying Amount at	Fair value measurement at end of reporting period using:		
	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 Biological Assets at Fair Value	4,047		4,047	

Biological assets are held at fair value using the current market value. AASB - 141 Agriculture determines fair value as 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. There were no changes in valuation techniques throughout the period to 30 June 2015. For livestock, fair value is based on relevant market indicators which include store cattle prices, abattoir market prices, and cattle prices received/quoted for the Corporation's cattle at the reporting date. Prices for cattle generally reflect the shorter term spot prices available in the market place and vary depending on the weight and condition of the animal.

The fair value for plantations is determined using a discounted cash flow method whereby expected net future cash flows are discounted at a current market determined rate. After harvest, productive trees are treated as inventories.

Agribusiness Valuations Australia, Certified Practicing Valuers, completed an independent valuation of the plantations as at 30 June 2015 and previously at 30 June 2014. Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2015 and previously at 30 June 2014.

NOTE 12 - INTANGIBLE ASSETS

(a) Classes of intangible assets

	2015	2014
	\$'000	\$'000
Software at Cost	11,414	11,318
Water Entitlements	4,500	4,500
Accumulated Amortisation	(9,668)	(8,987)
	6,246	6,831
Software Development (Work in Progress)	471	437
Total Intangible Assets	6,717	7,268

(b) Movements during the reporting period

2014-15	Opening WDV 1 July 2014	Additions	Transfers	Amortisation	Closing WDV 30 June 2015
	\$'000	\$'000	\$'000	\$'000	\$'000
Software at Cost	11,318	-	96	-	11,414
Water Entitlements	4,500	-	-	-	4,500
Accumulated Amortisation	(8,987)	-	-	(681)	(9,668)
	6,831	-	96	(681)	6,246
Software Development (Work in Progress)	437	56	(22)	-	471
Total Intangible Assets	7,268	56	74 (i)	(681)	6,717

- (i) \$74K was recognised in WIP under construction in prior years and has been capitalised as an intangible in 2014-15.

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

- (ii) \$1,339K was recognised under construction in prior years and has been capitalised as an intangible in 2013-14.

NOTE 13 - PAYABLES

	2015	2014
	\$'000	\$'000
Current		
<i>Statutory Payables</i>		
GST Payable	138	211
Other Government Payables	146	141
	284	352
<i>Contractual Payables</i>		
Trade Creditors	1,885	5,388
Accrued Expenses	11,149	10,036
Other		
Security Deposits	1,206	1,020
Retentions	1,026	1,656
Overpaid Rates and Charges	2,928	2,608
Unclaimed Monies	4	4
Other	-	12
	18,198	20,724
Total Current Payables	18,482	21,076

Total Payables do not include any foreign currency denominated liabilities (2014: Nil).

NOTE 14 - INTEREST BEARING LIABILITIES

	2015	2014
	\$'000	\$'000
Interest Bearing Liabilities		
<i>Current Secured</i>		
Borrowing – TCV	57,500	50,500
Total Current Interest Bearing Liabilities	57,500	50,500
<i>Non-Current Secured</i>		
Borrowing – TCV	220,000	200,000
Total Non-Current Interest Bearing Liabilities	220,000	200,000
Total Interest Bearing Liabilities	277,500	250,500
<i>Term to Maturity</i>		
0 - 1 Year	57,500	50,500
1 - 4 Years	90,000	90,000
4 - 8 Years	100,000	90,000
8 Years and Over	30,000	20,000
Total Interest Bearing Liabilities	277,500	250,500
<i>Credit Standby Arrangements</i>		
Total Facilities – TCV	4,000	5,000
Unused at Balance Date	(4,000)	(5,000)
	-	-
<i>Bank Loan Facilities</i>		
Total Facilities	27,000	10,000
Used at Balance Date	27,000	10,000
Unused at Balance Date	-	-
<i>Fair Value</i>		
<i>Non-Trade Financial Liabilities</i>		
Borrowing – TCV	291,973	263,109

The fair values of borrowings are based on cash flows discounted using borrowing rates varying from 2.16% to 7.13%, (2014: 2.67% to 7.13%).

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 Act*.

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

NOTE 15 - EMPLOYEE BENEFITS

	2015	2014
	\$'000	\$'000
Current Provisions		
Employee Benefits	334	348
Annual Leave		
Unconditional and expected to settle within 12 months	1,906	1,816
Unconditional and expected to settle after 12 months	291	321
Long Service Leave		
Unconditional and expected to settle within 12 months	396	385
Unconditional and expected to settle after 12 months	2,901	2,822
On-costs		
Unconditional and expected to settle within 12 months	354	340
Unconditional and expected to settle after 12 months	572	564
Total Current Provisions	6,754	6,596
Non-Current Provisions		
Employee Benefits	867	730
On-costs	159	134
Total Non-Current Provisions Employee Benefits	1,026	864
Total Provisions	7,780	7,460
Employee numbers at end of financial year	254	255
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%	4.44%
Weighted average discount rates	1.93-3.14%	2.55-3.81%
Weighted average settlement period	13 years	13 years

NOTE 16 - PROVISIONS

Dutson Downs Rehabilitation Provisions

The Corporation operates a prescribed waste treatment and storage facility at its Dutson Downs property. Historically, the 350ha site was established in order to dispose of prescribed wastes using landfill technology. The facility is approved by the Environment Protection Authority (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. The provision is revalued each year to ensure that it is of sufficient value to cover the actual cost associated with the final rehabilitation of the site. Remediation of the site commenced in 2010-11.

(ii) Landfill Site Rehabilitation

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

	Notes	2015 \$'000	2014 \$'000
<i>Current</i>			
Bioremediation Pond	(a)	100	150
Landfill Site Rehabilitation	(b)	30	30
Total Current Other Provisions		130	180
<i>Non-Current</i>			
Bioremediation Pond	(a)	323	494
Landfill Site Rehabilitation	(b)	241	260
Total Non-Current Other Provisions		564	754
Total Other Provisions		694	934

(a) Bioremediation Pond

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

(b) Landfill Site Rehabilitation

Based upon current utilisation, the estimated remaining useful life of the landfill site is two years (2014:12). The decrease in the useful life is based upon a detailed review by management surrounding the available capacity based on existing usage levels at the site. This will be reviewed annually.

Movements in Provisions	Bio-remediation Pond	Landfill Site Rehabilitation	Total
Opening Balance at 1 July	644	290	934
Payments or other sacrifices of economic benefits	(221)	(19)	(240)
Closing Balance at 30 June	423	271	694

NOTE 17 - CONTRIBUTED CAPITAL

	Note	2015	2014
		\$'000	\$'000
Contributed Capital			
Opening Balance at 1 July		254,822	254,822
Capital Contributions	(i)	1,149	-
Closing Balance at 30 June		255,971	254,822

(i) Capital contributions received in 2014-15 represent land.

NOTE 18 - RESERVES

	Note	2015	2014
		\$'000	\$'000
Reserves			
Asset Revaluation Reserve			
Land (Net of Tax)		15,349	15,349
Buildings (Net of Tax)		2,425	1,694
Infrastructure (Net of Tax)		147,303	147,303
Total Reserves		165,077	164,346
Movements in Reserves			
Asset Revaluation Reserve			
Opening Balance at 1 July		164,346	164,616
Revaluation Increment / (Decrement) on Non-Current Assets, Net of Tax		731	(270)
Closing Balance at 30 June		165,077	164,346

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	2015	2014
		\$'000	\$'000
Accumulated Funds			
Opening Balance at 1 July		310,214	306,921
Net Result for the Period		333	3,293
Closing Balance at 30 June		310,547	310,214

NOTE 20 - COMMITMENTS

	2015	2014
	\$'000	\$'000
Commitments		
Non-Cancellable Operating Lease Commitments		
At 30 June 2015, the Corporation had the following operating lease commitments:		
Leases for access to roads and infrastructure		
At 30 June 2014, the Corporation had operating lease commitments due for payment as follows:		
Within one year	30	34
Later than one year but not later than five years	41	48
Later than five years	16	35
Total Operating Lease Commitments	87	117
Capital Expenditure Commitments		
Infrastructure, Property, Plant and Equipment		
Within one year	7,139	14,986
Later than one year but not later than five years	-	-
Later than five years	-	-
Total Capital Commitments	7,139	14,986
Other Commitments		
Environmental Contribution		
Within one year	4,660	4,660
Later than one year but not later than five years	-	4,660
Later than five years	-	-
Total Environmental Contribution Commitment	4,660	9,320
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 2015, 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.

	2015	2014
	\$'000	\$'000
Contingent Asset		
At 30 June 2014, Gippsland Water had two outstanding insurance claims. These claims were in relation to the Warragul Wastewater Treatment Plant and the Seaspray Sewerage Scheme. These claims were settled during 2014-15.	0	709

NOTE 22 - SUPERANNUATION

The Corporation makes the majority of its employer superannuation contributions in respect of its employees to the Vision Superannuation Fund (The Fund). This 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 categories, Vision MySuper/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 2015, this was 9.5% required under Superannuation Guarantee Legislation (for 2013-14, this was 9.25%). Our commitment to defined contribution 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.

The Superannuation Guarantee contribution rate is legislated to progressively increase to 12% by 2025. The Superannuation Guarantee rate will remain at 9.5% for seven years, increasing to 10% from 1 July 2021, and eventually to 12% from 1 July 2025.

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. 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. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119 because of the pooled nature of Fund's defined benefit category.

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 latest actuarial investigation was held as at 30 June 2014 and it was determined that the Vested Benefit Indexed (VBI) of the defined benefit category of which the Corporation is a contributing employer was 103.4%. The Australian Prudential Regulation Authority (APRA) has introduced a prudential standard (SPS 160 - Defined Benefit Matters) to determine the funding requirements of a defined benefit (DB) arrangement. Under this standard:

- The VBI is the measure to determine whether there is an unfunded liability; and
- Any unfunded liability that arises must be paid within three years.

Under SPS 160, the VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the actuarial investigation determined the defined benefit category was in a satisfactory financial position under SPS 160. As a result, the Fund Actuary determined that no change was necessary to the defined benefit category's funding arrangements from prior years.

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

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 components 2 and 3 referred to above. Employees are also required to make member 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 30 June 2014, the Corporation makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee, on the advice of the Fund's Actuary. For the year ended 30 June 2015, this rate was 9.5% of members' salaries. This rate increased from 9.25% for the year ended 30 June 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 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.

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; and
- The pensioner liabilities (including any potential pensioner liabilities arising from deferred members) 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

NOTES TO THE FINANCIAL REPORT 2014-15

CENTRAL GIPPSLAND REGION WATER CORPORATION

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 Corporation's financial statements. AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

Retrenchment increments

During 2014-15, 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 2015, for retrenchment increments, accrued interest and tax is nil.

Latest actuarial investigation surplus amounts

The Fund's latest actuarial investigation as at 30 June 2014 identified the following in the defined benefit category of which the Corporation is a contributing employer:

- AVBI surplus of \$77.1 million; and
- A total service liability surplus of \$236 million.

The VBI surplus means that the market value of the Fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2014.

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses. The Corporation was notified of the results of the actuarial investigation during January 2015.

Prior actuarial investigation shortfall amounts

The Fund's prior 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 2014-15 Comprehensive Operating Statement within Employee Benefits and in the Balance Sheet in Current Liabilities Provisions. The amount of the unpaid shortfall at 30 June 2015 is nil.

Accrued benefits

The Fund's liability for accrued benefits was determined in the 30 June 2014 actuarial investigation pursuant to the then requirements of *Australian Accounting Standard Board AAS 25 - Financial Reporting by Superannuation Funds* as follows:

	30 June 2014 \$M
Net Market Value of Assets	2,354.9
Accrued Benefits (per accounting standard)	2,061.9
Differences between Assets and Accrued Benefits	293.0
Vested Benefits (minimum sum which must be paid to members when they leave the fund)	2,277.8

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

Net Investment Return	7.50% p.a.
Salary Inflation	4.25% p.a.
Price Inflation	2.75% p.a.

The next full actuarial investigation of the Fund's liability for accrued benefits will be based on the Fund's position as at 30 June 2017.

NOTES TO THE FINANCIAL REPORT 2014-15

CENTRAL GIPPSLAND REGION WATER CORPORATION

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

	Type of Scheme	Contribution Rate	2015 \$'000	2014 \$'000
Vision Super – Defined Benefits	Defined Benefit	9.25 - 15.25%	245	244
Vision Super – Super Saver	Accumulation	9.50%	1,104	1,121
AustralianSuper	Accumulation	9.50%	108	94
VicSuper	Accumulation	9.50%	68	61
EquipSuper Fund	Accumulation	9.50%	54	59
CBUS Superannuation	Accumulation	9.50%	50	45
Colonial First State	Accumulation	9.50%	36	33
Hesta	Accumulation	9.50%	33	17
AMP Flexible Superannuation	Accumulation	9.50%	33	15
REST Superannuation	Accumulation	9.50%	29	26
BT Superwrap	Accumulation	9.50%	22	20
Mercer Super Trust	Accumulation	9.50%	22	19
HostPlus Superannuation	Accumulation	9.50%	21	26
Asgard Superannuation	Accumulation	9.50%	20	20
EISS Superannuation	Accumulation	9.50%	16	-
Unisuper	Accumulation	9.50%	15	15
Other Retail Superannuation Fund	Accumulation	9.50%	145	116
Self-Managed Superannuation Funds	Accumulation	Various	67	68
Total			2,088	1,999

As at the reporting date, there were no outstanding contributions payable to the above funds (2014: Nil)

NOTE 23 - RESPONSIBLE PERSON AND EXECUTIVE OFFICER DISCLOSURES

(a) Responsible persons

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

The Hon. Peter Walsh MLA - Minister for Water	1 July 2014 - 4 December 2014
The Hon. Lisa Neville MLA - Minister for Environment, Climate Change and Water	4 December 2014 - 30 June 2015

Board members

Richard McDowell (Chairperson)	1 July 2014 - 30 June 2015
Ormond Pearson (Deputy Chairperson)	1 July 2014 - 30 June 2015
Sarah Cumming	1 July 2014 - 30 June 2015
William (Peter) Day	1 July 2014 - 30 June 2015
Malcolm Eccles	1 July 2014 - 30 June 2015
Leonie Hemingway	1 July 2014 - 30 June 2015
Bernadette Hannagan	1 July 2014 - 30 June 2015
David Mawer (Managing Director)	1 July 2014 - 30 June 2015

Remuneration of responsible persons

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

	2015	2014
	\$'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)	465	453

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

	2015 \$'000	2014 \$'000
Up to 9,999	-	1
10,000 - 19,999	-	1
20,000 - 29,999	6	5
30,000 - 39,999	-	-
40,000 - 49,999	1	1
270,000 - 279,999	-	1
280,000 - 289,999	1	-
Total	8	9

Kevin McKenzie was a Board Member from 1 July 2013 - 30 September 2013.

NOTES TO THE FINANCIAL REPORT 2014-15

CENTRAL GIPPSLAND REGION WATER CORPORATION

Retirement benefits of responsible persons

The retirement benefits paid by the Corporation in connection with the retirement of responsible persons of the Corporation for 2015 was \$nil (2014: \$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 (2014: \$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.

David Mawer is a Director of the savewater!® Alliance. During 2014-15, Gippsland Water made payments to this organisation of \$30,591 (2014: \$50,536). These payments were on standard commercial arrangements.

Sarah Cumming is a senior manager at Latrobe City Council. Ms Cumming advised of this potential conflict at all meetings. During 2014-15, Gippsland Water made statutory payments to this organisation of \$143,201.

(b) Executive Officer's remuneration

The number of Executive Officers, other than responsible persons, whose total remuneration falls within the specified bands above \$100,000 are as 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)	2015 No.	2014 No.	2015 No.	2014 No.
150,000 - 159,999	-	1	-	1
160,000 - 169,999	-	-	-	1
170,000 - 179,999	-	2	2	1
180,000 - 189,999	2	-	1	-
190,000 - 199,999	1	-	1	2
200,000 - 209,999	-	2	1	-
210,000 - 219,999	2	-	-	-
Total number of executives	5	5	5	5
Total Annualised Employee Equivalent (AEE)	5	5	5	5
Total remuneration for the reporting period of Executive Officers included above amounted to (\$'000)	979	925	926	885

(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

	Note	2015	2014
		\$'000	\$'000
Reconciliation of Operating Result for the Period After Related Income Tax to Net Cash Flows from Operating Activities			
Net Result	19	333	3,293
Add / (Less) Non-Cash Flows in Operating Activities			
Loss on Sale and Impairment of Property, Plant and Equipment	4(b)(c)	3,374	(81)
Depreciation and Amortisation	4(c)	33814	32,209
Developer Contributions	4(a)	(6,084)	(4,566)
Provision for Impaired Receivables		35	-
Plantations Revenue Non-Cash		50	(345)
Income Tax Expense / (Benefit)		1,422	1,643
Net Cash Provided by Operating Activities Before Change in Assets and Liabilities		32,943	32,153
Changes in Operating Assets and Liabilities			
(Increase) / Decrease in Trade Receivables		(2,684)	2,022
(Increase) / Decrease in Other Current Assets		(159)	(317)
(Increase) / Decrease in Inventory and Livestock		(752)	(291)
(Increase) / Decrease in Deferred Tax Liabilites / Assets		1,733	(116)
(Decrease) / Increase in Payables		1,814	7,210
(Decrease) / Increase in Provisions		(240)	(45)
(Decrease) / Increase in Employee Benefits		320	598
Net Cash Flows From Operating Activities		32,973	41,212

NOTE 25 - DIVIDENDS

No dividend has been provided for the current financial year. The process to determine if a dividend is payable is outlined in Note 1(m). The Board does not believe that it will be required to pay a dividend based on the 2014-15 result. No dividend was paid on the 2013-14 result.

NOTE 26 - EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 8 April 2015, the Minister for Environment, Climate Change and Water, the Hon Lisa Neville MP, announced a review of all 135 Victorian water corporation board director positions. Expressions of interest were invited during April and May 2015 with new boards to be in place by 1 October 2015. Water corporations remain governed by a properly constituted board of directors and will do so following 1 October 2015 when any new appointments are due to commence.

NOTE 27 - EX-GRATIA EXPENSES

The Corporation incurred the following ex-gratia expenses (\$'000):

	2015	2014
	\$'000	\$'000
Trade Receivables Written-Off	238	245
Property Damage Payments	9	27
Other	0	50
Total Ex-Gratia Expenses	247	322

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 (2014: \$1,000). This has been included in administration expenses in the Comprehensive Operating Statement.

Property damage payments

This represents a contribution from owners who have experienced property damage due to unforeseen events such as a sewerage spill. Property damage payments in 2014-15 are all less than \$5,000 each (2014: \$5,000). 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 2014-15, there were no such instances (2014: 2). This has been included in employee benefits in the Comprehensive Operating Statement.

Financial Statements For The Year Ended 30 June 2015

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 Notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2015 and financial position of the Corporation at 30 June 2015.

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

At the time of signing, we authorise the attached financial statements for issue on 28 August 2015.



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 28 August 2015



Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

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 2015 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 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 2015 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*.

MELBOURNE
31 August 2015



John Doyle
Auditor-General

PART 9

DISCLOSURE INDEX

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

MINISTERIAL DIRECTIONS

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Accountable officer's attestation

In accordance with the *Financial Management Act 1994*, I am pleased to attest that the Central Gippsland Region Water Corporation's 2014-15 Annual Report is compliant with all statutory reporting requirements.

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

David Mawer
Managing Director

Central Gippsland Region Water Corporation

Dated 28 August 2015

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.
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 Scheme
DELWP	Department of Environment, Land, Water and Planning, formerly known as the Department of Environment and Primary Industries (DEPI).
DEPI	Department of Environment and Primary Industries, the former name of the Department of Environment, Land, Water and Planning.
DHHS	Department of Health and Human Services (Victoria)
DHS	Department of Human Services (Federal)
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
EREP	Environment and Resource Efficiency Plan (an EPA initiative to help businesses meet climate change and resource scarcity challenges).
ESC	Essential Services Commission
FRD	Financial Reporting Direction – a financial reporting direction issued by the Department of Finance, on behalf of the Minister for Finance under the <i>Financial Management Act 1994</i> .
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

ROS	<p>Regional Outfall System</p> <p>The ROS pipeline transports approximately 50% of central Gippsland's wastewater to the Dutson Downs wastewater treatment facility.</p>
SWOP	<p>Saline Wastewater Outfall Pipeline</p> <p>The SWOP pipeline transfers saline wastewater from the Loy Yang Ash Pond to Bass Strait.</p>
SoO	<p>Statement of Obligations</p> <p>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.</p>
SORF	Soil and Organic Recycling Facility
waterMAP	<p>Water Management Action Plan</p> <p>A mandatory program implemented by DELWP for all non-residential customers consuming more than five million litres per annum.</p>
WGCMA	West Gippsland Catchment Management Authority
WSAA	Water Services Association of Australia
WSDS	Water Supply Demand Strategy

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Gippsland Water

55 Hazelwood Road
PO BOX 348
Traralgon VIC 3844

Account enquiries **1800 050 500**

Faults and emergencies **1800 057 057**

www.gippswater.com.au

contactus@gippswater.com.au

ABN 75 830 750 413

