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Our Region

South Gippsland – The Region

South Gippsland is located about 2 hours drive from Melbourne and is well known for its coastal resorts, such as Inverloch, Cape Paterson, Venus Bay, Sandy Point and Port Albert. The region also has two internationally recognised National Parks: Wilson's Promontory and Tarra Bulga, north east of Yarram.

Dairy farming is the key industry in the region together with a range of other agricultural activities including beef, lamb, wine, cheese and vegetable production. The region has not escaped the impacts of the global financial crises, with the effects on the major dairy processors in Leongatha and Korumburra being reflected in considerable drops in milk prices to farmers. This in turn has a potential flow on through out the community.

However, local tourism appears to have benefited from the economic down turn with more Australians seeking "value for money" holidays, on the mainland, in places such as South Gippsland. Construction of holiday homes and developments is continuing along the coast from Harmers Haven near Wonthaggi to Woodside Beach just past the start of the Ninety Mile Beach. There has also been sound housing growth across inland towns and villages.

Based on our vision, mission, core values and functions, South Gippsland Water is a proactive service provider. We aim to contribute to economic development and provide environmentally sustainable water and wastewater services, in a way that benefits our customers and the wider community of the South Gippsland Region.

South Gippsland Water – The Service Provider

South Gippsland Water's total operation in 2008/09 comprised:

Water Supply

- Some 18,995 water assessments [accounts] over 21 rural centres
- 13 reservoirs and 18 service storages
- 4,726 million litres [ML] annual volume of metered water supplied to customers
- Water catchments with a total area of 1,234 square kilometres
- 10 separate water supply systems
- 10 water treatment plants
- 661 km of water mains
- 17 water pump stations

Wastewater Services

- Some 15,997 wastewater assessments over 11 rural centres
- 3,811 ML of wastewater collected
- 11 conventional wastewater systems
- 1 vacuum wastewater system
- 10 wastewater treatment plants
- 401 km of wastewater mains
- 45 wastewater pump stations

South Gippsland Water's service area covers 22 towns and 4,000 square kilometres. The towns supplied and the services the Corporation provides are summarised in the following table.

South Gippsland Water & Wastewater Service Localities 30th June 2009

Centre	Population Served (Permanent)	Water		Sewerage
		Customers Billed	Supplied from	Customers Billed
Port Franklin	123	106	Agnes River	Not Serviced
Port Welshpool	200	266	Agnes River	248
Toora	686	510	Agnes River	281
Welshpool	149	204	Agnes River	119
Fish Creek	176	212	Battery Creek	Not Serviced
Korumburra	3,202	1976	Coalition Creek storage network	1674
Foster	1058	802	Deep Creek / Foster Dam	707
Inverloch	4332	4120	Lance Creek	4080
Cape Paterson	705	1086	Lance Creek	1083
Wonthaggi	6,831	3961	Lance Creek Reservoir	3701
Loch	185	148	Little Bass	Not Serviced
Nyora	551	328	Little Bass	Not Serviced
Poowong	291	187	Little Bass	Not Serviced
Koonwarra	146 (estimate)	73	Ruby Creek storage network	Not serviced
Leongatha	4,554	2837	Ruby Creek storage network	2629
Alberton	164	147	Tarra River	Not Serviced
Devon North	77 (estimate)	124	Tarra River	Not Serviced
Port Albert	253	385	Tarra River	322
Yarram	1,758	1162	Tarra River	1045
Dumbalk	165	105	Tarwin River – East Branch	Not Serviced
Meeniyan	432	256	Tarwin River – West Branch	Construction of Scheme Underway
Waratah Bay – See note 3.	146	Not Serviced	N/A	108

Notes:

1. Population Served based on ABS 2006 Census* updated with local government growth factor from "Victorian Population Bulletin 2009, Annual Edition,

2. Water and Sewerage Assessments = Number of Rated Properties at 30th June 2009.

3. The Waratah Bay figures are an estimate only – it is not possible to isolate them from the ABS Fish Creek collection district, which also includes Sandy Point as well as the township of Fish Creek.

* ABS method of calculation of population has changed, from enumerated persons, [population figure taken on where people are located on the census night], to a persons usual place of residence, regardless of where they are on Census night.

Some of the major achievements for South Gippsland Water, during 2008/09 included:-

- Australian Standard AS/NZ ISO 14001 certification achieved for the Corporations Environmental Management System
- A total of \$9.919 million was expended delivering key capital works including:-
 - installation of chloramination water treatment for Wonthaggi, Inverloch and Cape Paterson,
 - commencement of the Meeniyan Sewerage Scheme,
 - commencement of the Wonthaggi/Desalination plant pipeline and
 - continuation of the upgrade of the saline wastewater pipeline from Koonwarra to Venus Bay.
- Drought relief works implemented at the height of the 2006/07 dry were further consolidated for water security; sections of temporary pipeline were made permanent.
- Progress on augmentation of the Yarram, Devon North, Alberton and Port Albert water supply system continued. The Corporation is working to secure additional sources of bore water to supplement seasonal low flows in the Tarra River.
- Investigations and preliminary designs for future increased water storage capacity and supply security continued for:
 - the Coalition Creek and Bellview Creek dams at Korumburra,
 - the Little Bass dam at Poowong, and
 - the Agnes River [off stream storage] at Toora.
 These works were identified in South Gippsland Water's Long Term Water Supply/Demand Strategy.
- The Corporation achieved compliance on all parameters for water quality, under the Safe Drinking Water Act, for our ten water supply systems.
- Independent survey results confirmed 96% of customers were satisfied or very satisfied with the services provided by South Gippsland Water.



The Minister for Water, The Hon. Timothy Holding MP announces the two way pipeline between the Desalination Plant and the Lance Creek water reticulation system. From the left, Philippe du Plessis, Manager Finance and Corporate Services, Llew Vale, Chairman of the Board of Directors, Minister Holding and Steve Evans, Managing Director.

- The Corporation continued to provide a high level of customer service performance, achieving 17 of 18 Customer Charter service standards.
- The innovative partnership with the EPA continued, via catchment management surveillance and improvement works in order to deliver high quality raw water to the Corporations water treatment plants.



A Message from the Managing Director and Chairman

Introduction

In 2008/09 the Corporation has again been able to minimise water restrictions on most of its systems. This has occurred despite a continuation of below average rainfall across the region. This is due in no small part to drought augmentations put in place by South Gippsland Water in 2006/07 and the continued efforts of our customers to conserve water. The exceptions were, the Lance Creek system, on level 2 restrictions for the first 2 months of the financial year and the Tarra River system, on high level restrictions for the last 4 months of the reporting period.

The Corporation is continuing with the formal processes, begun in 2007/08, for approval of applications for ongoing bulk water extraction entitlements from both the Tarwin and Powlett rivers, to further secure water supply for the region, as detailed in our long term Water Supply Demand Strategy (WSDS). Once again our customers are to be congratulated for their greatly reduced water consumption during the continuing dry period. Average water usage has further reduced as customers continue with water saving practices they put in place during the restriction periods.

Environment and Sustainability

Environmental Management System [EMS]

One of the Corporation's major achievements of 2008/09, has been the development and implementation of an Environmental Management System together with certification under the ISO (International Organisation of Standards) AS/NZ ISO 14001.

The role of the Environmental Management System is to identify, manage and reduce impacts on the environment from South Gippsland Water's activities. Some of the key areas of the South Gippsland Water Environmental Management System include:

- *Effective Environment Policy*
- *Identifying all impacts that the Corporation may be having on the environment*
- *Operational and incident management and monitoring procedures*
- *Identifying and addressing environment legal obligations*
- *Training and awareness*
- *Setting objectives and targets to improve environmental performance*
- *Audits and corrective actions*

The EMS system and certification demonstrates South Gippsland Water's commitment to environmental responsibilities, and continual improvements to our systems and procedures in line with internationally recognized standards. South Gippsland Water have a firm commitment to manage our water and waste water systems in an ecologically sustainable and cost efficient manner. Our thanks are extended to all the staff who participated in the project.

Environmental Projects

South Gippsland Water has undertaken many environmental projects during 2008/09. These projects target environmental sustainability, water re-use and/or asset efficiency and include :-

- *Rehabilitation of sewerage management infrastructure.*
- *Environmental inspections and audits of Treatment Plants, Depots and Offices.*
- *Fish and macro invertebrate surveys*
- *River health monitoring including site rehabilitation projects and tree stock planting*
- *Ocean outfall monitoring procedures/programs*
- *The first year's implementation of the catchment health project, in partnership with the EPA and the West Gippsland Catchment Management Authority.*
The Catchment Health Officer position has proved highly successful with both property owners and project stakeholders
- *Field days*

Water Supply Options [Desalination]

In 2007-08 the Victorian Government announced the construction of a desalination plant near Wonthaggi. This plant will supply 150 gigalitres of water to the Melbourne water supply system, as well as towns in South Gippsland.

South Gippsland Water's Water Supply and Demand Strategy has undergone a significant review during 2008/09 and the Desalination Plant project has been identified as a major, long term strategic resource for the region.

In May 2009 the Minister for Water, Tim Holding, announced the construction of a \$5M pipeline to connect Lance Creek water supply system to the desalination plant project. This will provide water to the plant site and, following construction, access to desalinated water for South Gippsland Water.

The pipeline will initially supply water to the desalination plant construction site. It will also be constructed to enable 10 million litres of water per day to be pumped to the towns of Wonthaggi, Inverloch and Cape Paterson if and when required. However, the prime source of supply for the towns will continue to be surface water from Lance Creek Reservoir.

This initiative will provide future security of supply and minimisation of risks, such as blue-green algal outbreaks, at no capital cost to the Corporation's customers. The pipeline will provide a non-rainfall dependent source of water which will secure long term water supply both domestically and for industry. It will provide greater opportunities for regional development and industries looking to relocate in the region.

Occupational Health and Safety

In 2008/2009, the Occupational Health and Safety system continued progress to becoming Australian Standard 4801 compliant. The system will ensure that South Gippsland Water is following best practice in all facets of Occupational Health and Safety.

Customers and Service

The 2008 Customer Survey results indicate 96% of our customers being satisfied or very satisfied with the Corporation's services, operations and management – up 1% from last year.

Country Town Sewerage Scheme

Progress on the "Country Town Sewerage Schemes" has continued. Works commenced in early 2009 on the \$5M Meeniyan Sewerage Scheme. The \$16M Poowong, Loch and Nyora scheme has progressed with consultation sessions for residents of all three towns. These schemes are a major part of the Corporation's wastewater capital expenditure in the current 5 year Water Plan.

Finance

South Gippsland Water recorded a deficit of \$0.288M, marginally unfavourable to budget (a surplus of \$0.114M). This was despite the affects of reduced revenues as a result of the Global Financial Crisis, with respect to the dairy industry and lower water consumption from generally reduced customer demand. Costs continue to be under pressure while the Corporation can be proud of completing a significant \$10.068M of capital works and improvements.

Acknowledgements

We thank the Board of Directors for their continuing leadership and direction over the past year. We also acknowledge the Executive Management and Staff for their dedicated support and professionalism.



Llew Vale

Llew Vale
Chairman



Steve Evans

Steve Evans
Managing Director

Declaration

In accordance with the Financial Management Act 1994, I am pleased to present the Report of Operations for South Gippsland Water for the year ending 30th of June 2009.

Llew Vale

Llew Vale
Chairman
Board of Directors
South Gippsland Water
Dated: 16th of September 2009

The Board

The Board of South Gippsland Water comprises the Managing Director plus seven Directors, appointed by the Minister for Water, the Hon. Timothy Holding MP.

During 2008/2009 the Board consisted of:

Llew Vale OAM

(Chair) Appointed 1st January 1995.

Llew Vale has lived in South Gippsland for over thirty years where he has been heavily involved in local affairs including serving as Councillor and Shire President of the South Gippsland Shire and a term on the Gippsland Coastal Board. He has served as Chair of South Gippsland Water since its inception in 1995, having previously been a Member of the South Gippsland Water Board.

Llew has also served two terms as Chair of the Victorian Water Industry Association and Chair of the Regional Urban Water Authorities Group. He was a founding Director of WaterAid Australia the industry's International charity, a position he still holds. Llew is also a Director of the Toora and Foster Bendigo Community Bank Board. He is a beef farmer at Toora and also works as a consultant to Bendigo Bank in its Community Banking division.

Llew was awarded an Order of Australia in 2002 for his services to the water industry and the community. Currently Llew is the Chair of the Gippsland Region Sustainable Water Strategy, Consultative Committee.



Joan Liley

*B.Com (Melb) Dip.Ed. (Monash) GAICD
(Deputy Chair) Appointed 1st of July 2004.*

Joan is a fourth generation Gippsland farmer and a former Secondary Teacher. She joined the Board of South Gippsland Water in July 2004. Her other Board Memberships include the West Gippsland Catchment Management Authority and Gippsland Ports. She is a past member of the Board of Southern Rural Water.

She has an abiding interest in the sustainable development of the Gippsland Coastal Region and the responsible management of its resources.



Noel Maud

Appointed 1st of July 2005

Noel is a former journalist with varied community involvements. He served for six years as a councillor with Bass Coast Shire including two terms as mayor, is a former president and current member of the South Gippsland Conservation Society and currently is serving on the boards of the West Gippsland Catchment Management Authority and Gippsland Coastal Board. He worked as an electorate officer for Susan Davies whilst she was the Member for Gippsland West and for many years was a journalist in rural, provincial and metropolitan locations.



Director, John Rundell and Chairman Llew Vale appreciating the quality of the entries in the National Water Week schools poster competition.

Gillian Sparkes

*PhD, MBA
Appointed 1st of July 2004.*

Gillian is currently CEO of an independent, not-for-profit R&D organisation dedicated to the development of environmentally sustainable practices for existing and new industries. Gillian has extensive experience in the manufacturing and waste management industries and has held senior roles in the private and public sectors.

As a project specialist and facilitator for Sustainability Victoria, Gillian chaired the Sustainable Energy Use - Water Industry Working Group to develop a framework for greenhouse gas reductions with the Victorian Water Industry. Gillian has membership on the Reference Group for the Commissioner for Environmental Sustainability in Victoria, the Victorian Government's Bio-Economy Working Group and the Independent Assessment Panel for the Smart Water Fund. Gillian was chair of the Tullamarine Hazardous Waste Landfill Community Consultative Committee from 2005- 2008. Gillian has chaired the Board Environment Committee since 2004. Academic qualifications include a PhD in Applied Science (Chemistry) and an MBA.



John Anderson

*Cert EDP,MACS
Appointed 1st of October 2007.*

John brings over 30 years experience in the Information Technology industry to the organization. In partnership with his wife, he also operates a Dairy farm in West Gippsland.

John is currently an independent information technology consultant and is the Deputy Chair of Victrack, a Director of the West Gippsland Healthcare Group and a Director of the West Gippsland Catchment Management Authority. John has a strong interest in community and volunteer groups including Landcare.



Jim Fawcett

*CPA
Appointed 1st of October 2007.*

Jim is a certified practising accountant and partner in a local accounting firm for over 25 years. He has also had extensive involvement with local community and sporting groups during that time. He is a former board member and President of Woorayl District Memorial Hospital and its successor Gippsland Southern Health Service. He is a councillor and currently serving as Mayor of South Gippsland Shire Council.



John Rundell

*BE, BEc, MBA LL.M DipICarb
CA, FCPA, FHKICPA, FIAMA, FCIArb, GAICD
Appointed 1st October 2007.*

John has over 25 years experience in industry, merchant banking, chartered accounting and management consulting, including as a partner of KPMG. John commenced his career as an Engineering cadet with what is now SA Water. John is now Managing Director of a specialist consulting firm Stratica which provides strategy, sourcing, and risk advice to both the private and public sector.



The Board

Meetings Attended

Director	Date of Commencement on Board	Board	OH&S Committee	Audit and Risk Management Committee	Corporate Governance Committee	Environment Committee	Executive Remuneration Committee
Llew Vale [Chair of Board] <i>(Chair of Remuneration Committee)</i>	Chair of the Board since SGW's inception in 1995	12 of 12	4 of 4	4 of 4	4 of 4	4 of 4	4 of 4
Joan Liley [Deputy Chair of Board] <i>(Chair of Corporate Governance Committee)</i>	1st of July 2004	11 of 12	3 of 4	n/a	4 of 4	n/a	n/a
John Anderson	1st of October 2007	11 of 12	n/a	n/a	n/a	4 of 4	4 of 4
Jim Fawcett <i>(Chair of OH&S Committee)</i>	1st of October 2007	10 of 12	4 of 4	n/a	n/a	n/a	4 of 4
Noel Maud	1st of July 2005	11 of 12	n/a	4 of 4	n/a	3 of 4	n/a
John Rundell <i>(Chair of Audit and Risk Management Committee)</i>	1st of October 2007	10 of 12	n/a	3 of 4	3 of 4	n/a	n/a
Dr Gillian Sparkes <i>(Chair of Environment Committee)</i>	1st of July 2004	10 of 12	3 of 4	n/a	n/a	4 of 4	n/a
Number of Meetings Held		12	4	4	4	4	4



A sight not seen for several years, Lance Creek Reservoir overflows, late in 2008.

Our Management Team

Steve Evans

Managing Director

As Managing Director, Steve is responsible for direction of the Management Team and the Corporate and Strategic functions of South Gippsland Water. These include Strategic Relationships, Strategic Marketing, the Corporation's performance and image, awareness of future trends in the water industry and contact with the Corporation's key stakeholders.



Rob McKaige

Manager Technical Services

Rob is responsible for direction of the Corporation's Capital Works Program and associated Projects. Other functions under Rob's responsibility include the Drought Response Program, Engineering and Technical Services.



Philippe du Plessis

Manager Finance & Corporate Services

(Deputy MD)

Philippe's role encompasses Finance and Accounting, Revenue Management, Customer Services, Human Resources, Information Technology and Asset Management. The key responsibility of the Manager Finance and Corporate Services is that of custodian of the Corporation's assets & financial resources on behalf of all stakeholders.



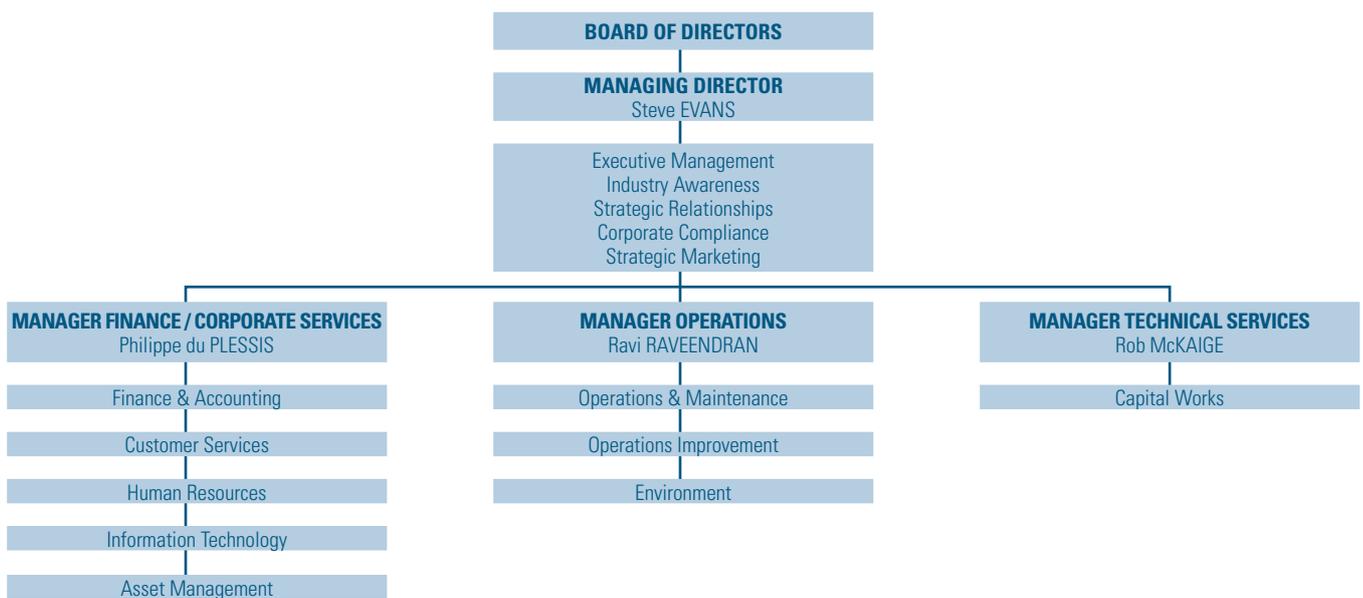
Ravi Raveendran

Manager Operations

Ravi manages all of the Corporation's operational functions including Water Treatment Plants, Wastewater Treatment Plants, Water and Wastewater services delivery infrastructure. His responsibilities include compliance with Water and Wastewater Quality Guidelines, ongoing Quality Monitoring, Operations improvement, site safety, specialist services to Major Customers and Environment and Catchment Management.



Organisation Structure



Corporate Governance

Role of the Board

The Board of Directors operates under the provisions of the Water Act 1989 and has ultimate responsibility for the governance of the Corporation, to provide strategic direction and accountability for the performance of South Gippsland Water.

The Corporation is subject to the direction of the Hon. Timothy Holding MP, the Minister for Water. Responsibility for the ongoing operation and implementation of strategy is delegated to the Managing Director and Management Team.

Board Membership

The Board comprises a non-executive Chair, the Managing Director and six non-executive Directors.

The Minister for Water, appoints the Directors under the Water Act 1989.

Remuneration of Directors

Refer to Item 20 in the Notes to Accounts within the Financial Report.

Meetings and Committees

The Board meets on the fourth Thursday of each month and on other occasions as required. The Board has established the following committees:

Occupational Health and Safety Board Committee

The Occupational Health and Safety Board Committee met 4 times in 2008/09. The committee assists the Board to discharge its duty of care and fulfil its corporate governance responsibilities with respect to workplace health and safety.

Audit and Risk Management Committee

The Audit and Risk Management Committee met 4 times in 2008/09. The committee reviews the financial accounts, statutory responsibilities, corporate regulations, risk management and delegated Corporation policies and procedures that underpin the operations of South Gippsland Water.

Corporate Governance Committee

The Corporate Governance Committee met 4 times in 2008/2009, to identify and put in place and monitor processes to enhance Board and organisational performance.

Environment Committee

The Environment Committee met 4 times in 2008/09. Its objectives include, assisting in establishing environmental management policy, monitoring organisational environmental awareness and performance and advice on environmental issues to the Board.

Executive Remuneration Committee

The Executive Remuneration Committee meets when required and reviews the performance and remuneration of senior executives and the terms of employment of all South Gippsland Water employees. It met 4 times in 2008/2009. The committee ensures compliance with the requirements of the Government Sector Executive Remuneration Panel (GSERP).

Committee Composition

Occupational Health and Safety Board Committee

Period of operation 1/7/08 – 30/06/09

Jim Fawcett (Chair)

Llew Vale

Joan Lilley

Gillian Sparkes

Audit & Risk Management Committee

Period of operation 1/7/08 – 30/06/09

John Rundell* (Chair)

Llew Vale

Noel Maud*

Peter Tilley*

(*Independent Members)

Corporate Governance and Disclosure Committee

Period of operation 1/7/08 – 30/06/09

Joan Lilley (Chair)

Llew Vale

John Rundell

Environment Committee

Period of operation 1/7/08 – 30/06/09

Gillian Sparkes (Chair)

Llew Vale

John Anderson

Noel Maud

Executive Remuneration Committee

Period of operation 1/7/08 – 30/06/09

Llew Vale (Chair)

John Anderson

Jim Fawcett



The "savewater.com" trailer on display at World Environment day in Wonthaggi. South Gippsland Water is a member of the savewater.com alliance; we work in partnership to provide water conservation information to our customers, helping to change the way they use water. Savewater.com is a not for profit organisation which has been operating since 2004.

Additional Information Available on Request

In compliance with the requirements of the Ministerial Directions of the Minister for Finance, Financial Reporting Direction (FRD) 22B, details in respect of the information items below have been retained by the Corporation and are available to the relevant Ministers, Members of Parliament and the public (subject to Freedom of Information requirements, if applicable). However, in adopting best practice disclosure policies and to ensure the Corporation discharges its accountability obligations, where relevant, details about some of the following matters have been disclosed within this Report of Operations:

- (a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers of the Corporation;
- (b) details of shares held by senior officers as nominee or held beneficially in a statutory Corporation or subsidiary;
- (c) details of publications produced by the Corporation about the activities of the Corporation and where they can be obtained;
- (d) details of changes in prices, fees, charges, rates and levies charged by the Corporation for its services, including services that are administered;
- (e) details of any major external reviews carried out in respect of the operation of the Corporation;
- (f) details of any other research and development activities undertaken by the Corporation that are not otherwise covered either in the Report of Operations or in a document which contains the Financial Report and Report of Operations;
- (g) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- (h) details of major promotional, public relations and marketing activities undertaken by the Corporation to develop community awareness of the services provided by the Corporation;
- (i) details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the Report of Operations;
- (j) a general statement on industrial relations with the Corporation and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the Report of Operations; and
- (k) a list of major committees sponsored by the Corporation, the purposes of each committee and the extent to which the purposes have been achieved.

Disclosure Index

An index identifying the Corporation's compliance with statutory disclosure requirements is contained in Appendix A, page 68.

Declaration of Pecuniary Interest

In addition to complying with the disclosure and conflict of interest requirements under the Corporations Act 2001, each Director, the Managing Director and Senior Managers are required to disclose any pecuniary interests under the provisions of the Water Act 1989.

External Auditors

WHK Audit (Vic), as an agent for the Auditor-General Victoria, undertook the external audit for 2008/09.

Risk Management & Chairmans Statement

South Gippsland Water is committed to the identification of risks and the responsible management of those risks. The implementation of South Gippsland Water's risk management program is carried out by the Senior Management Team with oversight through the Audit and Risk Management Committee and through the Board's governance process.

In accordance with the Standing Directions the Chairman of South Gippsland Water provides the following statement:-

I, Llew Vale, certify that South Gippsland Water has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard and an internal control system is in place that enables the Executive to understand, manage and satisfactorily control risk exposures. The Audit and Risk Management Committee verifies this assurance and that the risk profile of South Gippsland Water has been critically reviewed within the last 12 months.

Llew Vale
 Chairman
 Board of Directors
 South Gippsland Water
 Dated: 16th September 2009

Manner of Establishment & the Relevant Minister

South Gippsland Region Water Corporation (trading as South Gippsland Water) was constituted on 22nd December 1994, under the Water Act 1989, by order of the Hon. Geoff Coleman, Minister for Natural Resources, (Order No S102 published in the Government Gazette). The order took effect from 1st January 1995.

During the 2008/09 reporting period the responsible Minister for the South Gippsland Region Water Corporation was the Hon. Timothy Holding MP.

Objectives, Functions, Powers and Duties

Under the Water Act 1989 No. 80, South Gippsland Water is responsible for a range of functions in our service area, relating to water supply and sewerage. These are:-

Water Supply

- To provide, manage, operate and protect water supply systems, including the collection, storage, treatment, transfer and distribution of water.
- To identify community needs relating to water supply and to plan for the future needs of the community relating to water supply.
- To develop and implement programs for the conservation and efficient use of water.
- To investigate, promote and conduct research into any matter related to its functions, powers and duties in relation to water supply.
- To educate the public about any aspect of water supply.

Sewerage

- To provide, manage, and operate systems, for the conveyance, treatment and disposal of sewerage and, if the Corporation so decides, trade waste.
- To identify community needs relating to sewerage services and to plan for the future needs of the community relating to sewerage services.
- To develop and implement programs for the recycling and reuse of treated waste water.
- To investigate, promote and conduct research into any matter related to its functions, powers and duties in relation to sewerage services.
- To educate the public about any aspect of sewerage.

Both the water and sewerage functions must be performed in an environmentally sound way, having regard to the need to preserve aspects which have landscape and fauna and flora values.

Application of Employment & Conduct Principles, including Workforce Data

South Gippsland Water communicates its support of employment and conduct principles by issuing all new employees with a copy of the Code of Conduct of the Victorian Public Service (which is also available to all staff via the intranet) supported by an Induction Manual that reinforces many elements of the Code of Conduct. Both of these documents form part of induction process for new employees and provide guidance for addressing ethical issues such as conflict of interest. Board Directors and Senior Management make pecuniary interest statements annually.

Corporate Governance

South Gippsland Water is committed to applying merit and equity in all its dealings with staff. Staffing levels during the period of this report are listed below:-

Department/Area of the Corporation	2008/09 Staff Level		2007/08 Staff Level	
	Female	Male	Female	Male
Executive Officers	-	4	-	4
Administration	8	7	7	7
Customer Service	9	1	9	1
Technical Services	-	9	1	10
Operations	6	40	5	37
Sub-total	23	61	22	59
Total		84		81

Executive Officers' Remuneration

The number of executive officers, other than responsible persons, whose total remuneration falls within the specified bands above \$100,000 are as follows:

Income band		Total Remuneration		Base Remuneration	
\$	\$	2009	2008	2009	2008
110,000 -	119,999	-	-	-	1
120,000 -	129,999	-	-	-	1
130,000 -	139,999	-	1	2	-
140,000 -	149,999	2	1	1	1
150,000 -	159,999	1	1	-	-
Total Amount		\$459,000	\$431,000	\$428,000	\$ 392,000
Total Numbers		3	3	3	3

Freedom of Information (Fol)

Operation

The Freedom of Information Act 1982 allows the public a right of access to documents held by the Corporation. South Gippsland Water is considered to be a "Government Agency" under the terms of the Freedom of Information Act 1982. Accordingly, it is required to comply with the procedures that have been prescribed and the Corporation's Freedom of Information policy guidelines. Decisions to release information are made by an Authorised Officer.

All applicants are advised of the internal review and appeal provisions that are available.

Applications

During 2008-09 South Gippsland Water received no requests under the Fol Act for access to information.

Contact for Requests

Requests under the Freedom of Information Act 1982, describing the documents requested, must be made, in writing. A Freedom of Information (Fol) application fee of \$23.40 [from 1st July 2009] is payable. Depending on the circumstances, further charges may also be payable. Fol fees and charges are not subject to GST.

Requests should be addressed to:-

The Fol Contact Officer
 Phone: (03) 5682 0444
 At :- 14-18 Pioneer Street, Foster, Vic
 By mail :- PO Box 102, Foster, Vic 3960
 By Fax :- (03) 5682 1199
 By Email :- sgwater@sgwater.com.au

Compliance with the Building Act 1993

The Corporation, complied with the building and maintenance provisions of the Building Act 1993, in regard to building essential services, safety and maintenance activities; and was also in compliance with the Builders Code of Australia.

Events Subsequent to Balance Date

There were no events that have arisen subsequent to balance date to the reporting date that may have a significant effect on the operations of the entity in future years.

Whistleblowers Protection Act 2001 No 36

The Whistleblowers Protection Act 2001 came into effect on 1 January 2002. The Act is designed to protect people who disclose information about serious wrongdoing within the Victorian Public Sector and to provide a framework for the investigation of these matters. No disclosures were reported during the year.

The Protected Disclosure Coordinator for the Department of Sustainability and Environment (DSE) acts as an agent for South Gippsland Water to receive disclosures under the Whistleblowers Protection Act 2001, and applies departmental procedures in managing disclosures. Disclosures may also be made directly to the Ombudsman. The contact details for the Protected Disclosure Coordinator and Ombudsman are:

Jennifer Berensen,

Protected Disclosure Coordinator
 Department of Sustainability and Environment,
 PO Box 500, East Melbourne Vic 3002
 Telephone: 9637 8575 Facsimile: 9637 8129
 Email: JenniferBerensen@dse.vic.gov.au

Ombudsman Victoria

Level 9 (North Tower),
 459 Collins Street,
 Melbourne Vic 3000.
 Telephone: 9613 6222 Toll free: 1800 806 314

Implementation of the Victorian Industry Participation Policy (VIPP)

In October 2003, the Victorian Parliament passed the Victorian Industry Participation Policy Act 2003, (VIPP), which requires public bodies and departments to report on the implementation of the policy. Departments and public bodies are required to apply the VIPP in all tenders over \$3 million in metropolitan Melbourne and \$1 million in regional Victoria.

Contracts commenced to which the VIPP applied:

- During 2008/09 South Gippsland Water commenced 2 contracts totalling \$3.32 million in value to which the VIPP applied. Both contracts were not completed in 2008/09
- The contracts are in regional Victoria
- The commitments by the contractors under VIPP include:
 - An overall level of local content between 50% and 55% of the total value of the contracts
 - 12 full time equivalent jobs
- The following benefits to the Victorian economy occurred, in terms of skills and technology transfer:
 - Developing local industry's competitiveness with innovative processes

Contracts Completed to which VIPP applied:

- During 2008/09 no contracts to which VIPP applied were completed

Consultancies for 2008/09 greater than \$100,000

Consultant	Project	Total Approved Project Fee (Incl. GST)	Expenditure 2008/09 (Incl. GST)	Future Expenditure (Incl. GST)
Marsden Jacob Associates	Desalination Options Assessment	\$100,000	\$4,793	\$95,207

Consultancies less than \$100,000

In addition a further 16 consultancies where the total fees payable to the consultant was less than \$100,000 were engaged during the financial year at a total cost of \$741,886. Total approved project fees and expenditure for 2008/09 includes GST.

Disclosure of Major Contracts

There were no contracts of a value in the order of \$5M during the reporting period 2008/09. There were no contracts of a value greater than \$10M during the reporting period 2008/09.

Cultural Diversity

The customer base of South Gippsland Water is made up of a community with a wide range of beliefs, cultures and languages. The Corporation strongly supports the Victorian Governments recognition that the State's culturally diverse population is an asset of great importance and reflects this by providing a discrimination free work place.

The Corporation provides access and responds appropriately to the needs of these diverse groups. Access to interpreter services or other assistance relating to cultural backgrounds is readily available. Water and wastewater information, including options for bill paying, are available to customers to meet a wide range of differing needs.

South Gippsland Water received no requests for interpreter services or other cultural assistance in 2008/09.

Young People

The Corporation actively provides education opportunities for school age youth through education programs dealing with sustainable water use and wastewater management. Work experience positions are offered whenever possible. The Corporation is highly active in National Water Week and offers a wide range of programs to young people's clubs and associations, throughout the year.

Women

The Board of Directors of the Corporation is a skills based board consisting of seven appointed representatives and one Managing Director, including two women. The application of equal opportunity and merit is a strongly held belief and practice and is supported by appropriate policy and procedures. Staff recruitment and selection processes ensure that fairness and equity is applied. The Corporation has an Equal Opportunity Officer reporting directly to senior management.

Family friendly benefits are provided through the Enterprise Bargaining Certified Agreement where a 19-day month and personal leave provisions provide a high level of flexibility in working hours. Maternity leave entitlements are also available for paid parental leave.

Indigenous People

The Corporation has a designated staff member to liaise with the appropriate authorities, organisations and groups on native title issues. The Corporation respects the rights and culture of indigenous people of the region and has made contact with a number of Koori groups in the interests of better understanding their culture and beliefs and how projects undertaken by South Gippsland Water can take account of these issues with a mutually beneficial outcome.

During the reporting period, consultation and cultural heritage programs continued with Aboriginal Affairs Victoria and local indigenous representatives on 3 relevant projects.

Corporate Water Consumption 2008/09

Calculation based on the Foster Head Office and Annex, accommodating 44 full time equivalent staff [including contractors].

The calculation includes Foster Head Office and Annex consumption only.

The following depots, workshops, treatment plants [water and wastewater], pumping stations and infrastructure facilities are specifically not included:

Wonthaggi, Korumburra, Leongatha, Toora, Yarram depots, - Leongatha water treatment plant, Devon North water treatment plant, Dumbalk water treatment plant, Fish Creek basin, Fish Creek water treatment plant, Foster water treatment plant, Foster wastewater treatment plant, Korumburra water treatment plant, Korumburra wastewater treatment plant, Lance Creek Water treatment plant, Wonthaggi, Inverloch & Cape Paterson wastewater treatment plants, Meeniyah water treatment plant, Murray Goulburn wastewater facilities, Poowong water treatment plant, Port Albert wastewater treatment plant, Toora water treatment plant, Toora wastewater treatment plant, Port Welshpool wastewater treatment plant and Waratah Bay wastewater treatment plant.

Indicator	Target	Actual 2008/09	Variation %
Consumed [Kilolitre (KL) = 1,000 litres]	250kL	233kL	(7%)
Kilolitres consumed per full time equivalent staff member	5.7kL	5.3kL	(7%)

Corporate CO2 Emissions 2008/09

South Gippsland Water's total operations for 2008/09 were estimated to have produced 11,458 tonnes of CO2 equivalent emissions. A total of 788 tonnes was offset through the Corporation's subscription to the Greenfleet program.

National Competition Policy

Under agreements reached in 1995 by the Council of Australian Governments, all Australian Governments (Federal, State and Territory) agreed to review and where appropriate, reform all existing legislative restrictions on competition. Under the National Competition Policy the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- The benefits of the restriction to the community as a whole outweigh the costs; and
- The objectives of the legislation can only be achieved by restricting competition.

South Gippsland Water continues to implement and apply this principle in all its business undertakings.

Goods and Service Tax [GST]

South Gippsland Water received a ruling from the Australian Taxation Office that establishes that our basic services ... "supply of water, sewerage (and sewerage-like) services ... (are) ... GST-free," to our customers. South Gippsland Water put in place appropriate accounting arrangements to manage all other aspects of GST

Our People

The sound performance of our staff during this year has enabled the Corporation to continue to deliver the services necessary to effectively manage the needs of customers across the region. We recognise that our staff, are a major strength and we will plan to continue to focus on recruiting, training and retaining staff of the highest calibre.

Training

South Gippsland Water places a high priority on staff education and skills development. The Corporation provided the following training for staff during 2008/09.

Category	Includes	2008/2009 Trainees	2007/2008 Trainees
Administration & Engineering.	Business Writing; Contract Management; Better Communication; Time Delay Analysis and Liquidated Damages; Conflict Handling for Women; Better use of Time; Customer Service; Records Training; Sub Divisions; Business Certificate IV - Human Resources; Basic Compliance Training; Dam Safety Surveillance; Stress Management; Various Engineering Courses; Finance Conference; AIIIMs Training; Equal Employment Opportunity – all levels.	96	45
Environment	Native Vegetation; Environmental Studies Cert. III; EPA Trade waste course; Biosolids conference; Environmental Auditor Training; Environmental Awareness, Competency, Diligence & Incident Management; EPA Notifiable Incidents; Waste Minimisation Disposal Awareness & Competency.	187	4
OH& S	First Aid – Certificate ii; CPR – refresher training; 5 day O H & S; OH & S Short Course; Confined Space Entry – refresher training; Asbestos "B" Removal; Asbestos Removal Supervisor; Spotters Certificate; Red Card; Chain saw user.	170	48
Operations	Water Authorities Certificate II & III; Operations – Water; Operations – Wastewater; Defensive Driving Skills; Pumping Fundamentals; Traffic Management.	37	85
Information Technology & related	TRIM Document Management; Autocad; Computer skills [Excel & Word]; Arc Explorer.	48	38

South Gippsland Water spent \$251,000 on training and development of staff during the 2008/2009 financial year. Averaged across the Corporation's staff and Directors (who also attended training) this equates to \$2,792 per employee/director.

Triple Bottom Line Outcomes

Staff training, system documentation and operational procedures, resulted in the following benefits:-

Environmental	<i>Reduced risk of environmental incidents due to improvements and management in the water treatment processes.</i>
Social	<i>Improved quality and security of treated water resulting increased customer satisfaction with product and satisfaction of staff through development opportunities.</i>
Economic	<i>Improved efficiency in administration of treatment processes and plant operation resulting in savings in energy and consumables.</i>

Employee Assistance Program

The Corporation operates a voluntary Employee Assistance Program (EAP) to assist staff in times of stress and difficulties. A counsellor, appointed by the Corporation, is available to provide confidential consultations to employees on personal matters should they seek assistance.

The private and confidential nature of this assistance encourages individuals to reach solution based outcomes and assist with their development and well-being.

Enterprise Bargaining Agreement [EBA]

The Corporation enjoys a cooperative relationship with the employee representative consultative group with no time lost during the year through industrial disputes.

The Consultative Committee has continued to approve and implement productivity and improvements as negotiated and agreed under the EBA bargaining process.

The required EBA Key Performance Indicators were achieved by staff during the 2008/2009 year, resulting in payment of the corresponding salary increases provided for under the agreement.

The committee is currently negotiating a new EBA to operate from December 2009.

Occupational Health and Safety [OH&S]

In 2008/2009, the Occupational Health and Safety system continued progress to becoming Australian Standard 4801 compliant. The system will ensure that South Gippsland Water is following best practice in all facets of Occupational Health and Safety.

Initiatives for 2008/2009 included:

- *Public Safety measures including new signage and hand railing at SGW sites*
- *New fall protection devices at SGW sewer pump stations*
- *New contractor Safety and Environment Management System*
- *Large scale emergency exercise undertaken*
- *Ongoing programs:*
 - *Site Risk Assessments and inspections.*
 - *Asbestos Audits (all SGW buildings).*
 - *OH&S News letter's.*

Our People

Performance indicators:

Incident Statistics (Negative performance indicators)	Current Year 2008/2009	Previous Year 2007/2008
No. of SGW Injury Incidents	6	12
No. of Lost Time Days due to injuries	6.25	44
No of Lost Time Days previous year injury	0	0
Rehabilitation Time in excess of incident greater than twelve months	0	0
No. of Contractor Injury Incidents	1	0
No. of Near Hit Incidents (excluding vehicle incidents)	0	0
No. of Vehicle Incidents	11	5
OH&S Policy Actions (Positive performance indicators)	Current Year 2008/2009	Previous year 2007/2008
No. of OH&S Improvements/Initiatives	27	26
No. of New Procedures which include OH&S developed	7	24
No. of Procedures which involve OH&S Reviewed	37	18
No. of OH&S Consultative Committee Meetings	9	10
No. of Workplace Safety Assessments carried out	100	55
No. of Staff training days related to OH&S (people x days)	161	174
No. of Staff initiatives or Good Ideas received to improve OH&S	1	10
No. of Incident Investigations Undertaken	22	20

Equal Opportunity

South Gippsland Water has continued its commitment to the application of Equal Employment Opportunity principles in managing its staff and in all recruitment processes. No Equal Employment Opportunity queries or cases arose in the 2008/09 period.



Organised by South Gippsland Water's Janice Pell, 47 Staff and Directors participated in the "The Biggest Morning Tea." The event raised more than \$460 in donations from staff, for the Anti Cancer Council.

Customer Involvement, Service Delivery & Social Sustainability

South Gippsland Water operates within the framework set out by the Essential Services Commission, which has responsibility for economic regulation, determining pricing and assessing the service delivery performance of water, gas and electricity providers in Victoria.

South Gippsland Water Customer Service Standards – 2008/09

Water	Unit	Target	Result 2008/09
1. Unplanned water supply interruptions per 100km	Number	28.00	26.32
2. Average minutes to respond to bursts and leaks (Priority 1)	Minutes	30.00	24.27
3. Average minutes to respond to bursts and leaks (Priority 2)	Minutes	40.00	28.38
4. Average minutes to respond to bursts and leaks (Priority 3)	Minutes	1440.00	389.65
5. Unplanned water interruptions restored within 5 hours	Percent	99%	99%
6. Planned water interruptions restored within 5 hours	Percent	99%	92%*
7. Average unplanned customer minutes off water supply	Minutes	36	30.46
8. Average planned customer minutes off water supply	Minutes	159	29.3
9. Average frequency of unplanned water interruptions	Ratio	0.33	0.31
10. Average frequency of planned water interruptions	Ratio	0.50	0.12
11. Average duration of unplanned water interruptions	Minutes	100.00	99.72
12. Average duration of planned water interruptions	Minutes	300.00	238.06
13. Customers experiencing > 5 unplanned interruptions / year	Number	0	0

Wastewater	Unit	Target	Result 2008/09
14. Sewer blockages per 100km mains	Number	18	17.46
15. Average time to attend sewer spills – blockages	Minutes	30.00	16.22
16. Average time to rectify sewer spills – blockages	Minutes	120.00	69.02
17. Sewer spills contained within 5 hours	Percent	100%	100%
18. Customers experiencing > 3 blockages / year	Number	0	0

Note on KPI not achieved.

*KPI 6 – The unfavourable variance to the target was due to preparation and planning failure on the part of one new contractor.



Presentation night for students participating in the "Water Aware Program, South Gippsland Water Directors, Joan Liley [Deputy Chair of the Board] and Jim Fawcett [also Mayor of South Gippsland Shire Council] congratulate the students and hand out certificates.



South Gippsland Water's Scott Rathjen (left photo) and Glen Baldwin (right photo) explain the workings of a water treatment plant to students participating in the "Water Aware" program.

The State Government sets out its requirements for water service providers in a Statement of Obligations which is a direct relationship between the Corporation and the Government. The Essential Services Commission monitors South Gippsland Water's performance against these obligations.

The following report is against those performance indicators set out in the Statement of Obligations.

SERVICE PERFORMANCE INDICATORS					
Performance indicator	2007/08 Result	2008/09 Result	2008/09 Target	Variance %	Notes
Water Supply Interruptions					
Number of customers receiving more than 5 unplanned interruptions in the year	0.0	0.0	0.0	0.0	
Interruption time indicators					
Average duration of unplanned water supply interruptions	101.0 minutes	99.7	100.0 minutes	0.3	
Average duration of planned water supply interruptions	274 minutes	238 minutes	320 minutes	25.6	1
Restoration of water supply					
Unplanned water supply interruptions restored within 5 hours	99.0%	99.4%	99.0%	0.4	
Reliability of sewerage collection services indicators					
Sewer spills from reticulation and branch sewers (priority 1 and 2)	23	29		n/a	2
Sewage spilt from emergency relief structures and pump stations (% of volume transported)	0.0%	0.0%		n/a	3
Containment of sewer spillages					
Sewerage spills contained within 5 hours	100.0%	100%	100.0%	0.0	
Customer complaints indicators					
Water quality complaints per 1000 customers	9.26	6.3		n/a	3
Water supply reliability complaints per 1000 customers	0.0	0.16		n/a	3
Sewerage service quality and reliability complaints per 1000 customers	0.07	0.06		n/a	3
Affordability complaints per 1000 customers	0.23	0.78		n/a	3
Billing complaints per 1000 customers	0.93	0.89		n/a	3
Pressure complaints per 1000 customers	1.28	0.11		n/a	3
Sewage odours complaints per 1000 customers	0.90	0.40		n/a	3
Other complaints per 1000 customers	2.9	2.5		n/a	3

NOTES:

Note 1 The actual result was better than target due to less air scouring being undertaken, as a result of continuing dry conditions

Note 2 No targets set. Results fluctuate due to weather conditions and the effects of varying soil moisture conditions.

Note 3 No targets set. Results largely in line or better than the previous year.

Social Sustainability - Community Service Obligations - Financial Assistance to Eligible Customers & Pensioners

Financial assistance is provided to individuals and organisations as part of the Government's Community Service Obligations.

Value Of Community Service Obligations Provided				
	2008/09		2007/08	
	Number of Cases	Value	Number of Cases	Value
Rebates to Eligible Customers & Pensioners	5079	\$813,732	4,978	\$693,227
Utility Grants – to eligible persons Department of Human Services	22	\$8,528	15	\$5,471
Not for Profit Organisations assisted by – Rate Reduction	491	\$118,507	484	\$115,653

Customer Involvement, Service Delivery & Social Sustainability

Customer Survey

The 2008 (November) customer survey resulted in 96% of customers being satisfied or very satisfied with the Corporation's services, operations and management.

In summary, the results of the key indicators were:-

WATER SUPPLY

96% of customers were satisfied or very satisfied with the overall water supply service over the past twelve months
(44% very satisfied, 52% satisfied)

WATER QUALITY

92% of customers were satisfied with water quality
(33% very satisfied, 59% satisfied)

WASTEWATER

97% of customers were satisfied or very satisfied with the wastewater (sewerage) services
(51% very satisfied, 46% satisfied)

ENVIRONMENT

97% of customers were satisfied with the way South Gippsland Water took care of the environment
(26% very satisfied, 71% satisfied)

TARIFF & ACCOUNTS

99% of customers were satisfied with the tariffs and the accuracy, timing and ease of payment of accounts
(65% very satisfied, 34% satisfied)

SERVICE DIFFICULTIES

98% of customers were satisfied with the way service difficulties were handled
(54% very satisfied, 44% satisfied)

SERVICE FROM STAFF

91% of customers were satisfied with the quality of service from our staff
(71% very satisfied, 20% satisfied)

MANAGEMENT OF SOUTH GIPPSLAND WATER

94% of customers were satisfied with the overall management of South Gippsland Water
(33% very satisfied, 61% satisfied)

PROVIDING INFRASTRUCTURE INFORMATION

93% of customers were satisfied with the information provided by South Gippsland Water
(29% very satisfied, 64% satisfied)

VALUE OF SERVICES [Triple Bottom Line]

93% of customers were satisfied that all the services provided by South Gippsland Water represented good value for money
(31% very satisfied, 62% satisfied)

Customer Consultation

Introduction

South Gippsland Water consults with individuals, community groups, major regional industries, small businesses and their associations, schools and sporting clubs in order to ascertain their views and preferences regarding our services.

South Gippsland Water conducts a range of routine customer consultations, including:

- an annual customer satisfaction survey;
- a major business customer survey, (approximately every 3 years);
- meetings with local community and special interest groups, i.e. Lions, Rotary, Chambers of Commerce, Landcare groups, etc.;
- via the South Gippsland Water website; and
- participation at local annual events such as environment and water related shows.

In addition, South Gippsland Water consults with its customers via non-routine methods, including:

- water plan preparation;
- water supply/demand strategy consultation; and
- issue and/or project based groups.

Annual Customer Survey

South Gippsland Water has undertaken a regular and structured customer satisfaction survey since 1997. The survey is conducted by telephone, using an independent contractor. It is designed as a stratified sample of customers located in 19 townships across our water and wastewater supply districts.

The survey's objectives are:

- to continue to monitor customers' perceptions of, and satisfaction with, the services provided by South Gippsland Water;
- to provide the organisation with clear directions and quantitative statistical evidence to facilitate improvements in customer service based on customers' needs, expectations and their perceptions of the current service quality; and
- to identify, understand and prioritize the issues for the organisation that impact.

The survey provides a structured, independent and anonymous opportunity for customers of South Gippsland Water to assess the performance of South Gippsland Water, their satisfaction with its services and to indicate areas where improvements are needed.

Major Business Customers

The implementation of the State Government Water Maps [Management Action Plans] initiative has meant that considerable consultation has taken place on a one on one basis with South Gippsland Water's top 18 water users. Water use analysis and demand reduction measures are investigated and reviewed, on a continuing basis, for all these customers.

Meetings with local community and special interest groups

The Corporation actively encourages meetings of this type and willingly provides speakers to address special interest groups on common interest topics, e.g. Shire Councils, Lions, Rotary, various Chamber's of Commerce, local residents and land care groups, etc.

South Gippsland Water Website

South Gippsland Water's website www.sgwwater.com.au provides public access to copies of all published materials, invitations to comment and press releases, etc. There is a "contact us" section on the website for customers and interested parties to provide comment.

Publications

Customer Accounts - The Customer account is the first means we have of communicating with all property owners connected to our systems. South Gippsland Water accounts show break-up of the account, details on usage patterns and details on payment options. South Gippsland Water constantly seeks to improve the 'readability' of its accounts.

Pipeline Customer Newsletter - Is a general news and information newsletter, produced 3 times a year and distributed with South Gippsland Water accounts to all customers and is also available for collection at the Corporation's Foster office.

Corporate Plan & Water Plan

These statutory reports are lodged with various government departments with over 200 copies circulated to specific stakeholders and customers. Copies are also available on request by mail, on CD, or can be downloaded from our website. A précis of our Corporate Plan is distributed with customer accounts each year.

Water Quality Report

An annual Water Quality report is prepared for the Department of Human Services (DHS). This report is made available to the public on request and is available from our website. Monthly Water Quality Reports are also available from the South Gippsland Water web site.

Educational Pamphlets

Cover a wide range of topics both informative and advisory about water and wastewater matters. These are circulated on request or provided at events, presentations, tours, etc. They provide a means of support for South Gippsland Water's educative role and stimulate customer thought on water/wastewater issues.

Customer Reference Data Base

South Gippsland Water maintains a data base, by location, of over 230 contacts, representing community groups, business associations and individuals. The contacts provide a good cross section of the demographic profile of South Gippsland for formation of such committees.

Summary of Consultation

- South Gippsland Water provided the opportunity for all customers to participate in the consultation process, including:
- Radio – mentioned in local current affairs programs;
- Newspaper Advertisements;
- Newsletters;
- Personal mail invitations to welfare groups, community groups, interested individuals, business associations and previous workshop attendees;
- Annual Customer Satisfaction Survey [since 1999];
- Invitation to participate via the telephone satisfaction survey;
- Feed back through SGW's Enquiry and Complaint management system;
- Information sessions and workshops in easy to reach locations; and
- Incentives through competitions.

Management of Social and Economic Impacts

Economic Impacts

South Gippsland Water offers a wide range of assistance options to customers in financial difficulties, including free referral to an independent financial counsellor. The Corporation has operated a tariff assistance and relief program since 1996. The policy includes the requirements of the Essential Services Commission's Customer Code and South Gippsland Water's Customer Charter. Features of the policy include:-

- Engage in discussions with the customers to determine the best option.
- Treat all customers sensitively and on a case by case basis.
- Ensure customers circumstances are kept confidential.
- Provide customers with information about assistance programs and government concessions, including the Utility Relief Grant Scheme.
- Provide assistance in negotiating instalment amounts if the customers circumstances change.
- Offer a range of payment options recognising that the financial hardship may be short or long term.
- Refer the customer to any available free, independent and accredited financial counselling service.
- Provide interpreter services on request.
- Suspend debt processes while negotiating a suitable arrangement with a customer.
- Not engage in legal action, restriction of water supply, and additional debt recovery actions against customers who meet the necessary criteria and continue to make payments according to an agreed schedule.
- Provide information about how to reduce water consumption, and invite customers to seek further assistance from the Corporation in reducing water usage.
- Advise customers about their right to lodge a complaint with the Energy and Water Ombudsman if their affordability issue is not resolved with the Corporation.

The Corporation continued the 'Smart Homes' program in 2008/09. This is a joint initiative between South Gippsland Water and the Department of Human Services. The 'Smart Homes' program aims to assist eligible customers to reduce their water usage. The program is a free water audit and retrofit, up to the value of \$400. Customers are also given advice on sustainable water use and current fixtures, fittings and tips in regard to water conservation.

The Corporation also follows the guidelines as set down by the Victorian Water Industry, under its "Industry Guide on Residential Hardship." Good relationships are maintained with Government Departments, voluntary support agencies and counselling services in the region, to assist with referrals and support services for customers.

Energy and Water Ombudsman Victoria – [EWOV]

The Energy and Water Ombudsman of Victoria [EWOV] provides South Gippsland Water's customers with independent information and complaint resolution. During 2008/09 EWOV handled thirteen cases relating to South Gippsland Water. Two of these cases were general enquiries, one was referred to another agency. The remaining ten cases were resolved amicably, within the set time frames.

Community Relations

Once again, sustainable water use, conservation options and water quality have been the clear themes for promotions and activities with customers, communities and schools during 2008/09. There has also been considerable community consultation involved with the two Small Towns sewerage projects. Construction works commenced at Meeniyah in early 2009 and preliminary consultation is underway for the Poowong, Loch and Nyora scheme.

A significant contribution was made to the "Water Aware" program developed by Community Relations Manager, Ros Griggs, with the award of a grant of \$36,000, over 3 years to facilitate the program, from the Smart Water Fund.

During 2008/09 South Gippsland Water has presented or taken part in 13 events for schools, both, primary and secondary, reaching over 3,500 students. Eighteen community events have been conducted or participated in, presenting water awareness information across the South Gippsland Region.



Graeme Jackson [on the right] receiving the Smart Water funding certificate, on behalf of South Gippsland Water, from Tony Kelly, CEO of Yarra Valley Water.



South Gippsland Water was awarded a grant from the Victorian Smart Water Fund for innovative children's water education programs. Ros Griggs, the Corporation's Community Relations Manager, initiated the program and prepared the application. Here Ros is on the right of Kath Herbert, from "Beewise Education" - working on the program, entitled "Water Aware."

Customer Involvement, Service Delivery & Social Sustainability

Programs 2008-09 - Activities In Regional Towns

Korumburra & Leongatha

- Rural Water Awareness program
- Community Newsletter articles
- Ongoing assistance with sustainable water use.

Poowong, Loch & Nyora

- Rural Water Awareness program
- Community Newsletter articles
- Small Town Sewerage scheme – project commenced
 - Community meetings
 - Consultation with community groups and individual customers
 - Public information evenings held in all three townships, supporting press releases and web updates

Fish Creek/ Waratah Bay

- Rural Water Awareness program
- Ongoing assistance with sustainable water use.

Yarram

- Rural Water Awareness program
- Presentation & information to Traders Association

Wonthaggi, Inverloch, & Cape Paterson

- Rural Water Awareness program
- Water audits of high water users in region,

Toora, Welshpool, Port Welshpool & Port Franklin

- Rural Water Awareness program
- Ongoing assistance with sustainable water use

Meeniyan

- Rural Water Awareness program
- Small Town Sewerage scheme – works underway
 - Community meetings
 - Familiarisation bus tour of treatment lagoons and wetlands.
 - Consultation with community groups and individual customers
 - Community bus trip to Heyfields wet lands, public displays, community meetings and supporting press releases and web updates



South Gippsland Water's Julie Mullin [centre] presents a cheque for \$600, to South Gippsland Hospital's Annie Handley, [left] with new mother, Jaquie Woods and baby Sarita looking on. The money for neonatal resuscitation equipment was raised from the Corporations staff through soft drink sales and raffles. Shortly after this picture was taken Julie raised another \$370 dollars from staff for the Gippsland Bushfire appeal.

General Community Activities

- Water efficient shower head program, available to all customers, including sporting clubs/groups and accommodation providers [670 shower heads distributed]
- Water awareness promotional flyers, magnets and water awareness patches – distributed to accommodation providers, sporting and community groups
- West Gippsland Catchment Management Corporation, Community Consultation Committee – South Gippsland Water representation at meetings when requested
- Savewater.com awards promotion and assistance to potential applicants
- South Gippsland Land Care – representation when requested
- DSE Rural Water Use field day

Over the financial year 2008-09, program material and information was delivered to several hundred local residents, community groups and customers.

Primary Schools Events

- Water Week Poster Competition [350 children involved.] Water for life Calendar created from the winning posters and distributed throughout the region [1000 copies]
- "The Water Picture" Foreshore Education/Water Conservation Exposition in Partnership with other local Authorities [over 600 children participated.]
- Water Aware program completed in two regions. Funding assistance gained from the Smart Water Fund [260 involved]
- Creeks, Catchments and Critters; joint program with Coal Creek Heritage Village at Korumburra and WaterWatch

Schools – Primary & Secondary

Event	Participation
School presentations	655
World Environment Day	750
SGSC Water treatment program	100
Waste Wise partnership	Regional
Yarram Health Expo	150
Schools Water Efficiency Program Promotions	Regional
Water Cycle Presentation and activities	125

H40 Grants [Help for voluntary Organisations]

H40 grants are for community groups with a water saving project in South Gippsland Waters region of operations: the grants are for up to \$500 and in certain cases more. Eight grants were approved and a total of \$3296.00 was granted to these projects.

Support For Grant Applications

Preparation of supporting letters for local clubs and organisations in response to Commonwealth and State agencies queries for various water conservation grants.

Exposition Days

The following Exposition days were attended or supported with water conservation information, merchandise and displays – approximately 3,000 residents attended:

- Wonthaggi Sustainability Festival
- Foster Secondary College
- Noramunga Corner Inlet Project
- Women for Health
- Inverloch Nippers
- Volunteers Expo
- Tarwin Country Fire Corporation
- Great Southern Rail Trail
- Goods and Services Foster
- Gipps Sports programs
- Leongatha Primary School, human powered vehicle challenge
- Yarram and District Health Expo
- Stock yard Gallery Exhibition

New Programs & Promotional Items

Programs

- Water Wise Program – accreditation for schools
- Creeks, Catchments and Critters education program
- Smart Water Fund - successful application to facilitate the "Water Aware" program

Promotional Items

- Water restriction summary fridge magnets
- Garden tap restrictors
- Permanent Water Saving Rules fridge magnets
- 'Water for Life' calendar

Triple Bottom Line Outcomes

Enhanced customer awareness programs leading to:-

Environmental	Heightened awareness amongst community groups, special interest groups and primary and secondary school students of environmental issues related to our environment, climate change, water and wastewater supplies.
Social	Dissemination of information via community groups is contributing to community involvement in South Gippsland Water's programs and activities.
Economic	Benefits to customers and the Corporation in reduced water consumption as a result of the continuing Water Smart rebates, and dissemination of information and materials, i.e. "Save Water & be Rewarded".



South Gippsland Water invited all interested Meeniyian residents on a bus tour to visit the wetlands at Heyfield. The aim was to reveal what the completed treatment works for the Meeniyian Sewerage Scheme may look like. The same sort of innovative reuse is planned for the Meeniyian project. The positive response to the wetlands was a continuation of the enthusiastic support given by the residents since the scheme was announced.

Management of our Assets

The 2008/2009 financial year has seen continued progress by South Gippsland Water in the implementation of its integrated asset management system.

The major component of this project has involved the continued extensive identification, validation, auditing and recording of Corporation's assets in a detailed and structured manner.

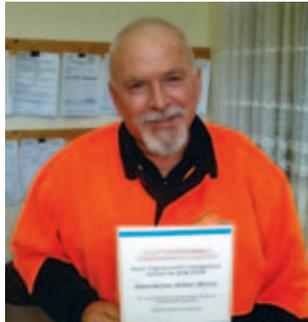
The system(s) implementation has comprised a number of elements including:

- implementation of integrated asset management system – (Hansen system operating);
- implementation of Geospatial Information System – (ESRI GIS system operating);
- comprehensive asset identification, ongoing data collection, validation and auditing for all of the Corporation's civil, mechanical and electrical assets prior to loading them into the systems.

Capabilities of the System

Key capabilities of South Gippsland Water's asset/enterprise management system include:

- Customer service management;
- Asset register, including comprehensive asset technical details;
- Accurate field identification of assets through the use of Global Positioning Systems (GPS);
- Works, resources & maintenance management, including full activity history details;
- Asset inspection and condition recording and evaluation;
- Geospatial Information System, integrated to the Corporation's asset management system;
- Comprehensive asset identification, collection, conversion, validation and recording of business processes;
- Provision of data for business and management reporting;
- Analysis of asset performance and strategic planning for capital works.



Winners of the June and April Asset [Management System] Improvement Competition, Arthur Moore (on the right) and Bryan Roylance. The winners contributions keep the asset records update and correct any inaccuracies.



Ruby Creek No.2 Reservoir, one of a system of reservoirs that supply Leongatha.

Major Milestones for 2008/09

Milestones achieved during the 2008/09 financial year include:

- Ongoing provision of comprehensive recording and management of all emergency activities including customer service requests, incident management, Board and Essential Services Commission (ESC) reporting;
- Water main replacement programs processes to assist and support the development and prioritisation of the program.
- Special needs customers identified and recorded in Hansen, as having a critical requirement for an uninterrupted water supply service.
- Development of additional reporting tools to aid operations.
- Continued live editing into our Geospatial Information System – All new subdivision information now loaded directly into the GIS.
- The system enabled provision of substantial base data to respond to relevant ESC reporting requirements.
- Continued inclusion of infrastructure, within our ten water treatment plants and ten wastewater treatment plants, into our systems.
- Ongoing development of Backflow Prevention program, devices in the district checked and recorded within Asset Management System.
- Preventative Maintenance program for assets integrated via work orders.
- Scheduled maintenance activities based on a time interval have been created. Time scheduling is available to all asset types and allows us to schedule maintenance according to days, weeks, months or years.
- Reactive works management on all assets.
- Spatial representation of customer's reported incidents.

Triple Bottom Line Outcomes

The phased implementation of the asset management system has resulted in the following benefits:-

Environmental	Reduced risk of environmental incidents and improved response times and corrective action.
Social	Improved service delivery to customers with faster response to unplanned interruptions and advanced systematic notice of planned ones.
Economic	Improved asset system investment decisions, including improved budgeting and more accurate financing.



The Battery Creek Water Treatment Plant, supplies Fish Creek and surrounding areas.



Environmental Management System

South Gippsland Water is committed to responsible environmental management. The Corporation has developed and implemented an Environmental Management System (EMS) that has been certified to the Australian Standard AS/NZ ISO 14001. The role of the EMS is to enable South Gippsland Water to identify, manage and reduce any possible impacts to the environment from the Corporation's activities.

Environmental Policy

South Gippsland Water's Environmental Policy defines our commitment to undertaking our activities in an environmentally responsible manner, taking into account resource availability, environmental values, legislative obligations, community expectations and "Best Practice" protocols.

The environmental policy is the driver for implementing and improving the Corporation's environmental management system so that it can maintain and improve its environmental performance. It forms the basis upon which the Corporation sets its objectives and targets and reflects its commitment to comply with the relevant legal requirements.

Water for the Future –

South Gippsland Water's Long Term Water Supply Demand Strategy has outlined the long term water supply/demand situation for the region.

The strategy assessed all forms of alternate water options including groundwater, water harvested from disused mines and the additional pumping of winter flows from rivers adjacent to a supply system.

In May 2009 the Minister for Water, Tim Holding, announced the construction of a pipeline to connect Lance Creek water supply system to the desalination plant project to provide water to the construction site and once constructed, access to desalinated water for South Gippsland Water.

This initiative, will provide future security of supply and minimisation of risks, such as blue-green algal outbreaks, at no capital cost to the Corporation's customers in Wonthaggi, Inverloch and Cape Paterson.

Further options and other possibilities for securing supply are continuing to be investigated for all the Corporation's water supply systems.

Water Recycling

The use of reclaimed water in the South Gippsland Region for various activities increased during 2008/09.

The relatively low volumes of treated effluent available, the small number of prospective customers wanting the resource and the long distances involved, more often than not, have made commercial and agricultural applications impractical.

However, 100% of the treated wastewater from South Gippsland Water's Tarraville wastewater treatment plant is piped to an adjacent property owner for pasture irrigation and a grazier in Cape Paterson uses a portion of the treated wastewater from our Inverloch wastewater system for irrigation.

The Toora Football Club used around 20% of the treated wastewater from our Toora system during 2008/09 to irrigate the playing surface of the oval. This re-use arrangement has effectively drought proofed this important community facility.

Following an extensive upgrade of the Leongatha and Korumburra wastewater treatment facilities, stand pipes have been installed enabling South Gippsland Shire Council to provide reclaimed water on parks and gardens. Construction companies can also access this water for roadworks.

The recently approved Small Towns sewerage scheme being constructed at Meeniyah will incorporate wetlands as the final treatment process, providing treated effluent that will be available for multiple reuse options within the area.

South Gippsland Water continues to look for further opportunities to establish wastewater re-use schemes where beneficial, cost-effective outcomes can be secured.

River Health

South Gippsland Water extracts water from a number of rivers and small streams to provide high quality drinking water to its customers. The vision

for South Gippsland Water is to provide this service in a sustainable way focusing on managing all South Gippsland Water activities that may impact on the river and waterways in an environmentally sustainable fashion.

A key issue in monitoring river health is an understanding of the condition of the river system, particularly macro-invertebrate and fish communities which are used as indicators of river health.

South Gippsland Water's ongoing river health monitoring program involves the study of fish populations, macro-invertebrate monitoring, monitoring of wastewater outflows, monitoring quality of rivers and streams; including dissolved oxygen and salinity recordings at sites of river extraction.

South Gippsland Water's Chairman, Mr Llew Vale, has been appointed Chair of the Gippsland Region Sustainable Water Strategy Consultative Committee, while the Corporation's Managing Director, Mr Steve Evans also serves on the Committee.

The Corporation is therefore closely involved with the development of the Gippsland Region Sustainable Water Strategy, together with the various Regional Urban Water Corporations, Catchment Management Authorities and other relevant stakeholders.

A Discussion Paper, released for public comment in July 2009, provides a snapshot of the water resources currently available in the Region, and the future risks to water availability. It includes the potential impact of climate change and how this may impact on future water availability, using data from the past 12 years of low rainfall along with climate change scenarios.

The Gippsland Region Sustainable Water Strategy Discussion Paper is the first time that estimates of the impact of climate change on future water availability have been integrated across river systems throughout the Gippsland Region. It shows that if we continue to experience the conditions of the past 12 years, there will be a reduction in average inflows across Gippsland of between 30 and 55 per cent when compared to the current long-term average.

H2O AND H4O PROGRAMS

H2O Grant Scheme

Through our 'Hills 2 Oceans' grant program, South Gippsland Water works with the local community to improve water quality in our storages and enhance the natural environment. The program supports the efforts of farmers, graziers, schools and community groups, undertaking projects within water supply catchments. Successful applicants can receive grants of up to \$500.

Since commencing ten years ago, the 'Hills 2 Ocean' grant program has provided valuable links between South Gippsland Water, the local community and improving water quality in catchments across the region. In many cases H2O projects compliment other catchment improvement programs in the region, such as LandCare and WaterWatch.

H4O - Help for Water efficient organisations

South Gippsland Water introduced a new community grant scheme during 2005, "Help 4 [water efficient] Organizations", (H4O). A grant of up to \$500 is available to not for profit organisations in the South Gippsland region. Funds are directed towards the water saving elements of school or community projects.

Since the schemes introduction, many community organisations have received grants, including sporting clubs, community garden groups, schools and community improvement groups. The grants are for educational programs, water tanks, pumps to recycle water and water efficient fittings for gardens and buildings.

Program	Number of Applications & Projects in Progress 2008/09	Total Awarded in Grants 2008/09
H2O	6	\$2,000
H4O	8	\$3,296

Victorian Greenhouse Strategy

Over the last year, South Gippsland Water continued its relationship with the Greenfleet carbon emissions offset program which saw South Gippsland Water plant nearly 3,000 trees to sequester about 790 tonnes of CO₂ associated with the operation of our fleet vehicles. The majority of these trees were planted on land near the Battery Creek reservoir as part of a re-vegetation and fauna corridor program.

Our Environment

Bulk Entitlement Reporting

The Corporation operates a number of Bulk Entitlements - the following table sets out the entitlement for all South Gippsland Waters' water supply systems for 2008/09.

System	Towns Served	Bulk Entitlement ML/year	Amount Taken ML/y ¹	Storages ²	Water Storages ML ³	Entitlement transfer from	Entitlement transfer to	Entitlement amendment ⁶	New Entitlement	Failures to Comply ⁷	Difficulties & Remedial action ⁸	Compliance with Making Allowances ⁹	Compliance with Environmental Obligations ¹⁰	Compliance with Environmental Obligations ¹¹
Ruby Creek	Leongatha Koonwarra	2476	1304	Res 1.	15	nil	381 <i>See note 4</i>	nil	nil	nil	nil	✓	✓	✓
				Res 2	78									
				Hyland	474									
				Western	466									
Tarra River	Yarram Alberton Port Albert Devon North	853	456	nil	nil	nil	nil	nil	nil	nil	✓	✓	✓	
Battery Creek	Fish Creek	251	141	Battery Creek Reservoir	79	nil	nil	nil	nil	nil	✓	✓	✓	
Coalition Creek	Korumburra	1000	627	No. 1	130	nil	nil	nil	nil	nil	✓	✓	✓	
				No. 2	5									
				No. 3	75									
Little Bass	Poowong Loch Nyora	420	261	Little Bass reservoir	93	nil	nil	nil	nil	nil	✓	✓	✓	
Agnes River	Toora Welshpool Port Welshpool Port Franklin	1617	558	Cooks Dam	58	nil	nil	nil	nil	nil	✓	✓	✓	
Lance Creek	Wonthaggi Inverloch Cape Paterson	3800	1131	Lance Creek Reservoir	2831	nil	1800 <i>see note 5</i>	nil	nil	nil	✓	✓	✓	
Deep Creek	Foster	326	178	Deep Creek Reservoir	14	nil	nil	nil	nil	nil	✓	✓	✓	
Tarwin River	Meeniyen	200	63	nil	nil	nil	nil	<i>see note 4</i>	nil	nil	✓	✓	✓	
East Tarwin River	Dumbalk	100	22	nil	nil	nil	nil	nil	nil	nil	✓	✓	✓	

Notes:

1. Annual amount of water taken in ML
2. Storages included under each Bulk Entitlement
3. Water Storage Levels (ML) as at June 30 2009
4. Meeniyen Bulk Entitlement altered to provide additional water to the Leongatha/Korumburra Water Supply System at an additional extraction point.
5. Water taken under the Temporary Qualification of Rights to Water from the Powlett River to supplement water supply to Wonthaggi-Inverloch system.
6. Any amendment to this bulk entitlement
7. Any failure by the Corporation to comply with the Bulk Entitlement.
8. Any difficulties experienced or anticipated in complying with the Bulk Entitlement and remedial action taken or proposed.
9. Approval, amendment and implementation of programs and proposals for Making Allowances (✓ indicates compliance has been met)
10. Approval, amendment and implementation of programs and proposals for Environmental Obligations (✓ demonstrates progress towards compliance with environmental obligations).
11. Approval, amendment and implementation of programs and proposals for metering obligations (✓ demonstrates progress towards compliance with metering obligations)

Declarations of temporary qualification of rights were obtained for SGW water supply from the following rivers during the drought conditions of 2008/09: Tarwin River (west branch) extraction pumped to the Leongatha water treatment plant; Powlett River extraction pumped to the Lance creek water treatment plant.

Due to the water shortage conditions the following qualification of rights were sought by South Gippsland Water and granted by the Minister for Water:

- 13th of June 2008, a temporary increase to 31st December 2009 Powlett River – declared water shortage for Lance Creek supply system – Wonthaggi, Inverloch and Cape Paterson.
- 13th of June 2008, Tarwin River – declared water shortage for Korumburra, Leongatha/Koonwarra [temporary increase to 30th June 2010].

Extraction under bulk water entitlement orders was reviewed in light of the drought recovery, together with the implementation of fish and macroinvertebrate surveys as a requirement of the qualification of rights, relating to emergency water supply during the drought recovery.

Victorian Biodiversity Strategy

South Gippsland Water has developed profiles for all systems that contain a wealth of biodiversity information including –

- Bioregion designation.
- Flora, fauna & threatened species.
- Planning scheme zones and overlays.

During 2008/09, South Gippsland Water did not undertake any projects requiring approval under the Environment Protection and Biodiversity Conservation Act 1999, i.e. actions that could have significant impact on a matter of national environmental importance or on Commonwealth land require assessment and approval.

Regional Catchment Strategy

South Gippsland Water continues to support the West Gippsland Catchment Management Authorities and other agencies in implementing the West Gippsland Regional Catchment Strategy [WGRCS].

The strategy's overall objectives relate to protecting water, biodiversity, atmosphere and climate; supporting people and communities, infrastructure and production. The 2004-2009 WGRCS is "a roadmap to coordinate, use and manage our natural resources into the future and target our investments to those areas that matter the most."

Triple Bottom Line Outcomes

Commitment to Regional Catchment Management Strategy
Coordination with Catchment Management Authority and other local organisations, resulted in the following benefits:-

Environmental *Coordinated approach improved the water catchment and surrounding environment.*

Social *Customers will ultimately benefit from improved catchment amenity and raw water quality.*

Economic *Lower treatment costs due to improved raw water quality.*

Water Supply

The Corporation's Water Quality Group have maintained quality across the regions 10 water supply systems.

The continuing dry conditions have provided a number of challenges, including managing an increased range of water sources. However, the Quality Group continued to improve the performance of water treatment plants, in line with South Gippsland Water's commitment to the provision of a high quality water supply and the requirements of the Water Act 1989 and the Safe Drinking Water Act (SDW Act) 2003.

In 2008/09 the Corporation completed a mandatory audit of its risk management plan and successfully complied with all regulatory requirements of the SDW Act. Specifically, the audit scrutinised all areas of water quality management from catchment to consumer in order to determine whether potential risks to drinking water quality were being adequately managed.

The Corporation will continue its program of upgrades to existing treatment plants and improved operational arrangements. The outcome of this program is evidenced in the consistency of the test results and overall water quality. Specifically, quality improvements have been achieved for water treatment processes for the Wonthaggi, Inverloch and Cape Paterson water supply system. The levels of trihalomethane disinfection by-products have been permanently reduced, and are well within the regulatory compliance limits, following the installation of a chloramination disinfection system.

The good results reflect the hard work and technical skills of SGW's staff across the region and the additional efforts that have been made at treatment plants to ensure the high quality of water for South Gippsland Water's customers.

Water Consumption Report

Water District	Actual Annual Consumption (ML) and Number of Assessments (No.) 2008-2009											Actual Annual Cons/ Ave Annual Demand
	Retail Urban Residential		Retail Urban Non-Residential Include Majors		Concessional		Retail Stock & Domestic		Total Annual Consumption		Ave Annual Demand	
	ML	No.	ML	No.	ML	No.	ML	No.	ML	No.	ML	
Alberton/Port Albert Yarram/Devon Nth	167	1,204	132	290	23	75	81	130	403	1,699	399	1.00
Dumbalk	10	75	1	9	1	6	1	7	13	97	16	-18.75
Fish Creek	11	99	3	22	3	13	78	68	95	202	115	-17.39
Foster	74	545	17	94	18	38	33	42	142	719	151	-5.96
Korumburra	209	1,549	149	181	20	65	18	12	396	1,809	415	-4.58
Wonthaggi/Cape Paterson/Inverloch	874	7,909	251	442	83	137	203	141	1,411	8,629	1,441	-2.08
Leongatha/Koonwarra	345	2,216	1,154	368	52	119	27	25	1,578	2,728	1,522	3.68
Meenyan	32	189	4	22	3	9	10	12	49	232	51	-3.92
Poowong/Loch/Nyora	65	474	91	63	4	31	47	44	207	612	216	-4.17
Toora/Welshpool/Port Welshpool/Port Franklin	67	577	212	301	10	36	116	72	405	986	434	-6.68
Total	1,854	14,837	2,014	1,792	217	529	614	553	4,699	17,711	4,760	-1.28

Average annual demand is calculated as a rolling 3 year average. Excludes real system water losses of 10.02% and estimated non-metered consumption of 887ML's.

Excludes Standpipe Sales, 18ML, and South Gippsland Water's metered properties, 15ML.

Drinking Water Compliance

During 2008/2009, South Gippsland Water continued its water quality monitoring program consistent with the requirements of the Safe Drinking Water Act and Regulations. The compliance parameters monitored at specified frequencies were:

Microbiological:	E.coli	Weekly
Physico-chemical:	Turbidity	Weekly
	Aluminium	Monthly
Disinfection by-products:	Trihalomethanes	Monthly
	Chloroacetic Acid	Monthly
	Dichloroacetic Acid	Monthly
	Trichloroacetic Acid	Monthly

Percentage compliance detailed below is based on the total number of drinking water samples complying with requirements of the Safe Drinking Water Regulations 2005. Further details of drinking water compliance for each distribution system are reported annually to the Department of Human Services.

Parameter	2008/2009 %
E.coli (<1 E.coli in 98% of samples taken)	100
Turbidity (95% upper confidence limit of the mean <=5 NTU)	100
Aluminium (<=0.2 mg/L)	100
Trihalomethanes (<=250ug/L)	99.7
Chloroacetic Acid (<=150ug/L)	100
Dichloroacetic Acid (<=100ug/L)	100
Trichloroacetic Acid (<=100ug/L)	100

Water Supply

Drought Response Plan Report

Introduction

South Gippsland Water's supply storages and river water sources are not large and the region has relied on its historical, high annual winter rainfall to replenish storages prior to the summer draw down and to provide river flows throughout the summer for those towns which extract water directly.

Over the 12 months covered by this report, the South Gippsland Region continues to recover following the lowest rainfall on record in 2006. Storage recovery in 2008/09 was well below the historical average but considerably improved over the 2006/07 conditions.

Tarra River System – Yarram, Devon North, Alberton and Port Albert

Yarram, Devon North, Alberton and Port Albert spent 4 months on high (level 4) restrictions up to the end of May in 2009. The drought response plan for this system is under review.

A range of options to provide security of supply to the customers on this system have been considered with various actions being taken on a short term, ground water augmentation project.

Ruby Creek System – Leongatha, Koonwarra and Leongatha South

A Qualification of Rights was granted for the transfer of water from the Tarwin River by the Minister for Water on the 13th of June 2008. A permanent Bulk Entitlement for water from the Tarwin River is currently being sought.

Coalition Creek System – Korumburra and surrounds

The Bulk Entitlement being sought for the Tarwin River, to supplement the Ruby Creek system will also be used to augment supply to the Coalition Creek system and customer at Korumburra and surrounds.

Battery Creek System – Fish Creek and Surrounds

Demand management continues to be a focus in this area and the strong cooperative relationship between the Corporation and farmers has seen demands on the system reduce quite significantly over the last 3 years. Augmentation of the Battery Creek reservoir is planned in the future – and has been included in the Corporation's Water Plan and Corporate Plan.

Lance Creek System – Wonthaggi, Inverloch and Cape Paterson

During the 2007/2008 financial year, a temporary qualification of rights was obtained to supply water to Lance Creek reservoir from the Powlett River. This has been extended to the 31st of December 2009.

Supplementation of water from the Powlett River, utilises a pump station constructed on the bank of the river and a total of 9.5 kilometres of 400mm and 355mm diameter polyethylene pipeline to the Lance Creek reservoir. The system has the capacity to pump 10 million litres [ML] per day, given sufficient available winter flows in the river.

Approval for an Amended Bulk Entitlement is currently being sought to extract water from the Powlett River, up to a maximum of 1800ML per annum.

Summary

Infrastructure implemented during the unprecedented dry period of 2006 continues to be used to secure supplies during the winter recovery period, processes to regularize this essential augmentation are well underway.

Water Efficiency Today [WET] Program – Interest Free Loans

The program applies to commercial businesses and rural properties who can identify opportunities for significant water savings, that could be made quickly, but do not have the funds at hand to take the required action. The water savings, supported by WET loans must be ongoing.

Properties wishing to undertake works resulting in water efficient practices were invited to apply for an interest free loan. If successful South Gippsland Water will provide an interest free loan up to \$5,000 to complete works, resulting in water efficient practices. Payment arrangements of up to two years can be agreed and invoiced quarterly. Preference is given to applications where the loan amount is matched by the estimated value of the water saving and consequential dollar saving.

The applicant must continue to conserve the amount of water stated in the WET application. Customers are subject to the conditions of the application. All applicants are advised in writing whether they are successful or not.



The South Gippsland Water Staff that achieved Australian Standard AS/NZ ISO 14001 certification for our Environmental Management System in 2008/09. From the left Bryan Roylance, Bryan Chatelier, Ravi Raveendran, Glenn Joy, Geoff Prowd, Scott Rathjen, Lale Rogeon, Rod Murray, Bridie Witchell, Brett Vurlov and Murray Lynch.

Major Non-residential Water Users

Customers equal to or greater than 50ML - by volume range per year

Volumetric Range ML per year	Number of Customers
Equal to or greater than 50ML and less than 100ML	2
Equal to or greater than 100ML and less than 200ML	2
Equal to or greater than 200ML and less than 300ML	0
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 1000ML	0
Greater than 1,000ML	1
Total Number of Customers	5

Water Maps

The State Government Water Maps initiative aims to help secure the State's water supplies through consultation with high volume industrial customers.

Non residential water customers with a water usage above 10ML are asked to:

- Assess their current water usage
- Identify inefficiencies and opportunities for water savings
- Prepare an action plan to implement water conservation activities
- Annually report on implementation of water conservation activities

South Gippsland Water has provided support to the 20 customers [15 using more than 10ML but less than 50ML] who qualify as Water Map customers, and successfully implemented this water conservation program.

Water Map Customers & Conservation initiatives

Business type	Participation in Water Conservation Program
Murray Goulburn Co-Op Ltd. Leongatha	Now included in EREP. Highly active in water conservation.
Leongatha Steam Company - Leongatha	Have invested heavily in reverse osmosis plant to supply auxiliary water to the plant
Towang No 1 Pty Ltd. Burra Foods. Korumburra	Introduced reverse osmosis [RO] plant – RO permeate is being recycled in laboratories for use in microbiological media preparation – replacing distillation process – saving energy as well as water.
Tabro Meats Pty Ltd. Lance Creek	Very active in water conservation. Introducing recycling of treated wastewater onsite.
GBP Exports Pty Ltd. Poowong	Have made significant improvements in water conservation. Have installed filtration unit to enable use of dam and bore water for wash down purposes.



Coalition Creek Reservoir, one of a system of reservoirs that supply Korumburra.



The impressive Korumburra standpipe.

Wastewater Services

Wastewater Management

During 2008/2009, South Gippsland Water was fully compliant with sewerage treatment standards at all systems, except for the Foster wastewater system.

Improvements in wastewater management implemented during the year included:-

- Sewerage pumping stations have been upgraded to improve efficiency and reduce the risk of spills from occurring;
- The septic tank wastewater receiving system at the Toora treatment plant has been upgraded;
- Continued improvements to wastewater management systems have been implemented, particularly for monitoring, calibration, documentation and reporting;

- Improved groundwater monitoring adjacent to wastewater lagoons has been implemented, to ensure the integrity of the lagoons;
- Improvements to the lagoon aeration system at Inverloch have provided more efficient mixing and improved the quality of the effluent

Treated Effluent

South Gippsland Water continues to seek innovative methods for disposal of effluent for all of its sewerage treatment plants.

Biosolids

With the upgrade of the Leongatha wastewater treatment plant South Gippsland Water commissioned a study to determine options for processing biosolids for suitable re-use, via land application. Currently there is no biosolids re-use.

SERVICE AND ENVIRONMENTAL PERFORMANCE INDICATORS

Performance indicator	2007/08 Result	2008/09 Result	2008/09 Target	Variance %	Notes
Reuse indicators					
Effluent reuse (volume)					
Foster	0.0%	0.0%		n/a	
Korumburra	0.1%	0.3%		n/a	
Leongatha (domestic)	0.0%	0.1%		n/a	
Leongatha (trade waste)	0.0%	0.0%		n/a	1
Toora	3.6%	20.3%		n/a	
Welshpool	0.0%	0.0%		n/a	
Wonthaggi/Cape Paterson/Inverloch	2.4%	3.2%		n/a	
Yarram	100.0%	100.0%		n/a	
Biosolids reuse (dry mass)					
Foster	0.0%	0.0%		n/a	
Korumburra	0.0%	0.0%		n/a	
Leongatha (domestic)	0.0%	0.0%		n/a	
Leongatha (trade waste)	0.0%	0.0%		n/a	2
Toora	0.0%	0.0%		n/a	
Welshpool	0.0%	0.0%		n/a	
Wonthaggi/Cape Paterson/Inverloch	0.0%	0.0%		n/a	
Yarram	0.0%	0.0%		n/a	
Sewage treatment standards					
Number of analyses complying with licence agreements as % of samples					
Foster	80.6%	63.9%	100.0%	(36.1)	3
Korumburra	100.0%	100.0%	100.0%	0.0	
Leongatha (domestic)	100.0%	100.0%	100.0%	0.0	
Leongatha (trade waste)	100.0%	100.0%	100.0%	0.0	
Toora	100.0%	100.0%	100.0%	0.0	
Welshpool	100.0%	100.0%	100.0%	0.0	
Wonthaggi/Cape Paterson/Inverloch	100.0%	100.0%	100.0%	0.0	
Yarram	100.0%	100.0%	100.0%	0.0	

Note 1 No targets set. Reuse increased due to reuse on Toora football ground.

Note 2 No targets set. The Corporation does not recycle biosolids.

Note 3 The actual result was less than target, due to high algae in Foster lagoons, resulting in high suspended solids and E.coli in discharge. A long term strategy is in progress involving duckweed ponds and wetlands to improve performance. Improvements are also in progress in identifying and reducing stormwater infiltration in the sewer system.



South Gippsland Water's Trade Waste staff Jessica Haigh and Shane Murray with the new portable water quality sampler for on site testing of wastewater.



Graeme Jackson, Project Development Manager, discussing the early stages of the Poowong, Loch and Nyora Sewerage Scheme with a local resident.

Management & Regional Enhancement

Management Systems

South Gippsland Water continues to improve and update management information and administrative systems with the most appropriate, efficient, technology and applications.

Information Management

The year 2008/09 saw the Corporation continuing with its strategic plan for the management, maintenance, future development and implementation of integrated technology solutions across the business.

Significant achievements by the Corporation's Information Technology (IT) group during 2008/09 included:

Extensive development SCADA systems including:-

- *Real time SCADA data retrieval for executive management systems development.*
- *Next G mobility, twenty four hour access for remote plant management.*
- *Upgrading of the Corporation's hardware under the rolling maintenance plan – at the Foster Office and at a number of remote centres.*
- *Off site disaster recovery arrangements operational and tested.*
- *Continuation of the internal customer help desk.*
- *Development and revision of key IT policies and procedures.*
- *Implementation of Virtualised server environment.*

Quality Assured Documentation

2008/09 saw the second year of operation of the Corporation's Quality Assured Documentation (QAD) System. The system incorporates all South Gippsland Water's policies, procedures, such as Quality Assurance, Safety, Emergency Management and Environmental Systems, together with their associated forms, in a single "Quality Assured" environment.

Corporation policies and procedures are readily available on the intranet for use by all staff. This ensures that key processes are followed consistently throughout the Corporation. All new policies and procedures undergo a rigorous review and approval process which includes consultation and involvement with key staff members. All existing policies undergo scheduled reviews at regular intervals to ensure they are relevant and up to date.

Risk Management

The Audit and Risk Management Committee undertook a review of the Corporation's risk profile and strategic risk management system processes. The Corporation has established risk management processes consistent with the Australian/New Zealand Risk Management Standard AS 4360 2004 and an internal control system is now in place that enables the Executive to understand, manage and satisfactorily control risk exposures. Risk Management reports are presented to Senior Management meetings and are reviewed quarterly by the Audit and Risk Management Committee and are presented to the Board for consideration.

Triple Bottom Line Outcomes

The ongoing improvement of risk management systems has resulted in the following benefits:-

Environmental	<i>Development of specific Environmental Risk Management Procedures that ensures risks to the environment in the design, development, implementation, completion and reinstatement of project works are identified and adequate controls are put in place to mitigate these risks.</i>
Social	<i>Risk Management processes allows the Corporation to potentially deliver an improved level of supply and water quality to customers which instills greater trust and confidence in the Corporation.</i>
Economic	<i>Implementation of improved risk management has ensured a systematic method of identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process within the Corporation, ultimately enabling the Corporation to minimise losses.</i>

The Risk Management system is now reviewed on an annual basis by both the Corporation's insurance provider and the Audit and Risk Management Committee.

The risk framework of the Corporation encompasses a myriad of risk categories, including Corporate and strategic, OH&S and public safety, water quality, environmental and financial elements.

Innovative Wastewater Treatment

The Meeniyan Sewerage Scheme includes an innovative wetlands design as part of the natural lagoon treatment process. As well as giving the township the much needed improvement of reticulated sewerage, the wetlands element has major benefits for wild life and the local environment. Reuse of the treated water is also a major component of this projects imaginative design.

Similarly, the Poowong, Loch and Nyora Sewerage Scheme will provide for town development, some re-use and will also take advantage of a natural treatment lagoon process.

Regional Saline Wastewater Project

The importance of South Gippsland Water's "Saline Wastewater Disposal System" is becoming more obvious as the pressure increases on saline waste producing industries in Melbourne. They are being required to reduce their saline wastewater output, and the consequent inflows to the city sewerage system.

The reduction of salinity levels in raw sewerage is necessary to enable existing processes to produce treated wastewater capable of meeting effluent re-use targets. New industries, seeking to locate in Melbourne are now faced with stringent requirements for saline wastewater disposal.

South Gippsland Water's "Saline Wastewater Disposal System" is currently transporting saline waste from one major industry. The system has the capacity on hand to attract new industries to the region and will remain an item of significant State infrastructure for conveying treated saline wastewater to the sea into the future.



Work commences on the Lance Creek system water pipe line connection to the Desalination Plant site. Concrete pumping equipment caught in sunlight before the next rain shower.



Polyethylene welding equipment in action on the Lance Creek pipe line.

Environmental Sustainability - Our Water Our Future

Throughout 2008/2009 progress continued on the implementation of 'Our Water Our Future' policies. The comments below relate to key regional issues in South Gippsland Water's area of responsibility.

Environment Policy

South Gippsland Water's objective is to protect and enhance the environment by conducting its operations in accordance with its Environmental Management System, Policies and Procedures, Operating Licences, and Environmental Legislation and Regulations.

The environmental policy is the driver for implementing and improving the Corporation's environmental management system so that it can maintain and improve its environmental performance. This policy forms the basis upon which the Corporation sets its objectives and targets, and reflects its commitment to comply with all legal requirements.

South Gippsland Water's commitment to the Environment:

South Gippsland Water -

- *Recognises that in addition to supporting the social and economic values that have helped make South Gippsland popular and prosperous, it must also do its part to protect the environmental interests of the area;*
- *Will ensure that the extraction, storage, treatment and distribution of potable water is undertaken with due consideration for our important natural assets and that the collection, treatment and disposal of wastewater is managed in an environmentally safe and sustainable manner;*
- *Will make all reasonable efforts to minimise the environmental impacts associated with our activities by endeavouring to operate in accordance with Best Practice protocols that will enable us to meet our environmental obligations;*
- *Comply with relevant legislation, industry standards and internal commitments and other requirements that relate to our environmental aspects;*
- *Is committed to continual improvement in environmental performance and prevention of pollution;*
- *The environmental policy is proudly displayed at all South Gippsland Water facilities, and is underpinned by an environmental management system which provides the foundation for the management of our environmental aspects.*

Sustainability

South Gippsland Water is committed to providing water and wastewater services to the region in a sustainable manner. As an essential service provider, it is important that we identify how we will continue to contribute to a secure economy, enhanced environment and healthy community.

Sustainability Strategy

To deliver our vision "to be widely recognised as an exemplary service provider and valued as an essential contributor to regional development and resource sustainability", South Gippsland Water is focused on four key sustainability priorities.

These are:

- *Water and wastewater services*
- *Water and wastewater quality*
- *Natural environment*
- *Climate change*

South Gippsland Water has developed a sustainability strategy which details objectives, goals and targets to enable us to become a more sustainable Corporation. In helping us to realise the four key sustainability priorities listed above, the Corporation has developed eight fundamental aspects that will be taken into consideration during decision making.

These are:

- *Planning with foresight*
- *Sound investment logic*
- *Proactive community and customer engagement*
- *Business adaptability*
- *Quality people*
- *Exemplary environmental management*
- *Timely and accurate data and information*
- *Effective governance*

The sustainability strategy is currently being finalised, with the next step being implementation through working towards the goals and objectives set out in the strategy.

Environmental Management System

South Gippsland Water is committed to responsible environmental management. In 2008/09 the Corporation developed and implemented an Environmental Management System (EMS) that has been certified to the Australian Standard AS/NZ ISO 14001. The role of the EMS is to enable us to identify, manage and reduce the impacts to the environment from our activities.

Some of the key areas of the EMS include:

- *Environment Policy*
- *Identifying impacts that the Corporation may be having on the environment*
- *Operational and incident management procedures*
- *Setting objectives and targets to improve our environmental performance.*
- *Environmental responsibilities*
- *Continual improvement*

Catchment Management

South Gippsland Water regards itself as a principal stakeholder in environment and catchment management initiatives within the region. The Corporation recognises the close link between catchment management and its goals to manage and provide, in an environmentally sound and efficient manner, safe high quality drinking water to its customers. South Gippsland Water has a number of programs in place to protect water quality and enhance the environment.

EPA Catchment Officer

South Gippsland Water has joined forces with EPA Gippsland and the West Gippsland Catchment Management Authority to fund a Catchment Officer position within the EPA. The main focus of the position is to carry out dairy farm audits to improve water quality within our drinking water supply catchments.

Battery Creek Catchment

Battery Creek supplies drinking water to the township of Fish Creek and surrounds. Over the past 10 years, South Gippsland Water has worked closely with Greenfleet to revegetate around 40 hectares of land within the catchment.

A couple of years ago the Corporation purchased a further 88 hectares of land within the Battery Creek catchment. Currently this land is being grazed by sheep, however we have developed a revegetation plan for the land that will see it eventually planted entirely with native vegetation that will reinstate natural habitat to the area.

Weed Control Program

South Gippsland Water has developed a significant weed control program on our land. Our objectives of managing environmental weeds are to:

- Maintain indigenous biodiversity, particularly ecosystems of high conservation value;
- Maintain the viability of threatened species and communities;
- Promote ecological sustainability and the provision of ecosystem services; and
- Prevent adverse social or economic impacts on our neighbors

Weed issues that are noticed within the water supply catchments, but are not on our land, by SGW are directed to the South Gippsland Pest Plant and Animal Landcare Facilitator.

Reclaimed Water

South Gippsland Water recognises that with appropriate management, by-products of wastewater treatment (e.g. treated effluent) can be a resource rather than a waste, and we are endeavouring to re-use where possible. The Corporation currently has a number of re-use schemes which include the following:

- Tarraville wastewater treatment plant – a nearby farmer uses approximately 100ML of recycled water per year for irrigation of pasture. The pasture is used for grazing beef cattle.
- Inverloch wastewater treatment plant – a nearby farmer uses around 20-30ML per year to irrigate crops for cattle fodder.
- Toora wastewater treatment plant – the Toora Football Club uses 2-3ML per year of recycled water during summer to irrigate the football ground, which saves them using the town water supply during the driest part of the year.
- Leongatha and Korumburra wastewater treatment plants – recycled water is available from a standpipe at each treatment plant for approved customers to use instead of town drinking water. Uses so far have included weed spraying and road works/dust suppression.

Greenhouse Gas and Energy management

South Gippsland Water aims to reduce our greenhouse gas emissions to minimise our contribution to climate change, and be an adaptable business that enables our services to be delivered in a changing climate.

During the year, South Gippsland Water undertook an energy audit of the entire Corporation and its activities to determine our current levels of greenhouse gas emissions and energy use, and identify opportunities to reduce our emissions.

The energy audit has identified around 50 options for energy savings. The key energy efficiency improvement opportunities centred on the following:

- Reduction of treatment volumes in wastewater and water treatment
- Efficiency improvement of pumping systems
- Investigating use of the potential energy in water, sun and wind
- Motivation of employees to be efficient with their energy use

As a result of undertaking the energy audit, South Gippsland Water will research the emission reduction opportunities identified, and develop an energy management plan to guide the Corporation in becoming a more sustainable business.

Partners in Environment and Sustainability

South Gippsland Water contributes to a number of organisations both financially and in-kind. These include:

- South Gippsland LandCare Network
- Bass Coast LandCare
- West Gippsland WaterWatch
- Gippsland Regional Water Monitoring Partnership
- South Gippsland Environmental Education and Interpretation



The Warrawee Seniors Club in Inverloch were awarded a Commonwealth Water Grant to complete the installation of a bank of large rainwater tanks, upgrade their guttering and to retrofit the club rooms with water saving devices throughout. They are well on the way to saving 90% of previous annual water use. To follow up they went on to win a prestigious "savewater.com" Community Action Award. Committee members are shown at their club and receiving the savewater.com award at the ceremonies in Melbourne.

Financial Performance

South Gippsland Water's net result for the year was a deficit of \$0.288 million.

Revenue was \$1.589 million higher than 2007/08, due to \$0.968 million increase in service charges and \$0.660 million increase in volumetric charges. Expenditure was \$1.339 million higher than 2007/08, due to a combination of higher borrowing costs, operations and maintenance, depreciation and environmental contributions and higher borrowing costs and employee benefit costs.

Operational project costs were higher than 2007/08, due to the write off of a number of projects at year end. \$9.919 million of new capital investment was undertaken during the year in order to improve services to the Corporations' water and wastewater customers.

This continued high level of capital expenditure has resulted in borrowings increasing \$2.030 million during the year to \$21.000 million.

FRD121 Infrastructure Assets (Water/Rail) prescribes the requirements for the valuation of water and rail infrastructure assets controlled respectively by water and rail entities, particularly on transition to fair value.

For the 2008/09 transition year, it directs that Infrastructure assets controlled by water and rail entities are to be measured as follows:

Entity reporting

- *Cost less any accumulated depreciation and any accumulated impairment losses.*

Whole of Government (AASB 1049) reporting

- *Fair value at the date of the revaluation (30 June 2009) less any subsequent accumulated depreciation and subsequent accumulated impairment losses.*

Subsequent to the 2008/09 transition period, water and rail entities are required at the written direction of DTF under the direction of the Minister to implement fair valuation of their infrastructure assets for entity level reporting in addition to the "whole-of-government" level, in accordance with FRD103D Non-Current Physical Assets. Adoption of fair valuation at the entity level is to commence either in the 2009/10 or 2010/11 as directed by the Department of Treasury and Finance.

South Gippsland Water submitted an infrastructure assets fair value of \$174.915M, an increase of \$34.874M, into the State's annual financial report, in accordance with AASB 1049 Whole of Government and General Government Sector Financial Reporting.

A summary of the key financial elements and KPI's follows:

Summary of the Financial Results for the Year	2008/09 \$	2007/08 \$	2006/07 \$	2005/06 \$	2004/05 \$
Operating revenue	20,047	17,888	16,930	15,731	15,131
Government contributions	23	450	1,105	380	300
Other revenue	572	715	597	486	419
Total revenue	20,642	19,053	18,632	16,597	15,850
Administration	5,682	4,517	4,306	3,456	3,127
Corporate Expenditure	13,681	12,820	15,113	11,065	10,294
Project Expenditure	1,567	2,194	2,092	543	397
Total expenditure	20,930	19,531	21,511	15,064	13,818
Current assets	2,159	3,953	3,674	1,272	3,244
Non-current assets	158,566	152,799	148,984	144,613	133,037
Total assets	160,725	156,752	152,658	145,885	136,281
Current liabilities	9,136	7,471	5,924	8,991	2,428
Non-current liabilities	16,390	15,414	12,964	245	597
Total liabilities	25,526	22,885	18,888	9,236	3,025

Key Financial Performance Indicators required to be reported as a part of the Annual Statement of Performance were:

FINANCIAL PERFORMANCE INDICATORS					
Performance indicator	2007/08 Result	2008/09 Result	2008/09 Target	Variance %	Notes
Long Term Profitability					
Earnings before net interest and tax X 100					
Average total assets	0.4%	0.7%	1.1%	(36.4)	1
Owner's Investment					
Net profit after tax X 100					
Average total equity	(0.4%)	(0.2%)	0.1%	(300.0)	1
Long Term Financial Viability					
Total debt (incl. finance leases) X 100					
Total assets	12.1%	13.1%	15.6%	(16.0)	1
Liquidity and Debt Servicing (Interest Cover)					
Earnings before net interest and tax expense					
Net interest expense	(0.6) times	0.8 times	1.1 times	(27.3)	2
Immediate Liquidity and Debt Servicing (Cash Cover)					
Cash flow from Operations before net interest and tax payments					
Net interest payments	3.9 times	3.37 times	3.6 Times	(6.4)	3
Operating Efficiency Water supply / wastewater collection					
Operations, maintenance and administration expenses per ML transported or treated:					
water supply bulk	\$324	\$329		n/a	4
water supply reticulation	\$423	\$483		n/a	4
water supply treatment	\$889	\$934		n/a	4
sewerage reticulation	\$491	\$539		n/a	4
sewerage treatment	\$903	\$1,379		n/a	4

Note 1 The actual result was down on target due to a number of factors including:

- Lower trade waste income.
- Reduced domestic water consumption revenue as a result of changed customer behaviour following extensive water restrictions throughout the region.

Note 2 The liquidity and debt servicing ratio was less than forecast due to the reasons articulated in note 1.

Note 3 The immediate liquidity and debt servicing ratio was less than forecast due to the reasons in note 1.

Note 4 No targets set. For water - expenses were generally in line with the previous year. Lower volumes, due to dry weather and customer behaviour from recent water restrictions have in higher unit costs. For sewerage - reticulation costs have increased slightly, while costs of treatment have increased significantly from last year. However, on analysis this was found to be due to an incorrect input into last years' calculation.

Triple Bottom Line Report

(Based on VWIA Triple Bottom line Guidelines & Global Reporting Initiative 2002 Sustainability Reporting Guidelines)

TBL Performance Indicators – 2008/2009

1. ECONOMIC Indicator <i>(* Denotes explanatory comment by South Gippsland Water)</i>	2008/09	2007/08	2006/07	2005/06
A. Customers				
1. \$ Total income for sales of water & provision of sewerage services <i>(*Excluding returns from investments)</i>	\$17,693,000	\$15,763,000	\$14,679,000	\$14,528,000
2. \$ Income by water supply/sewerage system. <i>(*Systems over 5% of total revenue only.)</i>				
a. Lance Creek (Wonthaggi, Inverloch & Cape Paterson)				
Water Supply.....	\$4,266,321	\$4,386,000	\$4,021,000	\$3,775,000
Sewerage.....	\$3,400,359	\$4,016,000	\$3,639,000	\$3,615,000
b. Ruby Creek (Leongatha, Leongatha South & Koonwarra)				
Water Supply.....	\$2,636,193	\$2,457,000	\$2,040,000	\$2,113,000
Sewerage.....	\$1,999,439	\$1,788,000	\$2,065,000	\$1,200,000
c. Coalition Creek (Korumburra)				
Water Supply.....	\$870,472	\$1,023,000	\$769,000	\$882,000
Sewerage.....	\$856,361	\$1,176,000	\$913,000	\$1,084,000
d. Agnes River (Toora, Welshpool, Port Welshpool, Port Franklin & Agnes)				
Water Supply.....	\$680,321	\$648,000	\$602,000	\$621,000
Sewerage.....	\$251,940	\$269,000	\$240,000	\$434,000
e. Tarra River (Yarram, Devon North, Alberton & Port Albert)				
Water Supply.....	\$848,952	\$803,000	\$689,000	\$669,000
Sewerage.....	\$537,626	\$555,000	\$502,000	\$501,000
3. Customer perception of economic benefit, comments on pricing and affordability. Based on Customer Survey.				
a. Customer satisfaction with Pricing and Affordability	93%	95%	95%	94%
b. Customer satisfaction with overall service delivery	96%	95%	97%	97%
B. Suppliers – Economic Performance				
1. Payments and payables to suppliers, for all goods, materials and services purchased.	\$7,624,000	\$7,463,000	\$6,384,000	\$5,215,000
2. Percentage of contracts paid in accordance with agreed terms, excluding agreed penalty arrangements. <i>(*Agreed terms defined as: standard ASA contract conditions)</i>	100%	100%	96.84%	90.46%
3. Changes in Days Payable – as per accepted definitions of sales and bills payable <i>(*Excluding contracts)</i>	54.1 – 56.0	33.0 – 54.1	31.3 – 33.0	22.9 to 31.3
C. Employees				
1. Total remuneration paid to employees, includes wages, separations, other benefits and redundancy payments	\$5,449,000	\$4,931,812	\$4,415,000	\$4,088,000
D. Funds				
1. Interest on debt and dividend payments	\$1,373,000	\$1,098,000	\$613,000	\$181,000
2. Return on Assets	0.7	0.4%	(1.5%)	1.21%
3. Return on Equity	(0.2)	(0.4%)	(2.1%)	1.14%
E. Public Sector				
1. Taxes paid:				
a. PAYE	\$1,069,388	\$970,000	\$949,000	\$931,000
b. FBT	\$109,000	\$71,000	\$47,000	\$72,000
c. Payroll Tax	\$213,000	\$184,470	\$165,000	\$214,000
2. Dollars of non-core infrastructure development outside main business activities for employees and their families.	Items None \$0	Items None \$0	Items None \$0	Items None \$0
F. Indirect Economic Impacts				
1. Description of South Gippsland Water's indirect economic impacts.				
a. Total Capex	\$9,919,000	\$8,224,000	\$12,068,000	\$13,865,000
b. \$ value of renewals	\$8,110,000	\$3,436,000	\$4,487,000	\$5,221,000
c. \$ value of new works	\$1,809,000	\$4,788,000	\$7,581,000	\$8,644,000
d. \$ Capex per customer <i>(* Indicators chosen from VWIA alternative Guidelines)</i>	\$522	\$442	\$659	\$824

Triple Bottom Line Report

2. ENVIRONMENTAL Indicators <i>(* Denotes explanatory comment by South Gippsland Water)</i>	2008/09	2007/08	2006/07	2005/06
A. Energy				
1. Consumption of electricity measured in kWh's				
a. Water	7,749,846	1,879,703	2,040,604	1,756,105
b. Sewerage	2,360,240	2,292,848	2,603,885	1,082,480
c. Other/Corporate Usage	138,352	141,807	106,624	89,188
2. Initiatives to use renewable energy sources and increase energy efficiency <i>(Energy Source kWh or Cubic M)</i>	Sustainability Strategy and Energy Management Plan have been developed and adopted.	Energy audits of 21 Corporation sites undertaken in conjunction with an independent consultant.	Energy audits of 4 Corporation sites undertaken in conjunction with Sustainability Victoria.	Desertification equipment installed at Leongatha reservoirs.
B. Water				
1. Water Throughput (Available Water ML)				
a. Water Extracted from the Environment.				
- Ground water	283ML	203ML	531ML	56ML
- Direct river extraction	2,135ML	2,399ML	2,231ML	4,401ML
- Impounding reservoir	3,195ML	3,149ML	3,657ML	5,449ML
b. Water Purchased				
- Raw water purchase	Nil	Nil	Nil	Nil
- Treated water purchased	Nil	Nil	Nil	Nil
c. Water Recycled				
- Own source	N/A	N/A	N/A	N/A
- Purchased	Nil	Nil	Nil	Nil
- Desalination plant	Nil	Nil	Nil	Nil
2. Total Water Available (Water Applications ML)				
• Residential	1,855ML	1,757ML	1,891ML	2,108ML
• Commercial	2,871ML	2,321ML	2,226ML	2,565ML
• Mining	Nil	Nil	Nil	Nil
• Non-Water Utilities	Nil	Nil	Nil	Nil
• Parks & Gardens	n/a	6ML	3ML	10ML
• Municipal	n/a	21ML	46ML	62ML
• Rural	n/a	639ML	739ML	667ML
• Environmental Flows	3000ML	3,000ML	3,000ML	3,000ML
• Bulk Sales to Other Water Utilities (Raw)	Nil	Nil	613ML	Nil
• Bulk Sales to Other Water Utilities (Treated)	Nil	Nil	Nil	Nil
• Real System Water Loss	496ML	634ML	544ML	978ML
• Estimated non metered consumption - Authorised	376ML	383ML	345ML	460ML
• Estimated non metered consumption - Unauthorised	15ML	Nil	12ML	Nil
Total Water Applications =	8,613ML	8,761ML	9,363ML	9,850ML L
3. Total recycling and reuse of water, includes wastewater & any other water recycled (ML)				
a. Residential	Nil	Nil	Nil	Nil
b. Commercial	Nil	Nil	Nil	Nil
c. Wastewater reuse	122	144ML	139ML	130ML
4. Ratio of water used to rainfall available				
a. Area of catchments available to supply sources	1,234 Square km's	1,234 Square km's	1,234 Square km's	1,234 Square km's
b. Average annual rainfall in region	934mm	969.7 mm	969.7 mm	969.7 mm
c. Total ML p.a. available to catchments	1,196,000ML	1,196,610ML	1,196,610ML	1,196,610ML
5. Wastewater disposal (ML)				
a. Ocean Outfall	2,191ML	2,261ML	1,882ML	2,713ML
b. Inland receiving waters	1,082ML	1,030ML	769ML	948ML
c. Re-use	122ML	144ML	139ML	130ML
d. Other	Nil	Nil	Nil	Nil

3. SOCIAL Indicators	2008/09	2007/08	2006/07	2005/06
<i>(* Denotes explanatory comment by South Gippsland Water)</i>				
A. Labour Practices – Employment & Work				
1. Breakdown of workforce by status / employment type. Staff numbers by function – total and full time equivalent:				
a. Executive & Administration	19	18	14	16
Customer Service	10	10	10	10
Technical Services	9	11	9	10
Operations	46	42	42	38
Total	84	81	75	74
b. % of employees who are part time	4.8%	5%	4.0%	4.1%
c. % of employees not on a permanent contract:	4.8%	5%	5.2%	4.1%
d. estimated % of labour requirement met by out-sourcing or non-employees	8.3%	8%	7.8%	5.4%
2. Net employment creation and employee turnover. Employee turnover as a % workforce	7.0%	7.4%	13.1%	6.8%
B. Industrial Relations				
1. Percentage of employees covered by collective bargaining agreements	95%	95%	99%	99%
2. a. Policy and procedures for information, consultation and negotiation with staff over changes in the Corporation's operations.	Human Resources Policy and Enterprise Bargaining Agreement.			
b. Provision of formal worker representation in decision making or management including corporate governance (Board of Directors)	Nil	Nil	Nil	Nil
C. Health & Safety				
1. Occupational Health and Safety policy, distribution and staff awareness.	Human Resources Policy & Training			
2. Recording and notification of accidents and diseases, for period of this report. Workplace injuries resulting in days lost:- number of person days lost:-	1 6.25	12 44	0 0	5 32.5
D. Training and Education				
1. Total training investment	\$251,000	\$142,000	\$133,000	\$180,000
2. Programs to support the continued employability of staff and to manage career endings.				
a. Training spent per staff member p.a.	\$2,792	\$1,753	\$1,779	\$2,433
b. Number of employees to undertake training. Study Leave available for approved courses	82	81	75	72
E. Diversity & Opportunity				
1. Positive or affirmative action policies – extension of equal opportunity.	Not Applicable	Not Applicable	Not Applicable	Not Applicable
2. Female/Male ratio in senior management and corporate governance (Board of Directors) - % of women in management roles	18%	18%	20%	18%
F. Indigenous Rights				
1. Mechanism for consultation on projects that may affect historical indigenous rights. Consultation with indigenous people – No. of 'Cultural Heritage and Archaeological Surveys conducted during reporting period.	Procedures in place. 3	Procedures in place. 2	Procedures in place. 5	Procedures in place. 2
2. Documented management principles regarding indigenous people.	As directed by Government of Victoria.			
G. Human Rights - General				
1. Human rights compliance in relation to suppliers of goods and materials – verify that manufacturers of imported products comply with Human Rights standards.	To be assessed	To be assessed	To be assessed	To be assessed
H. Customer Health & Safety				
1. Policy for customer health and safety during use of Corporation's products and services – guidelines, monitoring and reporting on compliance.	See water and wastewater compliance results			
2. Number and type of breaches of guidelines.	See water and wastewater compliance results			
3. Number of complaints upheld by regulatory body, Energy and Water Ombudsman of Victoria (EWOV) relating to health and safety of products.	Nil	Nil	Nil	Nil

Triple Bottom Line Report

3. SOCIAL Indicators <i>(* Denotes explanatory comment by South Gippsland Water)</i>	2008/09	2007/08	2006/07	2005/06
I. Advertising				
1. Advertising compliance with standards for social and environmental responsibility.	Compliance with standards.	Compliance with standards.	Compliance with standards.	Compliance with standards.
J. Respect for Privacy				
1. Description of Corporation's privacy policy.	Corporation must operate within the prescribed government policy.	Corporation must operate within the prescribed government policy.	Corporation must operate within the prescribed government policy.	Corporation must operate within the prescribed government policy.
2. Number of substantiated breaches of customer privacy over the last 3 years.	Nil	Nil	Nil	Nil
K. Competition & Pricing				
1. Policy, procedures and management a. Systems and compliance mechanisms for anti-competitive behaviour b. Weighted Average Increase in Prices	Corporation must operate within pricing guidelines set by the Government. 9.0%	Corporation must operate within pricing guidelines set by the Government. 7.2%	Corporation must operate within pricing guidelines set by the Government. 7.7%	Corporation must operate within pricing guidelines set by the Government. 6.0%
L. Corporate Citizenship				
1. Corporation contributions to projects with value to the greater community, eg. Education, training and humanitarian programs.	See H40 below	See H40 below	See H40 below	See H40 below
2. Awards received for social, ethical and environmental performance.	Nil	Nil	Nil	Nil
3. Grants to landowners for environmental improvements -Hills to Ocean [H2O] Grants a. Number b. Value Help for Water Efficient Organisations [H40] Grants a. Number b. Value	6 \$2,000 8 \$3,296	1 \$500 6 \$2,000	9 \$2,500 6 \$4,273	7 \$1,000 8 \$2,500
M. Community				
1. Policy, procedures and compliance mechanisms for customer feedback and satisfaction reporting.	Independent annual customer satisfaction survey conducted.	Independent annual customer satisfaction survey conducted.	Independent annual customer satisfaction survey conducted.	Independent annual customer satisfaction survey conducted.
2. Authorities policies, procedures for engaging in dialogue with community and stakeholders in the region of operation.	Project based customer groups. Customer forums for general issues. Groups established for sewerage schemes at Meeniyah and Poowong, Loch and Nyora.	Project based customer groups. Customer forums. Demand management during drought. Major consultation programs for Water Plan2 .	Project based customer groups. Customer forums. Demand management during drought. Major consultation programs for Water Plan2 and Long Term Water Supply Strategy.	Project based customer groups. Customer forums for general issues.

Financial Report

for the year ended 30 June 2009

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Operating Statement

for the reporting period ended 30 June 2009

	Notes	2009 \$'000	2008 \$'000
Revenue from operating activities			
Service charges	1(b),3(a)	12,311	11,022
Water usage charges	1(b)	5,382	4,741
Government grants and contributions	1(b),3(a)	23	450
Interest	1(b)	28	24
Developer contributions	1(b),3(a)	2,285	2,101
Profit on sale of assets	1(d),3(b)	41	-
		<u>20,070</u>	<u>18,338</u>
Revenue from non-operating activities			
Other income		572	715
		<u>572</u>	<u>715</u>
Total Revenue		20,642	19,053
Expenses from operating activities			
Borrowing costs	1(c),3(c)	(1,373)	(1,098)
Depreciation	1(e),3(c),9(b)	(5,316)	(5,067)
Amortisation	1(e),3(c),10	(414)	(437)
Employee benefits	1(k)	(5,449)	(4,931)
Repairs and maintenance expense	1(d)	(1,004)	(1,138)
Loss on sale of assets	1(d),3(b)	-	(5)
Environmental contributions	1(p)	(754)	(530)
Inventories distributed	1(i)	(44)	(55)
Supplies and services	3(c)	(6,576)	(6,270)
		<u>(20,930)</u>	<u>(19,531)</u>
Net result before tax		(288)	(478)
Income Tax expense / (revenue)	1(n),4	-	-
Net result for the period		(288)	(478)

The above operating statement should be read in conjunction with the accompanying notes.

Financial Report for the year ended 30 June 2009

Balance Sheet

as at 30 June 2009

	Notes	2009 \$'000	2008 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	1(g),2,5,26	713	2,892
Receivables	1(h),2,6,26	538	459
Inventories	1(i),7	295	245
Prepayments		-	122
Other financial assets	2,8	613	235
Total current assets		2,159	3,953
Non-current assets			
Receivables	1(h),2,6,26	41	62
Property, plant and equipment	1(d),1(e),9	156,811	150,685
Intangible assets	1(s),10	1,714	2,052
Total non-current assets		158,566	152,799
TOTAL ASSETS		160,725	156,752
LIABILITIES			
Current liabilities			
Payables	1(j),2,11,26	3,170	2,709
Interest bearing liabilities	1(t),2,12,26	4,800	3,670
Employee benefits	1(k),13	1,166	1,092
Total current liabilities		9,136	7,471
Non-current liabilities			
Interest bearing liabilities	1(t),2,12,26	16,200	15,300
Employee benefits	1(k),13	190	114
Total non-current liabilities		16,390	15,414
TOTAL LIABILITIES		25,526	22,885
NET ASSETS		135,199	133,867
EQUITY			
Contributions by owners	1(b),15	63,353	61,733
Reserves	1(d),16	3,597	3,597
Accumulated funds	17	68,249	68,537
TOTAL EQUITY		135,199	133,867

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the reporting period ended 30 June 2009

	Notes	2009 \$'000	2008 \$'000
Total equity at beginning of financial year		133,867	133,770
Net result for the period		(288)	(478)
Total recognised income and expense for the period		(288)	(478)
Transactions with the State in its capacity as owner	15	1,620	575
Total equity at end of financial year		135,199	133,867

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Financial Report for the year ended 30 June 2009

Cash Flow Statement

for the reporting period ended 30 June 2009

	Notes	2009 \$'000	2008 \$'000
Cash flows from Operating Activities			
Receipts			
Service and usage charges		18,868	15,840
Interest received		27	28
GST received from the ATO		59	74
Other receipts		599	733
Receipts from government		-	450
		19,553	17,125
Payments			
Payments to suppliers and employees		(13,555)	(10,210)
Interest and other costs of finance paid		(1,332)	(1,129)
GST paid to the ATO		(1,516)	(1,578)
Environmental contributions		(754)	(530)
		(17,157)	(13,447)
Net cash inflow from Operating Activities	18	2,396	3,678
Cash flows from Investing Activities			
Payments for property, plant and equipment		(9,086)	(8,037)
Proceeds from sale of property, plant and equipment		350	426
Payments for intangible assets		(76)	(239)
Contributions from developers		407	624
Grants received for capital purposes		23	-
Net cash (outflow) from investing activities		(8,382)	(7,226)
Cash flows from Financing Activities			
Proceeds from borrowings		2,030	3,600
Proceeds from contributions of owners		1,620	575
Net movements in contractor deposits		157	(139)
Net cash inflow from financing activities		3,807	4,036
Net (decrease)/increase in cash and cash equivalents		(2,179)	488
Cash and cash equivalents at the beginning of the financial year		2,892	2,404
Cash and cash equivalents at the end of the financial year	1(g),5	713	2,892
Financing arrangements	12		

The above cash flow statement should be read in conjunction with the accompanying notes.

Financial Report for the year ended 30 June 2009

Notes to the Financial Report

for the year ended 30 June 2009

Note 1: Significant Accounting Policies

(a) Basis of Accounting

General

This financial report of South Gippsland Region Water Corporation (South Gippsland Water) is a general purpose financial report that consists of an Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements. The general purpose financial report complies with Australian Accounting Standards, 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 financial report has been prepared on an accrual and going concern basis.

Accounting policies

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Where appropriate, comparative figures have been amended to accord with current presentation and disclosure made of material changes to comparatives.

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the Corporation's operational cycle - see Note 1(k) 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

The financial report has been prepared under the historical cost convention, as modified by the revaluation of financial assets and certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of the financial report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.

(b) Revenue Recognition

Service and usage charges

Rate/tariff and service charges are recognised as revenue when levied or determined.

Major trade waste charges are recognised as revenue at the end of the service delivery period. Volume meters are read and appropriate charges levied as per trade waste agreements. The meters are read on a monthly basis with accounts sent out on a monthly basis.

Water usage charges by measure are recognised as revenue when the water is provided. Meter readings are undertaken progressively during the year.

Developer contributions / Fees paid by developers

Water infrastructure assets built by developers in new land subdivisions that on completion are provided to the Corporation or fees paid by developers to connect new developments to the Corporation's existing water supply and sewerage systems are recognised as revenue when the contributions are received.

Government contributions

Government grants and contributions are recognised as operating revenue on receipt or when an entitlement is established, whichever is the sooner, and disclosed in the operating statement as government 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 Water have indicated are in the nature of owners' contributions, are accounted for as Equity – Contributions by Owners.

Interest and rents

Interest income is recognised using the effective interest rate method.

Rentals are recognised as income on a straight line basis over the rental period.

(c) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings.

(d) Recognition and Measurement of Assets

Property, plant and equipment represent non-current assets comprising land, buildings, water and sewerage infrastructure, plant, equipment and motor vehicles, used by the Corporation in its operations. Items with a cost or value in excess of \$1,000 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Acquisition

The purchase method of accounting is used for all acquisitions of assets, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Where assets are constructed by the Corporation, the cost at which they are recorded includes an appropriate share of fixed and variable overheads.

Assets acquired at no cost or for nominal consideration by the Corporation are recognised at fair value at the date of acquisition.

Repairs and maintenance

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

Financial Report for the year ended 30 June 2009

Note 1: Significant Accounting Policies (Continued)

Valuation of Non-Current Physical Assets

All non-current physical assets except land under declared roads and water infrastructure assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of FRD103D. Revaluations are conducted using management expertise and are classified as a managerial revaluation.

Plant, equipment and vehicles are measured at fair value.

Water infrastructure assets are measured at cost less any accumulated depreciation and any accumulated impairment losses. These assets comprise substructures or underlying systems held to facilitate the harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage systems.

Revaluations

Revaluation increments are credited directly to equity in the revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as expense in determining the net result, the increment is recognised as revenue in determining the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the revaluation reserve in respect of the same class of assets, they are debited to the revaluation reserve.

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

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

Impairment of Assets

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

- Inventories;
- Deferred tax assets; and
- Financial instrument assets

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

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

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

(e) Depreciation and Amortisation of Non-current Assets

Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

Depreciation 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. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

	Periods
Corporate	
Buildings	33 years
Plant & Machinery	7 years
Motor Vehicle	2-4 Years
Intangible assets	3 & 7 years
Furniture & Equipment	10 years
Water Infrastructure	
Fencing	12.5 years
Headworks/Storages	150 years
Distribution Networks	50 years
Pump Stations	44 years
Water Storage	50 years
Reticulation Network	50 years
Water Meters	15 years
Treatment Plants	33 years
Wastewater Infrastructure	
Fencing	12.5 years
Outfalls	50 years
Trunk Sewers	50 years
Pump Stations	50 years
Distribution Network	40 years
Treatment Plants	40 years

Financial Report for the year ended 30 June 2009

Note 1: Significant Accounting Policies (Continued)

(f) Leased Assets

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the operating statement on a straight-line basis over the period of the lease, in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(g) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities on the balance sheet.

(h) Receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the operating statement.

(i) Inventories

Inventories comprise stores and materials used in the construction of new works and for the repair and maintenance of existing assets. All inventories held for distribution are measured at the lower of cost and current replacement cost. Costs are assigned to inventory quantities on hand at balance date on the basis of weighted average cost (WAC) basis. Inventories include goods held for distribution at no or nominal cost in the ordinary course of business operations.

(j) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Corporation prior to the end of the financial year, which are unpaid at financial year end. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Employee Benefits

Wages and salaries, annual leave and rostered days off

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

Long service leave

Current Liability – unconditional LSL (representing 10* or more years of continuous service) is disclosed as a current liability even where the Corporation does not expect to settle the liability within 12 months because it does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

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

Non-Current Liability – conditional LSL (representing less than 10* years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional LSL is required to be measured at present value.

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

* As per the South Gippsland Region Water Corporation Enterprise Agreement No.3, 2006.

Superannuation

The amount charged to the operating statement in respect of superannuation represents the contributions made by the Corporation to the superannuation plan in respect to the services of current entity staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

Employee Benefit On-Costs

Employee benefit on-costs, including payroll tax and workers compensation, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

Performance payments

Performance payments for the Corporation's Executive Officers are based on a percentage of the annual salary package provided under their contract(s) of employment. A liability is recognised and is measured as the aggregate of the amounts accrued under the term of the contracts to balance date.

(l) Segment Information

South Gippsland Water has no material wholesale activities and as such the segment information included in Note 27 relates to the two divisions of retail activities being water and wastewater.

Financial Report for the year ended 30 June 2009

Note 1: Significant Accounting Policies (Continued)

(m) Changes in Accounting Policies

In accordance with Victorian Government Financial Reporting Direction 103D 'Non-Current Physical Assets', South Gippsland Water measures plant and equipment at fair value from 1 July 2008. Previously these assets were measured at cost. This change in accounting policy is required to ensure that Victoria's Whole of Government Financial Report, to which the Corporation is consolidated into, complies with the requirements of AASB1049 Whole of Government and General Government Sector Financial Reporting. As this change is the initial application of a policy to revalue assets in accordance with AASB116 Property, Plant and Equipment, the change is treated as a revaluation in the current year.

All other accounting policies are consistent with those of the previous year, unless stated otherwise.

(n) Taxation

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

The Corporation made a \$7.314 million tax loss during the financial year (\$6.743 million tax loss in 2007/2008). The Corporation's deferred tax assets exceed the level of deferred tax liabilities and therefore it is not required to bring to account tax expense, tax assets and tax liabilities in the Operating Statement and Balance Sheet as the Corporation is likely to make ongoing tax losses and settlement of these items is not assured beyond reasonable doubt.

(o) Dividend Policy

The Corporation is required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the Public Authorities (Dividend) Act 1983, based on a prescribed percentage of the previous years' adjusted net profit. An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer. The Corporation's preliminary estimate for the reporting period is zero.

(p) Environmental Contributions

The Water Industry (Environmental Contributions) Act 2004 amended the Water Industry Act 1994 to make provision for environmental contributions to be paid by water supply corporations. The Act establishes an obligation for corporations to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation. The contribution period has been extended to cover the period 1 July 2008 until 30 June 2012.

The purpose of 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 water-related initiatives.

The environmental contributions are disclosed separately within expenses.

(q) Goods and Services Tax

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

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from or payable to, the ATO is included as a current asset or liability in the Balance Sheet. Cash flows arising from operating activities are disclosed in the Cash Flow Statement on a gross basis, i.e. inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.

(r) Financial Instruments

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:

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 trade and other receivables in the balance sheet.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Operating Statement.

(s) Intangibles

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

The Corporation's intangible assets comprise totally of software and development costs. These assets have finite lives and are amortised on a straight line basis over useful lives of between 3 and 5 years. The amortisation method is reviewed at each financial year end. In addition, they are reviewed annually for indicators of impairment.

(t) Interest Bearing Liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Operating Statement over the period of the borrowings, using the effective interest method.

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

(u) Comparative Amounts

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

Financial Report for the year ended 30 June 2009

Note 1: Significant Accounting Policies (Continued)

(v) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2009 reporting period. As at 30 June 2009, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2009. The Corporation has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Corporation's financial statements
AASB 8 Operating Segments	Supersedes AASB 114 Segment Reporting	Beginning 1 Jan 2009	Not applicable.
AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038].	An accompanying amending standard, also introduced consequential amendments into other Standards.	Beginning 1 Jan 2009	Impact expected to be not significant.
AASB 123 Borrowing Costs	Option to expense borrowing cost related to a qualifying asset had been removed. Entities are now required to capitalise borrowing costs relevant to qualifying assets. In February 2009, the AASB decided that not-for-profit public sector entities could continue to expense borrowing costs attributable to qualifying assets pending the outcome of various IPSASB/AASB projects.	Beginning 1 Jan 2009	The Corporation continues to expense borrowing costs.
AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	An accompanying amending standard, also introduced consequential amendments into other Standards.	Beginning 1 Jan 2009	Same as AASB 123 above.
AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 & AASB 127 [AASB 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]	This Standard gives effect to consequential changes arising from revised AASB 3 and amended AASB 127. The Prefaces to those Standards summarise the main requirements of those Standards.	Beginning 1 Jul 2009	Impact expected to be insignificant.
AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 5, 7 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038]	A suite of amendments to existing standards following issuance of IASB Standard Improvements to IFRSs in May 2008. Some amendments result in accounting changes for presentation, recognition and measurement purposes.	Beginning 1 Jan 2009	Impact is being evaluated.
AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements project [AASB 1 & AASB 5]	The amendments require all the assets and liabilities of a for-sale subsidiary's to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation.	Beginning 1 Jul 2009	Impact is expected to be insignificant.
AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136]	Changes mainly relate to treatment of dividends from subsidiaries or controlled entities.	Beginning 1 Jan 2009	Impact is expected to be insignificant.
AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139]	The amendments to AASB 139 clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations.	Beginning 1 Jul 2009	Impact is being evaluated.
AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101	Amendments to AASB 1049 for consistency with AASB 101 (September 2007) version.	Beginning 1 Jan 2009	Not applicable to public sector entities except for certain presentation formats.

Financial Report for the year ended 30 June 2009

Note 2. Financial Risk Management Objectives and Policies

The Corporation's activities expose it to a variety of financial risks: i.e. market risk, credit risk and liquidity risk. This note presents information about the Corporation's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk.

The Corporation's Board has the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. 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 and other price risks, ageing analysis for credit and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the Board's Audit and Risk Management Committee under policies approved by the Board of Directors. The Finance and Corporate Services department identifies, evaluates and hedges financial risks in close co-operation with the Corporation's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and liquidity risk including investment of excess liquidity.

(a) Risk Exposures

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

(i) 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 foreign exchange risk, interest rate risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk, there is no exposure to foreign exchange risk and insignificant exposure to other price risks.

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

Interest Rate Risk

The Corporation's exposure to market interest rates relates primarily to the Corporation's long term borrowings and funds invested on the money market.

The Corporation minimises its exposure to interest rate changes on its long term borrowings by holding a mix of fixed and floating rate debt. Debt is sourced from Treasury Corporation Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly. The Corporation manages its debt and interest rate risk within the ranges set by Treasury Management Guidelines.

The Corporation has minimal exposure to interest rate risk and manages its interest rate risk by maintaining a low level of cash and other financial assets which allows the Corporation to meet its short term cash needs.

Foreign Exchange Risk

The Corporation has no exposure to changes in foreign exchange rates.

Other Price Risk

The Corporation has no significant exposure to other price risks.

Market Risk Sensitivity Analysis

The sensitivity analysis below has taken into consideration past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets. The Corporation believes that over the next 12 months a movement of 1% in interest rates is reasonable.

30 June 2009	Carrying amount	Interest rate risk			
		-1%		+1%	
		Result	Equity	Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and Cash Equivalents	713	(7)	(7)	7	7
Financial liabilities					
Interest Bearing Liabilities	600	6	6	(6)	(6)
Total increase/ (decrease)		(1)	(1)	1	1

30 June 2008	Carrying amount	Interest rate risk			
		-1%		+1%	
		Result	Equity	Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and Cash Equivalents	2,892	(29)	(29)	29	29
Financial liabilities					
Interest Bearing Liabilities	2,270	23	23	(23)	(23)
Total increase/ (decrease)		(6)	(6)	6	6

Financial Report for the year ended 30 June 2009

Note 2. Financial Risk Management Objectives and Policies (Continued)

(ii) 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 financial assets available for sale.

The Corporation's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential customers and a smaller number of business customers which are spread across a diverse range of industries. Receivable balances are monitored on an on-going basis to ensure that exposure to bad debts is not significant. The Corporation has in place a debt management policy and procedure for the collection of overdue receivables.

An analysis of the ageing of the Corporation's receivables at reporting date has been provided in Note 6.

(iii) 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 from the date of resolution.

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. The Corporation's financial liability maturities have been disclosed in Note 12.

(b) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables and payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial assets. The carrying amounts and aggregate net fair values of financial assets and financial liabilities at balance date have been provided in Note 26.

Financial Report for the year ended 30 June 2009

	Note	2009 \$'000	2008 \$'000
Note 3. Operating Statement - Disclosures			
(a) Significant Revenues			
Service Charges			
Water service charges		4,939	4,442
Sewerage charges		6,083	5,591
Trade waste charges		1,289	989
		<u>12,311</u>	<u>11,022</u>
Government contributions			
Operating		23	450
		<u>23</u>	<u>450</u>
Developer contributions			
Fees paid by developers		407	624
Assets received from developers		1,878	1,477
		<u>2,285</u>	<u>2,101</u>
(b) Net gains and expenses			
The surplus/(deficit) from operating activities includes the following specific net gains and expenses:			
Net loss on disposal of Property, plant and equipment :			
Proceeds from sale of assets		350	426
Written down amount of assets sold		(309)	(431)
		<u>41</u>	<u>(5)</u>
(c) Expenses			
Depreciation:			
Buildings		68	61
Water infrastructure		2,506	2,451
Wastewater infrastructure		1,979	1,897
Equipment and motor vehicles		763	658
Total depreciation		<u>5,316</u>	<u>5,067</u>
Amortisation			
Intangible assets	10	414	437
Total amortisation		<u>414</u>	<u>437</u>
Employee Benefits			
Salaries and wages		4,215	4,023
Annual leave		317	284
Long service leave		162	41
Superannuation contributions		421	377
Other		334	206
Total employee benefit costs		<u>5,449</u>	<u>4,931</u>
Borrowing costs		1,373	1,098
Rental expense - operating lease		11	11
Superannuation contributions		421	377
Auditors' remuneration			
Auditor-General for audit of financial statements		27	25
Internal audit (LSH Accounting & RSM Bird Cameron)		23	18
		<u>50</u>	<u>43</u>

Financial Report for the year ended 30 June 2009

	Note	2009 \$'000	2008 \$'000
Note 4. Income Tax			
The Corporation made a \$7.314 million tax loss during the financial year (\$6.743 million tax loss in 2007/2008). The Corporation's deferred tax assets exceed the level of deferred tax liabilities and therefore it is not required to bring to account tax expense, tax assets and tax liabilities in the Operating Statement and Balance Sheet as the Corporation is likely to make ongoing tax losses and settlement of these items is not assured beyond reasonable doubt.			
Reconciliation of income tax to prima facie tax payable			
Net result before income tax expense		(288)	(478)
Tax at Australian tax rate of 30% (2008:30%)		(86)	(143)
Tax effect of amounts which are not deductible/(taxable)			
In calculating taxable income:			
Income tax not assessable for income tax purposes		(50)	(49)
Expenditure not allowable for income tax purposes		1,719	1,651
Expenditure allowable for income tax purposes		(3,777)	(3,482)
Benefit of tax losses not brought to account		2,194	2,023
Income tax as reported in the Operating Statement		-	-
Note 5. Cash and Cash Equivalents			
Deposits at call		713	2,892
		713	2,892
(a) Reconciliation to cash at the end of year			
The above figure is reconciled to cash at the end of the financial year as shown in the Cash Flow Statement, as follows:			
Balance as above		713	2,892
Balance as per Cash Flow Statement		713	2,892
(b) Deposits at call			
The deposits are bearing floating interest rates between 0.10% and 3.03% (0.10% to 7.45% in 2007/08).		713	2,892

Financial Report for the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Note 6. Receivables		
Current		
Trade receivables	553	471
Provision for impaired receivables	(15)	(12)
	<u>538</u>	<u>459</u>
Non Current		
Other receivables	41	62
Total receivables	<u>579</u>	<u>521</u>

(a) Provision for impaired receivables

As at the 30 June 2009, current receivables of the Corporation with a nominal value of \$15,000 (2008 \$12,000) were impaired. For 2009 the individual impaired receivables mainly relate to tenants, whom are in difficult economic situations. It was assessed that a portion of these impaired receivables are expected to be recovered.

The ageing of these receivables is as follows:

3 to 6 months	15	2
Over 6 months	-	10
Total	<u>15</u>	<u>12</u>

As at the 30 June 2009, trade receivables of \$28,000 (2008 \$33,000) were past due but not impaired.

These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2009	2008
	\$'000	\$'000
3 to 6 months	21	20
Over 6 months	7	13
Total	<u>28</u>	<u>33</u>

Movements in the provision for impaired receivables are as follows:

At 1 July	12	147
Provision for impairment recognised during the year	13	12
Receivables written off during the year as uncollectable	(10)	-
Receivables previously provided for now collected	-	(125)
Unused amount reversed	-	(22)
At 30 June	<u>15</u>	<u>12</u>

The creation and release of the provision for impaired receivables has been included in "supplies and services" in the Operating Statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

(b) Fair Value and Credit Risk

Due to the short term nature of the current receivables, their carrying value is assumed to approximate their fair value.

	2009		2008	
	\$'000		\$'000	
	Carrying	Fair	Carrying	Fair
	Amount	Value	Amount	Value
Trade Receivables	538	538	459	459
Other receivables	41	41	62	62
Total	<u>579</u>	<u>579</u>	<u>521</u>	<u>521</u>

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables mentioned above. The Corporation does not hold any collateral as security. Refer to Note 2 for more information on the risk management policy of the Corporation.

Financial Report for the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Note 7. Inventories		
Current		
Stores and consumables - at cost	295	245
Total current inventories	<u>295</u>	<u>245</u>
Note 8. Other Financial Assets		
Current		
Accrued revenue	613	235
Total current other financial assets	<u>613</u>	<u>235</u>
Changes in fair values of other financial assets at fair value through profit and loss are recorded in other income in the Operating Statement.		
Note 9. Property, Plant and Equipment		
(a) Classes of property, plant and equipment		
Land		
At Valuation (as at 30 June 2006)	4,443	4,443
At Fair Value (as at 30 June 2009)	1,143	1,096
	<u>5,586</u>	<u>5,539</u>
Buildings		
At Valuation (as at 30 June 2006)	851	851
At Fair Value (as at 30 June 2009)	304	214
Less: Accumulated Depreciation	(144)	(76)
	<u>1,011</u>	<u>989</u>
Water infrastructure		
At Cost	142,484	136,442
Less: Accumulated Depreciation	(80,148)	(77,642)
	<u>62,336</u>	<u>58,800</u>
Wastewater infrastructure		
At Cost	113,182	109,525
Less: Accumulated Depreciation	(35,477)	(33,526)
	<u>77,705</u>	<u>75,999</u>
Equipment and motor vehicles		
At Fair Value (as at 30 June 2009)	5,787	5,438
Less: Accumulated Depreciation	(3,920)	(3,415)
	<u>1,867</u>	<u>2,023</u>
Under construction		
At Cost	8,306	7,335
	<u>8,306</u>	<u>7,335</u>
Total Property, Plant & Equipment	<u>156,811</u>	<u>150,685</u>

In June 2006 an independent valuation of the Corporation's land and buildings was performed by Knight Frank in order to determine the fair value of the land and buildings. The valuation was based on independent assessments.

Also refer to Note 1(d) in relation to valuation of the above non-current assets.

Financial Report for the year ended 30 June 2009

Note 9. Property, Plant and Equipment (Continued)

(b) Movements during the reporting period

	Opening WDV at 1 July 2008	Additions	Disposals	2008 / 2009			Closing WDV at 30 June 2009
				Revaluations	Transfers	Depreciation	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land							
At valuation/fair value	5,539	47	-	-	-	-	5,586
Building							
At valuation/fair value	989	90	-	-	-	(68)	1,011
Water Infrastructure							
At Cost	58,800	6,042	-	-	-	(2,506)	62,336
Wastewater Infrastructure							
At Cost	75,999	3,693	(8)	-	-	(1,979)	77,705
Equipment & motor vehicles							
At Fair Value	2,023	907	(300)	-	-	(763)	1,867
Under construction							
At Cost	7,335	9,919	-	-	(8,948)	-	8,306
Total property, plant & equipment	150,685	20,698	(308)	-	(8,948)	(5,316)	156,811

	Opening WDV at 1 July 2007	Additions	Disposals	2007 / 2008			Closing WDV at 30 June 2008
				Revaluations	Transfers	Depreciation	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land							
At valuation/fair value	4,980	559	-	-	-	-	5,539
Building							
At valuation/fair value	844	206	-	-	-	(61)	989
Water Infrastructure							
At Cost	56,794	4,457	-	-	-	(2,451)	58,800
Wastewater Infrastructure							
At Cost	75,547	2,349	-	-	-	(1,897)	75,999
Equipment and motor vehicles							
At Fair Value	2,066	1,046	(431)	-	-	(658)	2,023
Under construction							
At Cost	6,439	8,037	-	-	(7,141)	-	7,335
Total property, plant & equipment	146,670	16,654	(431)	-	(7,141)	(5,067)	150,685

Financial Report for the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Note 10. Intangible Assets		
Software		
Asset Value	3,156	3,080
Less Accumulated amortisation	<u>(1,442)</u>	<u>(1,028)</u>
	<u>1,714</u>	<u>2,052</u>

Movements during the period

	Development Costs \$'000
At 1 July 2008, net of accumulated amortisation	2,052
Additions	76
Impairment	-
Amortisation	<u>(414)</u>
At 30 June 2009, net of accumulated amortisation	<u>1,714</u>
At 1 July 2007, net of accumulated amortisation	2,250
Additions	239
Impairment	-
Amortisation	<u>(437)</u>
At 30 June 2008, net of accumulated amortisation	<u>2,052</u>

Note 11. Payables

Current		
Trade payables	1,663	2,148
Accrued expenses	1,021	231
Other - contractor deposits	<u>486</u>	<u>330</u>
Total current payables	<u>3,170</u>	<u>2,709</u>

For an analysis of the sensitivity of trade and payables to foreign currency and interest rate risk, refer to Note 2.

Financial Report for the year ended 30 June 2009

	2009 \$'000	2008 \$'000
Note 12. Interest Bearing Liabilities		
Current		
Secured		
Loans - Treasury Corporation of Victoria (TCV)	4,800	3,670
Total current interest bearing liability	<u>4,800</u>	<u>3,670</u>
Non-Current		
Secured		
Loans - Treasury Corporation of Victoria (TCV)	16,200	15,300
Total non-current interest bearing liability	<u>16,200</u>	<u>15,300</u>
Total interest bearing liabilities	<u>21,000</u>	<u>18,970</u>
Assets pledged as security	nil	nil
TCV loan facilities		
Total facilities	24,856	19,970
Used at balance date	<u>21,000</u>	<u>18,970</u>
Unused at balance date	<u>3,856</u>	<u>1,000</u>

For the year ending 30 June 2009 the Corporation had approved financial accommodation of \$24.856 million and utilised \$21.000 million. The unused portion does not carry forward.

Credit standby arrangements

The Corporation does not have any credit standby facilities.

Fair Value

Non traded financial liabilities comprise borrowings with the Treasury Corporation of Victoria (TCV). The fair value of these borrowings was \$21.405M (2008: \$18.425M).

The fair value of borrowings are based on cash flows discounted using borrowing rates varying from 3.065% to 7.435% (2008: 5.9958% to 7.4350%).

The borrowings are secured by a guarantee signed by the Treasurer of Victoria in favour of TCV as lender in respect to financial accommodation obtained by the Corporation under Section 8 of the Borrowings and Investment Powers Act 1987.

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

Note 13. Employee Benefits

Current

All rostered days off, annual leave and unconditional long service leave entitlements representing 10+ years of continuous service:

Short-term employee benefits that fall due within 12 months after the end of the period, measured at nominal value	577	545
Other long-term employee benefits that do not fall due within 12 months after the end of the period, measured at present value	589	547
Total Current	<u>1,166</u>	<u>1,092</u>

Non-current

Conditional long service leave representing less than 10 years of continuous service measured at present value	190	114
Total Non-Current	<u>190</u>	<u>114</u>

Total employee benefits	<u>1,356</u>	<u>1,206</u>
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The following assumptions were adopted in measuring the present value of long service leave entitlements:

Weighted average increase in employee costs	4.45%	4.8%
Weighted average discount rates	5.478%	6.6%
Weighted average settlement period	12 yrs	12 yrs

Note 14. Superannuation

Post-employment Benefit

(i) Superannuation Payments - Local Authorities Superannuation Fund

South Gippsland Water makes employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). Obligations for contributions are recognised as an expense in the Operating Statement when they are due. The Fund has two categories of membership, each of which is funded differently.

(a) Vision Super Saver Members

The Fund's accumulation category, "Vision Super Saver", receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9% is required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

During 2008/2009, South Gippsland Water's superannuation contribution relating to "Vision Super Saver" members was \$307,077 (\$280,383 in 2007/08).

(b) Defined Benefit Members

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to reliably allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32 (b) of AASB 119, South Gippsland Water does not use defined benefit accounting for these contributions.

South Gippsland Water makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2008, South Gippsland Water makes the following contributions:

- 9.25% of members' salaries (same as previous year)

- the difference between resignation and retrenchment benefits paid to any retrenched employees, plus contributions tax (same as previous year)

Fund surplus or deficit (i.e. the difference between fund assets and liabilities) are calculated differently for funding purposes (i.e. calculating required contributions) and for the calculation of accrued benefits as required in AAS25 to provide the values needed for the AASB119 disclosure in an organisation's Financial Statements. AAS25 requires that the present value of the benefit liability which is calculated in respect of membership completed at the calculation date makes no allowance for future benefits that may accrue. The actuarial investigation concluded that although the Net Market Value of Assets was in excess of Accrued Benefits at 31 December 2008, based on the assumptions adopted, there was a shortfall of \$71 million when the funding of future benefits was also considered. However, the Corporation has been advised that no additional contributions will be required as at 30 June 2009. The Actuary will undertake the next actuarial investigation as at 30 June 2010 to ascertain if additional contributions are required.

Accounting Standard Disclosure

The Fund's liability for accrued benefits was determined by the Actuary at 31 December 2008 pursuant to the requirements of Australian Accounting Standard AAS25 follows:

	31-Dec-08
	\$'000
Net Market Value of Assets	3,630,432
Accrued Benefits (per accounting standards)	3,616,422
Difference between Assets and Accrued Benefits	14,010
Vested Benefits	3,561,588

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

Net Investment Return	8.50% p.a.
Salary Inflation	4.25% p.a.
Price Inflation	2.75% p.a.

During 2008/09 the Corporation's superannuation contributions relating to that year's defined benefit members' service was \$83,210 (\$79,217 in 2007/08).

(ii) Total Superannuation Payments

South Gippsland Water also made superannuation payments to various managed funds during the reporting period, under Super Choice legislation. The total amount of superannuation contributions paid by the Corporation during the reporting period, for all funds, was \$421,141 (\$377,288 in 2007/08).

As at the reporting date, there were no outstanding contributions payable to the above superannuation funds and there were no loans to or from South Gippsland Water to any of the above superannuation funds.

Financial Report for the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Note 15. Contributed by Owners		
Opening balance at 1 July	61,733	61,158
Capital transactions with the State in its capacity as owner arising from:		
Grants	1,620	575
Closing balance at 30 June	<u>63,353</u>	<u>61,733</u>

Note 16. Reserves

Composition of reserves		
Asset revaluation reserve	<u>3,597</u>	<u>3,597</u>
Total reserves	<u>3,597</u>	<u>3,597</u>
Movement in reserves		
Asset Revaluation reserve		
Opening balance at 1 July	3,597	3,597
Revaluation increment / decrement on non-current assets	-	-
Closing balance at 30 June	<u>3,597</u>	<u>3,597</u>

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

Note 17. Accumulated Funds

Opening balance at 1 July	68,537	69,015
Net surplus/(deficit)	<u>(288)</u>	<u>(478)</u>
Closing balance at 30 June	<u>68,249</u>	<u>68,537</u>

Note 18. Reconciliation of Net Result for the period after related Income Tax to Net Cash Flows from Operating Activities

Net result for the period after income tax	(288)	(478)
Add/(less) non-cash flows in Net Result		
(Profit)/Loss on disposal of non-current assets	(41)	5
Depreciation and amortisation	5,730	5,504
Provision for impaired receivables	3	(135)
Developer contributions	(2,308)	(2,101)
Changes in Assets and Liabilities		
Decrease/(Increase) in trade receivables	(59)	486
(Increase) in inventories	(51)	(4)
(Increase)/Decrease in prepayments	121	(63)
(Increase)/Decrease in accrued revenue	(378)	(72)
(Decrease)/Increase in payables	(486)	654
(Decrease)/Increase in employee benefits liabilities	149	(34)
(Decrease)/Increase in accrued expenses	4	(84)
Net cash flows from Operating Activities	<u>2,396</u>	<u>3,678</u>

Financial Report for the year ended 30 June 2009

Note 19. Responsible Persons Related Party Disclosures

(a) Responsible persons

The name of persons who were responsible persons at anytime during the financial year were:

The Hon. Timothy Holding MP, Minister for Water (1 July 2008 to 30 June 2009).

(b) Board Members

The names of Board Members of South Gippsland Water for the Year to 30 June 2009 were:

L Vale (Chairperson)	(1 July 2008 to 30 June 2009)
J Liley (Deputy Chairperson)	(1 July 2008 to 30 June 2009)
J Anderson (Director)	(1 July 2008 to 30 June 2009)
J Fawcett (Director)	(1 July 2008 to 30 June 2009)
N Maud (Director)	(1 July 2008 to 30 June 2009)
J Rundell (Director)	(1 July 2008 to 30 June 2009)
G Sparkes (Director)	(1 July 2008 to 30 June 2009)

(Details on remuneration of responsible persons are contained in Note 20)

(c) Accountable Officer

The Accountable Officer of South Gippsland Water for the year to 30 June 2009 was Steve Evans.

(d) Transactions with Board Members

Water and wastewater services were provided to those responsible persons who reside within the boundaries of the Corporation under normal terms and conditions no more favourable than those available to other parties. Other transactions between related parties are on normal commercial terms and conditions.

(e) Other transactions

There were no other transactions between the Corporation and responsible persons and their related parties during the financial year.

Note 20. Remuneration of Responsible Persons

(a) Ministers

Remuneration paid to the Minister's 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.

(b) Directors and Accountable Officer

Remuneration received, or due and receivable from the Corporation in connection with the management of any related party entity.

	2009	2008
	\$'000	\$'000
	355	309

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

Income band (\$)	2009	2008
	No.	No.
- - 9,999	-	1
10,000 - 19,999	6	6
40,000 - 49,999	1	1
190,000 - 199,999	1	1

(c) Retirement benefits of responsible persons

The retirement benefits paid by the Corporation in connection with the retirement of responsible persons of the Corporation amounted to:

	2009	2008
	\$'000	\$'000
	31	27

(d) Loans

There were no loans in existence by the Corporation to responsible persons or related parties at the date of this report.

Financial Report for the year ended 30 June 2009

Note 21. Executive Officers' Remuneration

The number of executive officers, other than responsible persons, whose total remuneration falls within the specified bands above \$100,000 are as follows:

Income band \$	Total Remuneration		Base Remuneration	
	2009	2008	2009	2008
110,000 - 119,999	-	-	-	1
120,000 - 129,999	-	-	-	1
130,000 - 139,999	-	1	2	-
140,000 - 149,999	2	1	1	1
160,000 - 169,999	1	1	-	-
Total Amount	\$459,000	\$431,000	\$428,000	\$392,000
Total Numbers	3	3	3	3

Note 22. Dividends

The process to determine the 2008/09 dividend has not yet been completed at the reporting date.

The Board's preliminary dividend estimate for this period is zero.

2009	2008
\$'000	\$'000

Note 23. Commitments

(a) Finance lease commitments

At 30 June 2009 the Corporation had no finance lease commitments.

(b) Capital commitments

At 30 June 2009, the Corporation had the following significant capital commitments:

- Meeniyan sewerage scheme – sewer reticulation pipework
- Meeniyan sewerage scheme – treatment plant and wetlands
- Meeniyan sewerage scheme – sewer pump station
- Trade waste outfall upgrade
- Backflow installations
- Leongatha wastewater biosolids management facility
- Inverloch water standpipe coating
- Desalinated water connection assessment

Outstanding capital commitments are likely to be paid as follows:

Payments due:

within one year	5,261	1,079
	<u>5,261</u>	<u>1,079</u>

(c) Operating lease commitments

At 30 June 2009, the Corporation had the following operating lease commitments:

- Photocopier
- Office Accommodation

Outstanding lease commitments are to be paid as follows:

within one year	16	17
one to five years	14	20
	<u>30</u>	<u>37</u>

(d) Other commitments

At 30 June 2009, the Corporation had the following other commitments:

- Environmental contributions

Outstanding other commitments are to be paid as follows:

within one year	754	-
one to five years	2,262	-
	<u>3,016</u>	<u>-</u>

Financial Report for the year ended 30 June 2009

Note 24. Contingent Assets and Contingent Liabilities

At 30 June 2009 the Corporation was not aware of any Contingent Assets or Contingent Liabilities relating to the Corporation.

Note 25. Events Occurring after the Balance Sheet Date

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

Note 26. Financial Instruments

26.1 Interest rate risk exposures

The following table sets the Corporation's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rates of financial assets and financial liabilities by maturity periods. Exposures arise predominantly from liabilities bearing variable interest rates as the Corporation intends to hold fixed rate liabilities to maturity.

2009	Floating Interest Rate \$'000	Non Interest Bearing \$'000	1 Year or less \$'000	Over 1 to 5 years \$'000	Over 5 Years \$'000	Total \$'000
Financial assets						
Cash	713	-	-	-	-	713
Receivables	-	1,192	-	-	-	1,192
Total financial assets	713	1,192	-	-	-	1,905
Financial liabilities						
Payables	-	3,170	-	-	-	3,170
Interest bearing liabilities	600	-	4,200	7,700	8,500	21,000
Total financial liabilities	600	3,170	4,200	7,700	8,500	24,170
Net financial liabilities	113	(1,978)	(4,200)	(7,700)	(8,500)	(22,265)
Weighted average interest rate	3.02%	-	6.30%	6.60%	6.37%	6.23%

2008	Floating Interest Rate \$'000	Non Interest Bearing \$'000	1 Year or less \$'000	Over 1 to 5 years \$'000	Over 5 Years \$'000	Total \$'000
Financial assets						
Cash	2,892	-	-	-	-	2,892
Receivables	-	756	-	-	-	756
Total financial assets	2,892	756	-	-	-	3,648
Financial liabilities						
Payables	-	2,709	-	-	-	2,709
Interest bearing liabilities	2,270	-	1,400	7,600	7,700	18,970
Total financial liabilities	2,270	2,709	1,400	7,600	7,700	21,679
Net financial liabilities	622	(1,953)	(1,400)	(7,600)	(7,700)	(18,031)
Weighted average interest rate	7.30%	-	6.72%	6.57%	6.23%	7.03%

Financial Report for the year ended 30 June 2009

Note 26. Financial Instruments (Continued)

None of the classes of interest bearing liabilities are readily traded on organised markets in standardised form. The fair value of borrowings is based upon market prices, where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles. Fair value is inclusive of costs which would be incurred on settlement of a liability.

26.2 Fair Valuation

The carrying amounts and fair values of financial assets and financial liabilities at balance date are:

as at 30 June	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and Cash Equivalents	713	713	2,892	2,892
Receivables	1,192	1,192	756	756
Total Financial Assets	1,905	1,905	3,648	3,648
Financial liabilities				
Payables	3,170	3,170	2,709	2,709
Interest Bearing Liabilities	21,000	21,405	18,970	18,425
Total Financial Liabilities	24,170	24,575	21,679	21,134

Cash, cash equivalents and non-interest bearing financial assets and financial liabilities are carried at cost which approximates their fair value. The fair value of other financial assets and financial liabilities are based upon market prices, where a market exists or by discounting the expected future cash flows at current interest rates.

The fair value for interest bearing liabilities for 2009 and 2008 were based on the market capital value of those loans as stated in the Treasury Corporation of Victoria portfolio valuation reports as at the 30 June 2009 and the 30 June 2008 respectively.

Financial Report for the year ended 30 June 2009

Note 27. Segment Report

(a) Balance Sheet

as at 30 June 2009

	WATER		WASTEWATER		TOTAL	
	2009 \$'000's	2008 \$'000's	2009 \$'000's	2008 \$'000's	2009 \$'000's	2008 \$'000's
Total Current Assets	588	793	1,571	3,160	2,159	3,953
Total Non-Current Assets	71,727	69,365	86,839	83,434	158,566	152,799
TOTAL ASSETS	72,315	70,158	88,410	86,594	160,725	156,752
Total Current Liabilities	6,727	5,622	2,409	1,849	9,136	7,471
Total Non-Current Liabilities	13,752	11,538	2,638	3,876	16,390	15,414
TOTAL LIABILITIES	20,479	17,160	5,047	5,725	25,526	22,885
NET ASSETS	51,836	52,998	83,363	80,869	135,199	133,867
TOTAL EQUITY	51,836	52,998	83,363	80,869	135,199	133,867

(b) Operating Statement

for the reporting period ended 30 June 2009

The revenue from and expenses of services within segment operations were:

	WATER		WASTEWATER		TOTAL	
	2009 \$'000's	2008 \$'000's	2009 \$'000's	2008 \$'000's	2009 \$'000's	2008 \$'000's
Revenue						
Revenue from operating activities	10,864	9,975	9,206	8,363	20,070	18,338
Revenue from non-operating activities	335	417	237	298	572	715
Total Revenue	11,199	10,392	9,443	8,661	20,642	19,053
Total Expenses	12,496	11,887	8,434	7,644	20,930	19,531
Net result for the period	(1,297)	(1,495)	1,009	1,017	(288)	(478)

Financial Report for the year ended 30 June 2009



Statutory Certification

South Gippsland Region Water Corporation

FOR THE YEAR ENDED 30 JUNE 2009

We certify that the attached financial statements for South Gippsland Region Water Corporation have been prepared in accordance with Part 7 of the Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Australian Accounting Standards, interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Operating Statement, 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 2009 and the financial position of the Corporation as at 30 June 2009.

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


..... Lew Vale
Chairperson


..... Steve Evans
Managing Director


..... Philippe du Plessis
Chief Finance & Accounting Officer

16 September 2009

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board, South Gippsland Region Water Corporation

The Financial Report

The accompanying financial report for the year ended 30 June 2009 of the South Gippsland Region Water Corporation which comprises the operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the statutory certification has been audited.

The Board Member's Responsibility for the Financial Report

The Board Members of the South Gippsland Region Water Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of the South Gippsland Region Water Corporation for the year ended 30 June 2009. The Board Members of the South Gippsland Region Water Corporation are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the South Gippsland Region Water Corporation website.

Independence

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

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the South Gippsland Region Water Corporation as at 30 June 2009 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
17 September 2009

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

Statement of Performance

for the Year Ended 30 June 2009

Financial Performance Indicators

Performance indicator	2007/08 Result	2008/09 Result	2008/09 Target	Variance %	Notes
Long Term Profitability					
<u>Earnings before net interest and tax X 100</u>					
Average total assets	0.4%	0.7%	1.1%	(36.4)	1
Owner's Investment					
<u>Net profit after tax X 100</u>					
Average total equity	(0.4%)	(0.2%)	0.1%	(300.0)	1
Long Term Financial Viability					
<u>Total debt (incl. finance leases) X 100</u>					
Total assets	12.1%	13.1%	15.6%	(16.0)	1
Liquidity and Debt Servicing (Interest Cover)					
<u>Earnings before net interest and tax expense</u>					
Net interest expense	(0.6) times	0.8 times	1.1 times	(27.3)	2
Immediate Liquidity and Debt Servicing (Cash Cover)					
<u>Cash flow from Operations before net interest and tax payments</u>					
Net interest payments	3.9 times	3.37 times	3.6 times	(6.4)	3
Operating Efficiency					
Water supply / wastewater collection Operations, maintenance and administration expenses per ML transported or treated:					
• water supply bulk	\$324	\$329		n/a	4
• water supply reticulation	\$423	\$483		n/a	4
• water supply treatment	\$889	\$934		n/a	4
• sewerage reticulation	\$491	\$539		n/a	4
• sewerage treatment	\$903	\$1,379		n/a	4

Service and Environmental Performance Indicators

Performance indicator	2007/08 Result	2008/09 Result	2008/09 Target	Variance %	Notes
Water Supply Interruptions					
Number of customers receiving more than 5 unplanned interruptions in the year	0.0	0.0	0.0	0.0	
Interruption time indicators					
Average duration of unplanned water supply interruptions	101.0 min's	99.7 min's	100.0 min's	0.3	
Average duration of planned water supply interruptions	274 min's	238 min's	320 min's	25.6	5
Restoration of water supply					
Unplanned water supply interruptions restored within 5 hours	99.0%	99.4%	99.0%	0.4	
Reliability of sewerage collection services indicators					
Sewer spills from reticulation and branch sewers (priority 1 and 2)	23	29		n/a	6
Sewage spilt from emergency relief structures and pump stations (% of volume transported)	0.0%	0.0%		n/a	7
Containment of sewer spillages					
Sewerage spills contained within 5 hours	100.0%	100.0%	100.0%	0.0	
Customer complaints indicators					
Water quality complaints per 1000 customers	9.26	6.3		n/a	7
Water supply reliability complaints per 1000 customers	0.0	0.16		n/a	7
Sewerage service quality and reliability complaints per 1000 customers	0.07	0.06		n/a	7
Affordability complaints per 1000 customers	0.23	0.78		n/a	7
Billing complaints per 1000 customers	0.93	0.89		n/a	7
Pressure complaints per 1000 customers	1.28	0.11		n/a	7
Sewage odour complaints per 1000 customers	0.9	0.4		n/a	7
Other complaints per 1000 customers	2.9	2.5		n/a	7

Performance Statement for the Year Ended 30 June 2009

Service and Environmental Performance Indicators

Performance indicator	2007/08 Result	2008/09 Result	2008/09 Target	Variance %	Notes
Reuse indicators					
Effluent reuse (volume)					
Foster	0.0%	0.0%		n/a	
Korumburra	0.1%	0.3%		n/a	
Leongatha (domestic)	0.0%	0.1%		n/a	
Leongatha (trade waste)	0.0%	0.0%		n/a	
Toora	3.6%	20.3%		n/a	8
Welshpool	0.0%	0.0%		n/a	
Wonthaggi/Cape Paterson/Inverloch	2.4%	3.2%		n/a	
Yarram	100.0%	100.0%		n/a	
Biosolids reuse (dry mass)					
Foster	0.0%	0.0%		n/a	
Korumburra	0.0%	0.0%		n/a	
Leongatha (domestic)	0.0%	0.0%		n/a	
Leongatha (trade waste)	0.0%	0.0%		n/a	9
Toora	0.0%	0.0%		n/a	
Welshpool	0.0%	0.0%		n/a	
Wonthaggi/Cape Paterson/Inverloch	0.0%	0.0%		n/a	
Yarram	0.0%	0.0%		n/a	
Sewage treatment standards					
Number of analyses complying with licence agreements as % of samples					
Foster	80.6%	63.9%	100.0%	(36.1)	10
Korumburra	100.0%	100.0%	100.0%	0.0	
Leongatha (domestic)	100.0%	100.0%	100.0%	0.0	
Leongatha (trade waste)	100.0%	100.0%	100.0%	0.0	
Toora	100.0%	100.0%	100.0%	0.0	
Welshpool	100.0%	100.0%	100.0%	0.0	
Wonthaggi/Cape Paterson/Inverloch	100.0%	100.0%	100.0%	0.0	
Yarram	100.0%	100.0%	100.0%	0.0	

Notes:

- Note 1 The actual result was down on target due to a number of factors including:
- lower trade waste income.
 - reduced domestic water consumption revenue as a result of changed customer behavior following extensive water restrictions throughout the region.
- Note 2 The liquidity and debt servicing ratio was less than forecast due to the reasons articulated in note 1.
- Note 3 The immediate liquidity and debt servicing ratio was less than forecast due to the reasons articulated in note 1.
- Note 4 No targets set. For water - expenses were generally in line with the previous year. Lower volumes, due to dry weather and customer behavior from recent water restrictions have impacted in higher unit costs.
For sewerage - reticulation costs have increased slightly, while costs of treatment have increased significantly from last year. However, on analysis this was found to be due to an incorrect input into last years' calculation.
- Note 5 The actual result was better than target due to less air scouring, as a result of continuing dry conditions.
- Note 6 No targets set. Results fluctuate due to weather conditions and affects on soil moisture.
- Note 7 No targets set. Results largely in line or better than the previous year.
- Note 8 No targets set. Reuse increased due to reuse on Toora football ground.
- Note 9 No targets set. The Corporation does not recycle biosolids.
- Note 10 The actual result was less than the target, due to high algae in Foster lagoons, resulting in high BOD and E-Coli in discharge. A long term strategy is in progress involving duckweed ponds and wetland to improve performance. Improvements are also in progress in identifying and reducing storm water infiltration in the sewer system.



Statutory Certificate

South Gippsland Region Water Corporation

Statement of Performance for 2008/09

In our opinion, the accompanying Statement of Performance of South Gippsland Region Water Corporation in respect of 2008/09 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

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

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

Handwritten signature of Llew Vale in black ink.

Llew Vale
Chairperson

Handwritten signature of Steve Evans in black ink.

Steve Evans
Managing Director

16 September 2009

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board, South Gippsland Region Water Corporation

The Statement of Performance

The accompanying statement of performance for the year ended 30 June 2009 of the South Gippsland Region Water Corporation which comprises the statement of performance indicators, the related notes and the statutory certificate has been audited.

The Board Member's Responsibility for the Statement of Performance

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

Auditor's Responsibility

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

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

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

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

This auditor's report relates to the statement of performance published in both the annual report and on the website of the South Gippsland Region Water Corporation for the year ended 30 June 2009. The Board Members of the South Gippsland Region Water Corporation are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited statement of performance to confirm the information included in the audited statement of performance presented on the South Gippsland Region Water Corporation website.

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Victorian Auditor-General's Office

Independent Auditor's Report (continued)

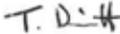
Independence

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

Auditor's Opinion

In my opinion, the statement of performance of the South Gippsland Region Water Corporation in respect of the 30 June 2009 financial year presents fairly, in all material respects, in accordance with *the Financial Management Act 1994*.

MELBOURNE
17 September 2009


for D D R Pearson
Auditor-General

Appendix A – Disclosure index

The 2008/09 Annual Report of the South Gippsland Water is prepared in accordance with all relevant Victorian legislations. This index has been prepared to facilitate identification of the Authority's compliance with statutory disclosure requirements.

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FRD 13	Disclosure of Parliamentary Appropriations _____	none
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