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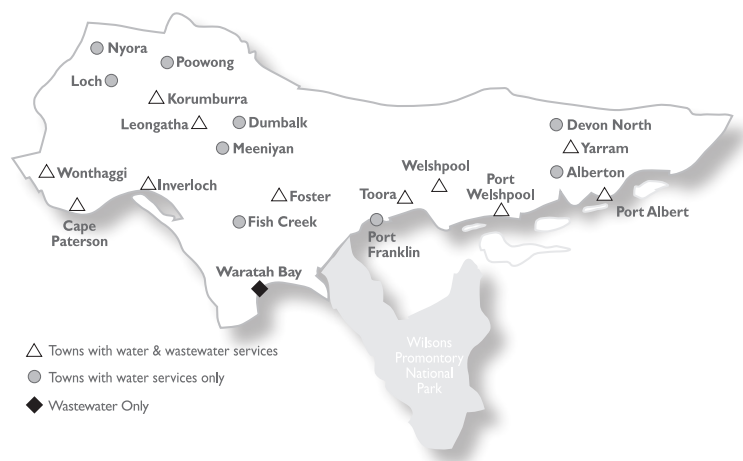
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Our Region

South Gippsland – The Region

South Gippsland is located about 2 hours drive from Melbourne and is a popular tourist destination, 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 major industry in the region together with a range of other agricultural activities including beef, lamb, wine, cheese and vegetable production.



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.

Nature and Range of Services Provided

South Gippsland Water's total operation in 2009/10 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. Of the total historical surface water flows in the region the Corporation takes 0.987% to service the communities and businesses of South Gippsland. The towns supplied and the services the Corporation provides are summarised in the following table.

South Gippsland Water & Wastewater Service Localities 30th June 2010

Centre	Population Served (Permanent)	Water		Sewerage
		Customers Billed	Supplied from	Customers Billed
Port Franklin	125	107	Agnes River	Not Serviced
Port Welshpool	204	271	Agnes River	252
Toora	700	509	Agnes River	279
Welshpool	152	203	Agnes River	119
Fish Creek	180	210	Battery Creek	Not Serviced
Korumburra	3266	2031	Coalition Creek storage network	1718
Foster	1079	808	Deep Creek / Foster Dam	715
Inverloch	4440	4229	Lance Creek	4189
Cape Paterson	723	1097	Lance Creek	1093
Wonthaggi	7002	4060	Lance Creek Reservoir	3801
Loch	189	148	Little Bass	Not Serviced
Nyora	562	342	Little Bass	Not Serviced
Poowong	297	196	Little Bass	Not Serviced
Koonwarra	149 (estimate)	73	Ruby Creek storage network	Not serviced
Leongatha	4645	2917	Ruby Creek storage network	2710
Alberton	166	147	Tarra River	Not Serviced
Devon North	78 (estimate)	123	Tarra River	Not Serviced
Port Albert	256	387	Tarra River	323
Yarram	1779	1160	Tarra River	1046
Dumbalk	168	104	Tarwin River – East Branch	Not Serviced
Meeniyan	441	259	Tarwin River – West Branch	Construction of Scheme Underway
Waratah Bay – See note 3	149	Not Serviced	N/A	108

Note 1 Population Served based on ABS 2006 Census* updated with local government growth factor from "Victorian Population Bulletin 2010, Annual Edition

Note 2 Water and Sewerage Assessments = Number of Rated Properties at 30th June 2010.

Note 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.

Statement by the Managing Director and Chairman

Introduction

In 2009/10 the Corporation has had a year without water restrictions. This is due to higher rainfall and the drought augmentation works put in place by South Gippsland Water during the dry period.

Our customers are also to be congratulated for maintaining moderate water consumption and continuing with the water saving practices they put in place during the extremely dry period of 2006/07.

Progress is continuing with our revised long term Water Supply Demand Strategy [WSDS] taking into account the State Governments decision to construct a desalination plant at Wonthaggi and an 84 kilometre pipeline to the Melbourne supply.

This connecting pipeline to Melbourne and a further pipeline connecting the Desalination Plant and Lance Creek Reservoir [initially for construction purposes] has provided South Gippsland with the possibility to leverage State Grid Water for a major percentage of our customers.

Work is also continuing on the securing of a permanent Bulk Entitlement for the Tarwin River. This ongoing application for bulk water extraction from the Tarwin River began in 2007/08 and remains integral to the short term security of supply for the towns of Korumburra and Leongatha.

The Corporation currently has two "Country Towns Water Supply and Sewerage Program" Schemes underway. The Meeniyan Sewerage Scheme is nearing completion, despite delays due to rainfall and the designs for the Poowong, Loch and Nyora scheme are now well progressed.

Acknowledgements

Our thanks go to all Directors for their commitment and contributions over the past year.

We also acknowledge the Executive Management and Staff for their ongoing dedicated support and professionalism. They can be proud of their achievements, and we are sure they are ready to meet the challenges ahead.



Llew Vale
Chairman



Steve Evans
Managing Director

Accountable Officers 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 2010.



Llew Vale

Chairman

Board of Directors

South Gippsland Water

Dated: 30th June 2010

The Board

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

During 2009/2010 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. 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. Currently he is chairing the Gippsland Regional Sustainable Water Strategy Consultative Committee.

Llew was awarded an Order of Australia in 2002 for his services to the water industry and the community.

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 of the South Gippsland Conservation Society and is currently 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.

Gillian Sparkes

PhD, MBA

Appointed 1st of July 2004 – Resigned Appointment 21st May 2010.

Dr Gillian Sparkes has extensive experience working with manufacturing and service industries for improved business outcomes. Since 2008 Gillian has been a Centre Director for the Commonwealth Department of Industry, Innovation, Science and Research (DIISR), Enterprise Connect program. Initially establishing the Tasmanian Manufacturing Centre and since July 2009 as the Director for the Clean Energy Innovation Centre.

Before joining Enterprise Connect, Gillian was CEO of the Australian Sustainable Industry Research Centre (ASIRC), an applied R&D organisation and Monash University partner, established to link industries to technologies and innovation in the area of environmental sustainability. Gillian has held senior management roles with private and public groups including with BHP Steel, Brambles and EPA Victoria. She also has run small and medium enterprises through her own consulting company and more recently as CEO of ASIRC.

Gillian is passionate about developing and delivering industry support programs and has been involved in many business-improvement initiatives. She was Chair of the Victorian Water Industry, Sustainable Energy Use Working Group, which developed a framework for greenhouse gas reductions for the industry. Gillian is a member of the Advisory 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 has Chaired the Tullamarine Hazardous Waste Landfill Community Consultative Committee from 2005-2008 and has been a Director of South Gippsland Water and chair of the SGW Board Environment Committee since 2004.

Gillian completed a doctorate in Applied Science (Chemistry) in the area of minerals processing, has an MBA and is a graduate of the Australian Institute of Company Directors.

John Anderson

Cert EDP,MACS, MAICD

Appointed 1st of October 2007.

John was appointed to the Board of Directors in 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 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 LLM Dipl/Carb

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 sectors.

Meetings Attended

Director	Date of Commencement on Board	Board	OH&S Committee	Audit & Risk Management Committee	Corporate Governance Committee	Environment Committee	Executive Remuneration Committee
Llew Vale [Chair of Board] (Chair of Remuneration Committee)	Chair of the Board since SGW's inception in 1995	10 of 12	4 of 4	3 of 4	4 of 4	4 of 4	4 of 4
Joan Liley [Deputy Chair of Board] (Chair of Corporate Governance Committee)	1st of July 2004	12 of 12	3 of 4	n/a	4 of 4	n/a	n/a
John Anderson	1st of October 2007	10 of 12	n/a	n/a	n/a	3 of 4	4 of 4
Jim Fawcett (Chair of OH&S Committee)	1st of October 2007	10 of 12	3 of 4	n/a	n/a	n/a	2 of 4
Noel Maud	1st of July 2005	12 of 12	n/a	4 of 4	n/a	3 of 4	n/a
John Rundell (Chair of Audit and Risk Management Committee)	1st of October 2007	11 of 12	n/a	3 of 4	3 of 4	n/a	n/a
Dr Gillian Sparkes (Chair of Environment Committee)	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

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.

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.

Rob McKaige

Manager Technical Services

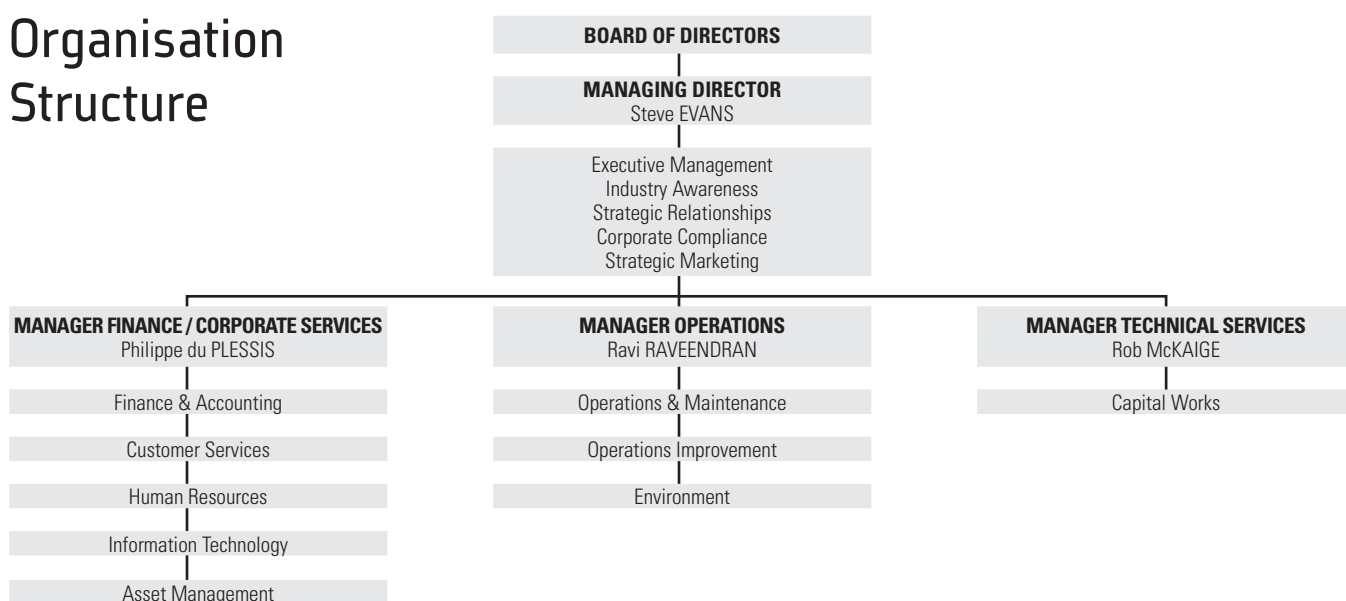
Rob is responsible for direction of the Corporation's Capital Works Program and associated Projects. Other functions under Rob's responsibility include the Drought Response Program, Engineering and Technical Services.

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 was subject to the direction of the Hon. Tim 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 21 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 2009/10. 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 2009/10. 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 2009/2010, to identify and put in place processes to enhance Board and organisational performance.

Environment Committee

The Environment Committee met 4 times in 2009/10. 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 2009/2010. 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 1/7/09 – 30/06/10

Jim Fawcett (Chair)

Llew Vale

Joan Lilley

Gillian Sparkes

Audit & Risk Management Committee

Period of operation 1/7/09 – 30/06/10

John Rundell* (Chair)

Llew Vale

Noel Maud*

Peter Tilley** *[From 1/7/09 to August 2009.]*

Peter Moloney** *[26/05/10 – continuing.]*

*(*Independent Members)*

*(**Independent External Member)*

Corporate Governance Committee

Period of operation 1/7/09 – 30/06/10

Joan Liley (Chair)

Llew Vale

John Rundell

Environment Committee

Period of operation 1/7/09 – 30/06/10

Gillian Sparkes (Chair)

Llew Vale

John Anderson

Noel Maud

Executive Remuneration Committee

Period of operation 1/7/09 – 30/06/10

Llew Vale (Chair)

John Anderson

Jim Fawcett

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 62.

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 2009/10.

Risk Management & Chairman's 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: 30th June 2010

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 2009/10 reporting period the responsible Minister for the South Gippsland Region Water Corporation was the Hon. Tim 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.

Employment and Conduct Principles

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 to recruitment and in all its dealings with staff. The table below summarizes all formal staffing grievances such as sexual harassment and unfair dismissal complaints. There were no complaints in 2009-10 and one was initiated and resolved in 2008-9.

Formal Staff Grievances Disclosure Summary

Year	2009-10	2008-09
Disclosures	Nil	1

Workforce data staffing trends

2010	2009	2008	2007	2006
87	84	81	75	74

June 2009 – June 2010

	Ongoing Employees				Fixed term & casual employees
	Employees (headcount)	Full time (headcount)	Part time (headcount)	FTE	FTE
June 2010	86	73	5	78	8

	2009-10*				
	Ongoing		Fixed term & casual employees		
	Employees (headcount)	FTE	Employees (headcount)	FTE	2008-09
Gender					
Male	62	61.6	2	2	61
Female	16	15.3	6	4	23
Total	78	76.9	8	6	84
Total Classification					
Band 3	10	10	1	1	
Band 4	18	17.8	6	4	
Band 5	16	16	-	-	
Band 6	16	15.5	1	1	
Band 7	5	4.8	-	-	
Band 8	2	2	-	-	
SEO	8	7.8	-	-	
Executive	3	3	-	-	
Total	78**	76.9	8	6.7	

* 2009/10 first year of new format for Workforce data.

** Does not include Managing Director.

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	
\$	2010	2009	2010	2009
130,000 - 139,999	-	-	-	2
140,000 - 149,999	-	2	2	1
150,000 - 159,999	2	-	1	-
160,000 - 169,999	1	1	-	-
Total Amount	\$483,000	\$459,000	\$454,000	\$428,000
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 2009-10 South Gippsland Water received one request under the Fol Act for access to information. The request was invalid under section 17 of the Act as it failed to provide enough information about the documents being sought to enable them to be identified. The enquirer was contacted and requested to clarify the request; assistance was offered to facilitate the clarification, however, there was no further contact from the enquirer and the request lapsed.

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 \$23.90 from 1st July 2010 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

Since the end of the reporting period, the Corporation has submitted its 2010/11 to 2014/15 Corporate Plan for Ministerial approval. A revised strategy has been adopted in the plan that recognises an existing Melbourne water grid connection and proposes the utilisation of the Lance Creek Reservoir in conjunction with grid water to supply the Corporation's Northern and Southern towns. This decision was taken on the basis of the long term cost, efficiency and security of supply over the 50 year period of the Water Supply Demand Strategy. It will result in the decommissioning of a number of the Corporation's dams and will have a long term impact on the way the Corporation provides water to the bulk of its customers.

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.

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, including taking all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

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

Disclosure Summary

Year	2009-10	2008-09
Disclosures	Nil	Nil

Implementation of the Victorian Industry Participation Policy

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 2009/10 South Gippsland Water commenced 1 contracts totalling \$1.02 million in value to which the VIPP applied. This contract was not completed in 2009/10
- The contract is in regional Victoria
- The commitment by the contractor under VIPP include:
 - An overall level of local content between 50% and 55% of the total value of the contracts
 - 6 full time equivalent jobs
- The following benefit to the Victorian economy occurred, in terms of skills and technology transfer:
 - Open trench excavation, horizontal directional boring and pipework installation

Contracts Completed to which VIPP applied:

- During 2009/10 no contracts to which VIPP applied were completed

Consultancies for 2009/10

Greater than \$100,000

Consultant	Project	Total Approved Project Fee (Excl. GST)	Expenditure 2009/10 (Excl. GST)	Future Expenditure (Excl. GST)
Beveridge Williams	Poowong, Loch & Nyora Sewer Reticulation Design	\$315,480.0	\$218,900.0	\$96,580.0
CEE	Ocean Outfall Monitoring	\$191,600.0	\$63,524.0	\$128,076.0
GHD	Poowong, Loch & Nyora Sewerage Waste Water Treatment Plant Design	\$104,545.5	\$5,623.6	\$98,921.8
Marsden Jacob Associates	Connection to Melbourne Grid Business Case	\$146,394.8	\$35,859.9	Est: \$50,000.0
SKM	Groundwater Hydrological Services for Leongatha	\$181,685.4	\$19,690.5	Est: \$10,000.0
KBR	Korumburra & Leongatha Waste Water Treatment Plant – Sludge Dewatering	\$148,686.4	\$58,641.8	\$90,044.5

Consultancies less than \$100,000

In addition a further 23 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 **\$778,985.00 (Excl. GST)**.

Disclosure of Major Contracts

There were no contracts of a value in the order of \$5M during the reporting period 2009/10. There were no contracts of a value greater than \$10M during the reporting period 2009/10.

Cultural Diversity and Community Inclusiveness

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 2009/10.

Corporate Governance

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 nominated 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 the following projects:-

- *Trunk Delivery Main – Yarram*
- *Desalination Plant Pipelines – Wonthaggi*
- *Sewerage Scheme – Meeniyar*
- *Water Grid Pipelines – Northern & Eastern Towns*
- *Undergrounding of Emergency Supply Pipeline – Powlett River to Lance Creek*
- *Sewerage Scheme – Poowong, Loch and Nyora*

Corporate Water Consumption 2009/10

Calculation based on the Foster Head Office and Annex, accommodating 39 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, Meeniyar 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 2009/10	Variation %	Actual 2008/09	Actual 2007/08
Consumed [Kilolitre (KL)= 1,000 litres]	250kL	232kL	-7.2%	233kL	230kL
Kilolitres consumed per full time equivalent staff member	5.7kL	5.9kL	3.5%	5.3kL	5.7kL

Water Consumed Per Unit of Office Space

Water consumed per square metre of office space for 2009/10 was 233.6 litres.

Corporate CO2 Emissions 2009/10

The following table sets out Corporate greenhouse gas emissions for 2009/10 [and the two preceding years].

ITEM	2009/10 [Emissions in Tonnes]	2008/09 [Emissions in Tonnes]	2007/08 [Emissions in Tonnes]
Office Energy Use	190.4	171.4	175.7
Vehicle Fleet	620.5	726.8	739.1
Wastewater Treatment	10,348.3	9,173.3	5,594.0
Water Treatment	2,040.4	2,168.1	2,329.0
Other – LPG [non-transport]	9.1	6.7	6.9
Gross tonnes CO2e	13,208.7	12,246.2	8,844.6
Offsets	nil	788.1	1,950.0
Net CO2e	13,208.7	11,458.1	6,894.6

Please refer to the “Our Environment” and “Environmental Sustainability – Our Water Our Future” sections of this report for further information on activities undertaken by South Gippsland Water to reduce greenhouse gas emissions.

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 plan to continue the 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 2009/10.

Category	Includes	2009/2010 Staff Participants	2008/2009 Staff Participants
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; AllMs Training; Equal Employment Opportunity – all levels.	6	96
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.	51	187
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.	176 Note: Courses of longer duration increasing training hours by 53% over 2008/09.	170
Operations	Water Authorities Certificate II & III; Operations – Water; Operations – Wastewater; Defensive Driving Skills; Pumping Fundamentals; Traffic Management.	42	37
Information Technology & related	TRIM Document Management; Autocad; Computer skills [Excel & Word]; Arc Explorer.	3	48

South Gippsland Water spent **\$200,306** on training and development of staff during the 2009/2010 financial year. Averaged across the Corporation's staff this equates to \$2,302 per employee.

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.

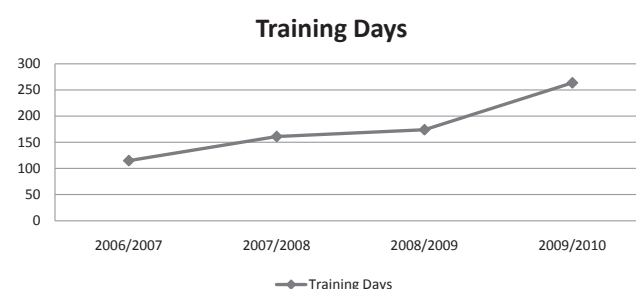
The Consultative Committee has continued to approve and implement productivity and improvements as negotiated and agreed under the EBA bargaining process.

The required EBA Key Performance Indicators were achieved by staff during the 2009/2010 year, resulting in payment of the corresponding salary increases provided for under the agreement. A new EBA was negotiated during the year and came into operation from December 2009.

Occupational Health and Safety Management [OH&S]

The goals of the South Gippsland Water Occupational Health and Safety unit in the 2009/2010 financial year were to continue to review and reduce the risks faced by its employees at its worksites. This was done by continuing to implement a robust OH&S management system that provides the framework for all SGW employees to implement and sustain safe work practices.

During the 2009/2010 financial year South Gippsland Waters OH&S Department implemented a stronger training regime that resulted from an annual review of the corporations training practices. Training figures show a 53% increase in training hours from last year which is aimed at increasing the knowledge and awareness of individual risks that face our employees in their work.



An increase attention to site inspections was also a focus for the OH&S Department this financial year. The aim was to increase the percentage of completed inspections against the scheduled amount. This was done by working with employees to ensure inspections were carried out and the resulting actions were completed in a nominated timeframe. In the 2009/2010 financial year 94% of scheduled OH&S inspections were carried out on time.

Our People

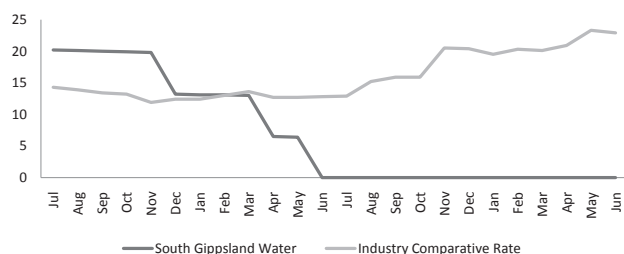
Incident Management

Incidents across the corporation have decreased this financial year. Incidents include all injury, near miss, and other non-injury incidents. There was a 40% decrease in reported incidents in the 2009/2010 financial year with the overall incident figures decreasing from 22 in the 2008/2009 year to 13 in the 2009/2010 year. This decrease in incidents is a continual target documented in SGW's OH&S Policy.

Over the past two financial years there has been a dedicated focus to eliminate medical treatment injuries throughout South Gippsland Water. This has been done by focusing on removing identified risks as well as implementing greater controls to reduce other risks that cannot be removed. This effort has resulted with a 100% drop in Medical Treatment injuries in the 2009/10 financial year (see below) with South Gippsland Water having consistently tracked below industry averages for 15 months.

Medical Treatment Injuries 2008/09-2009/10

Frequency Rate = (per million hours worked)

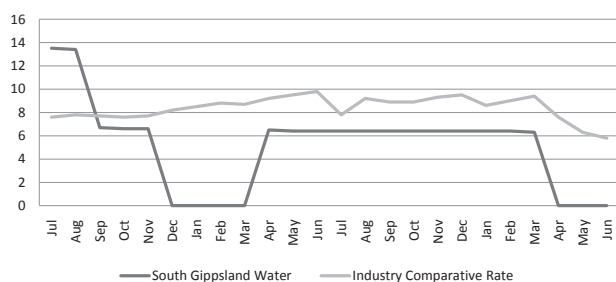


South Gippsland Water has been successful in managing work related injuries that resulted in lost time injuries [LTI's]. LTI's are measured in the number of injuries or diseases that resulted in a fatality, permanent disability or time lost from work of one day/shift or more.

South Gippsland Water has continued to identify high risk work and implement controls that reduce the risk and enable our employees to carry out their tasks in a safe manner. This has enabled South Gippsland Water to stay below the industry benchmark in this statistic and continue to work to reduce the figure more in the future.

Lost Time Injuries 2008/09-2009/10

Frequency Rate = (per million hours worked)



Occupational Health and Safety Management System Improvements

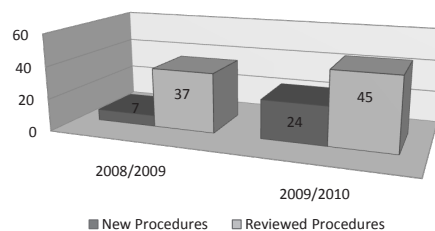
SGW has adopted a systematic approach to managing OH&S and the development of its OH&S Management System (OH&SMS) within the context of:

- The general growth of concern from all interested parties about OH&S matters.
- Changes to legislation.
- Other measures to incorporate sustained OH&S improvement.

There are many reasons why SGW has continued implementing an OH&SMS including legal imperatives, ethical concerns, industrial relations considerations and to improve financial performance. Implementation of an effective OH&S Management System should, however, primarily lead to a reduction of workplace illness and injury (illustrated in the previous graphs) and minimizing the costs associated with workplace accidents.

In the 2009-2010 financial year South Gippsland Water has continued to improve its OH&SMS by implementing 24 new OH&S procedures and reviewing 45 existing procedures (see graph below). These procedures and forms give South Gippsland Water's employees a more reliable and comprehensive safety management system that aims to reduce the occupational health and safety risks that are present at their worksites.

Number of New and Reviewed Procedures



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 2009/10 period.

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 – 2009/10

Water	Unit	Target	Result 2009/10
1. Unplanned water supply interruptions per 100km	Number	28	27.8
2. Average minutes to respond to bursts and leaks (Priority 1)	Minutes	30	20.1
3. Average minutes to respond to bursts and leaks (Priority 2)	Minutes	40	17.5
4. Average minutes to respond to bursts and leaks (Priority 3)	Minutes	1440	495.3
5. Unplanned water interruptions restored within 5 hours	Percent	99	100
6. Planned water interruptions restored within 5 hours	Percent	99	100
7. Average unplanned customer minutes off water supply	Minutes	33	20.1
8. Average planned customer minutes off water supply	Minutes	150	64.4
9. Average frequency of unplanned water interruptions	Ratio	0.3	0.22
10. Average frequency of planned water interruptions	Ratio	0.5	0.30
11. Average duration of unplanned water interruptions	Minutes	100	91.9
12. Average duration of planned water interruptions	Minutes	300	211.4
13. Customers experiencing > 5 unplanned interruptions / year	Number	0	0

Wastewater	Unit	Target	Result 2009/10
14. Sewer blockages per 100km mains	Number	18	17.2
15. Average time to attend sewer spills – blockages	Minutes	30	16.5
16. Average time to rectify sewer spills – blockages	Minutes	120	61.2
17. Sewer spills contained within 5 hours	Percent	100	100
18. Customers experiencing > 3 blockages / year	Number	0	0

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	2008/09 Result	2009/10 Result**	2009/10 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	100 minutes	92 minutes	100 minutes	8.0	1
Average duration of planned water supply interruptions	238 minutes	211 minutes	320 minutes	34.1	2
Restoration of water supply Unplanned water supply interruptions restored within 5 hours	99.4%	100%	99.0%	1.0	
Reliability of sewerage collection services indicators Sewer spills from reticulation and branch sewers (priority 1 and 2)	29	37	35	(5.7)	3
Sewage spilt from emergency relief structures and pump stations (% of volume transported)	0.0%	0.0%	0.0%	0.0	
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	6.3	4.3	8.0	46.3	4
Water supply reliability complaints per 1000 customers	0.2	0.0	0.2	100.0	4
Sewerage service quality and reliability complaints per 1000 customers	0.1	0.1	0.1	0.0	4
Affordability complaints per 1000 customers	0.8	1.0	1.0	0.0	4
Billing complaints per 1000 customers	0.9	0.8	1.0	20.0	4
Pressure complaints per 1000 customers	0.1	0.0	0.5	100.0	4
Sewage odours complaints per 1000 customers	0.4	0.1	0.7	85.7	4
Other complaints per 1000 customers	2.5	2.2	2.8	21.4	4

Note 1 The actual result was better than target due to effective management of operating response units.

Note 2 The actual result was better than target due to less air scouring throughout the Corporation's water reticulation systems.

Note 3 Results fluctuate due to weather conditions and affects on soil moisture.

Note 4 Results largely in line or better than the previous year.

Customer Involvement, Service Delivery & Social Sustainability

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				
	2009/10		2008/09	
	Number of Cases	Value	Number of Cases	Value
Rebates to Eligible Customers & Pensioners	5,435	\$950,112	5,079	\$813,732
Utility Grants – to eligible persons Department of Human Services	19	\$6,739	22	\$8,528
Not for Profit Organisations assisted by – Rate Reduction	519	\$128,287	491	\$118,507

Customer Consultation

South Gippsland Water consults with customers, 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 and projects directly affecting them.

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

- an annual customer satisfaction survey;
- 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 events such as environment and water related shows.

In addition, South Gippsland Water consults with its customers and associated stakeholders as required, on issues such as:

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

Customer Reference Groups and Committees

As set out in previous Annual Reports at the time, in 2001 South Gippsland Waters Customer Consultation Committee [which had been operating for 6 years] reviewed the way it was operating and functioning. As a result of this self initiated review, in which all committee members participated, it was requested that the Corporation change the customer consultation process, from a standing committee format, to issues based groups and project groups. Since that time, issues and major projects with implications for our customers have had their own reference groups.

Customer reference groups are able to interact directly with project staff and influence the total project. They are able to provide information about the local environment and conditions so that these can be taken into account by the design team. In the case of the Meeniyen Sewerage Scheme community participation has led to the use of an innovative wetland wastewater treatment plant that will be used in the future by the community as an environmental educational facility and tourism attraction.

The table below sets out the meetings and major issues for 2009-10.

2009-10 Project Groups	Major Issues	Number of Meetings	Attendance
Meeniyen Sewerage Scheme. Project group formed from interested residents and existing community group lobbying for sewerage of the township. [SMAC]	Sewerage reticulation and construction of innovative wetlands wastewater treatment plant. Included bus trip to functioning storm water wetlands. Full range of consultation over several months – multiple sessions	Two – plus regular updates and contributions to community newsletter.	Invitation to all property owners to participate. 180 attendees.
Poowong, Loch & Nyora Sewerage Scheme. Project groups formed from community Progress Associations and interested residents.	Sewerage reticulation, which areas of the townships would be included, location of wastewater treatment plant and the type of system that may be used.	Six - plus regular updates and contributions to community newsletter.	Invitation to all property owners to participate. 150 attendees.

Building Community Capacity - Community and Schools education programs – sustainability and demand reduction

South Gippsland Water has facilitated a number of schools education programs throughout 2009/10:-

- Water Aware is a dynamic school leadership program offering students insight into the whole water picture in their particular area. Water Aware is an investigative program delivered in partnership with local water related businesses and delivered with assistance from the Smart Water fund.

- A number of activities are delivered around key days throughout the year including a student expo to celebrate World Environment Day and National Water Week poster competition and activities.
- School visits and excursions have been delivered to both secondary and primary schools supporting water related curriculum.
- South Gippsland Water provides and supports the State resource Water Learn it Live it.

Summary of Major Customer Relations External Programs 2009/10			
Community Events	Program Coverage	Program Awareness - Target Audience	Direct Participants
Water Efficient Shower Head Changeover Program	Region wide advertising & promotion	All customers	588
Information Provision at Field Days Events includes	Regionally publicized event	Urban Water users	2060
Information Provision at LandCare/Sustainability Events	Regionally publicized events	Urban Water users	950
"Rewarding Summer Savers" Program – [Give away of 12 water tanks]	Region wide advertising & promotion	All customers	N/A - Region wide
Support to Gippsland Sustainable Water Strategy launch – event preparation	Regionally publicized event	Individuals & special interest groups	40
Schools and Education Events			
"Water Aware" Program for Students – 2 programs of 3 months duration twice a year – in partnership with other local water related organisations	By invitation	10 local primary & secondary schools and associated parents and communities	120 students
- Water Aware" Program Presentation Night			140 attendees
Education Presentations – both primary & secondary – as required by curriculum	On request	All regional schools	1120
Plant Tours & Talks			360
National Water Week 250 Competition Entries 135 Prizes and Certificates Awarded	Nationally publicized event	All regional schools	N/A - Region wide

Major Business Customers

Water use analysis and demand reduction measures are investigated and reviewed, on a continuing basis, for all these customers. Senior Staff consult regularly with South Gippsland Water's top 18 water users. The ongoing management of the State Government Water Maps [Management Action Plans] program has also been a source of contact between major customers and the Corporation.

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 Chambers of Commerce, local residents and land care groups, etc.

South Gippsland Water Website

South Gippsland Water's website www.sgwater.com.au provides public access to copies of published materials and invitations to comment.

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 wide cross section of the demographic profile of South Gippsland for formation of reference groups.

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 installment amounts if the customers' circumstances change.
- Offer a range of payment options recognizing that the financial hardship may be short or long term.
- Refer the customer to any available free, independent and accredited financial counseling 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 participated in the Water Wise program [formerly the 'Smart Homes' program] in 2009/10. This is a joint initiative between Water Corporations 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 \$500. 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 an independent information and complaint resolution forum. During 2009/10 EWOV handled 16 cases relating to South Gippsland Water. 13 of these cases were general enquiries. The remaining 3 cases were resolved agreeably, within the set time frames.

Our Environment

Environmental Management System

The Corporation has developed and implemented an Environmental Management System [EMS] that has been certified to the Australian Standard 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 Corporations 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. 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 –

Progress is continuing with the Corporation's revised long term Water Supply Demand Strategy [WSDS]. The revision process has been taking into account the State Governments decision to construct a desalination plant at Wonthaggi and an 84 kilometre connecting pipeline to the Melbourne supply. This pipeline to Melbourne and a further pipeline connecting the Desalination Plant and Lance Creek Reservoir [initially for construction purposes] has provided South Gippsland Water with the additional source option of access to the State Grid Water for long term water supply to a major percentage of our customers.

Work is also continuing on securing a permanent Bulk Entitlement for accessing the Tarwin River. This ongoing application for bulk water extraction from the Tarwin River began in 2007/08 and remains integral to the short term security of supply for the towns of Korumburra and Leongatha.

Water Recycling

The use of reclaimed water in the South Gippsland Region for various applications decreased during 2009/10 due largely to increased rainfall events during the summer irrigation season.

Historically the relatively low volumes of treated effluent available, the number of prospective customers wanting the resource and the long distances involved, more often than not, make commercial and agricultural application 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 6% of the treated wastewater from our Toora system during 2009/10 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 Small Towns sewerage scheme under construction at Meeniyan 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 Corporation takes 0.987% of the total historical surface water flows in the region to service the communities and businesses of South Gippsland.

The vision for South Gippsland Water is to provide this service in a sustainable way focusing on managing all SGW 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 has implemented a river health monitoring program. The program draws on concepts and requirements as detailed in the Victorian River Health Strategy as well as the Government's commitments in the Our Water Our Future action plan for water.

SGW river health program involves:-

- An on-going five year study of fish populations in the Tarwin, Tarra, Agnes and Powlett River catchments.
- On-going macro-invertebrate monitoring of all SGW catchments including the Tarwin Catchment (Ruby Creek , Coalition Creek , and Ness Creek), Bellview Creek , Deep Creek, Tarra River, Agnes River and Powlett River catchments.
- On-going river health monitoring of SGW wastewater outflows into Little Ruby Creek at Leongatha and Foster Creek at Korumburra.
- On-going water quality monitoring of rivers and streams including dissolved oxygen and salinity recordings at sites of SGW river and waterway extractions.

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.

Commencing eleven 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 Land care and WaterWatch.

H4O - Help for Water efficient organisations

This community grant scheme was introduced in 2005 - as "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 toward the water saving elements of school or community projects.

Many community organisations have received grants since the schemes introduction, 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 2009/10	Total Awarded in Grants 2009/10
H2O	11	\$4,400
H4O	5	\$1,500

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 2009/10.

System & reference number of relevant Bulk Entitlement	Water Supply	Towns Served	Bulk Entitlement ML/year	Amount Taken ML/y ¹	Storages ²	Water Storages ML ³	Entitlement transfer from	Entitlement transfer to ML/y	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 Metering Obligations ¹¹
BEE049324 Leongatha	Ruby Creek	Leongatha Koonwarra	2476	1606	Res 1.	15	nil	419 See note 4	nil	nil	nil	nil	✓	✓	✓
					Res 2	78									
					Hyland	508									
					Western	831									
BEE049323 Devon North, Alberton, Yarram and Port Albert	Tarra River	Yarram Alberton Port Albert Devon North	853	482	nil		nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE049327 Fish Creek	Battery Creek	Fish Creek	251	107	Battery Creek Reservoir	123	nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE049331 Korumburra	Coalition Creek	Korumburra	1000	488	No. 1	97	nil	nil	nil	nil	nil	nil	a	a	a
	Ness Creek				No. 2	73									
	Bellview Creek				No. 3	359									
BEE049325 Loch, Poowong & Nyora	Little Bass River	Poowong Loch Nyora	420	206	Little Bass reservoir	218	nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE049332 Toora, Port Franklin, Welshpool and Port Welshpool Agnes River	Agnes River	Toora Welshpool Port Welshpool Port Franklin	1617	545	Cooks Dam	58	nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE049334 Wonthaggi, Inverloch	Lance Creek Powlett River	Wonthaggi Inverloch Cape Paterson	3800	1526	Lance Creek Reservoir	3581	nil	452 see note 5	1800 see note 6	nil	nil	nil	✓	✓	✓
BEE049328 Foster	Deep Creek	Foster	326	175	Deep Creek Reservoir	14	nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE049329 Meeniyen	Tarwin River	Meeniyen	200	57	nil		nil	see note 4	nil	nil	nil	nil	✓	✓	✓
BEE049326 Dumbalk	Tarwin River East	Dumbalk	100	21	nil		nil	nil	nil	nil	nil	nil	✓	✓	✓

Note 1 Annual amount of water taken in ML

Note 2 Storages included under each Bulk Entitlement

Note 3 Water Storage Levels (ML) as at June 30 2010

Note 4 Meeniyen Bulk Entitlement altered to provide additional water to the Leongatha/Korumburra Water Supply System at an additional extraction point.

Note 5 Water taken under the Temporary Qualification of Rights to Water from the Powlett River to supplement water supply to Wonthaggi-Inverloch system.

Note 6 An amendment was made to the Bulk Entitlement (Wonthaggi-Inverloch) Conversion Order 1997 called the Bulk Entitlement (Wonthaggi-Inverloch) Conversion Amendment Order 2009. The purpose of this Order is to amend the Bulk Entitlement Order to allow the South Gippsland Region Corporation to access 1800ML at the Corporation's diversion offtake on the Powlett River.

Note 7 Any failure by the Corporation to comply with the Bulk Entitlement.

Note 8 Any difficulties experienced or anticipated in complying with the Bulk Entitlement and remedial action taken or proposed.

Note 9 Approval, amendment and implementation of programs and proposals for Making Allowances (✓ indicates compliance has been met)

Note 10 Approval, amendment and implementation of programs and proposals for Environmental Obligations (✓ demonstrates progress towards compliance with environmental obligations).

Note 11 Approval, amendment and implementation of programs and proposals for metering obligations (✓ demonstrates progress towards compliance with metering obligations)

Extraction under bulk water entitlement orders was reviewed in 2009/10, together with the implementation of fish and macro-invertebrate surveys as a requirement of the qualification of rights, relating to emergency water supply during the drought recovery.

Our Environment

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 2009/10, South Gippsland Water undertook the following project requiring approval under the *Environment Protection and Biodiversity Conservation Act 1999*,

- Victorian Desalination Project – Water Supply & Wastewater Pipelines.

Regional Catchment Strategy

South Gippsland Water continues to work with the West Gippsland Catchment Management Authority 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."

Victorian Greenhouse Strategy

Green house Gas Emissions

The following table sets out Corporate greenhouse gas emissions for 2009/10 [and the two preceding years].

Item	2009/10 [Emissions in Tonnes]	2008/09 [Emissions in Tonnes]	2007/08 [Emissions in Tonnes]
Office Energy Use	190.4	171.4	175.7
Vehicle Fleet	620.5	726.8	739.1
Wastewater Treatment	10,348.3	9,173.3	5,594.0
Water Treatment	2,040.4	2,168.1	2,329.0
Other – LPG [non-transport]	9.1	6.7	6.9
Gross tonnes CO ₂ e	13,208.7	12,246.2	8,844.6
Offsets	nil	788.1	1,950.0
Net CO ₂ e	13,208.7	11,458.1	6,894.6

Water Supply

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

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 2009/10 the Corporation completed the annual mandatory audit of its risk management plan and again successfully complied with all regulatory requirements of the Safe Drinking Water Act. 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 improved operational arrangements. The outcome of this program is evidenced in the consistency of the test results and overall water quality.

The good results reflect the hard work 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.) 2009-2010											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	160	1,210	113	321	27	74	72	130	372	1,735	390	-4.62
Dumbalk	9	75	1	10	1	6	1	5	12	96	13	-7.69
Fish Creek	12	98	5	23	3	13	66	65	86	199	93	-7.53
Foster	70	560	15	98	15	38	31	42	131	738	143	-8.39
Korumburra	217	1,596	128	237	23	67	14	12	382	1,912	402	-4.98
Wonthaggi/Cape Paterson/Inverloch	873	8,140	257	450	73	137	181	141	1,384	8,868	1,388	-0.29
Leongatha/Koonwarra	320	2,279	1,122	419	45	127	24	24	1,511	2,849	1,550	-2.52
Meeniyah	28	191	3	34	4	9	8	12	43	246	47	-8.51
Poowong/Loch/Nyora	63	486	36	66	9	31	51	44	159	627	189	-15.87
Toora/Welshpool/Port Welshpool/Port Franklin	65	584	210	310	10	37	84	71	369	1,002	401	-7.98
Total	1,817	15,219	1,890	1,968	210	536	532	546	4,449	18,272	4,616	-3.62

Average annual demand is calculated as a rolling 3 year average. This excludes real system water losses of **6.68%** and estimated non-metered consumption of **736ML's**. It also excludes Standpipe Sales, **21ML**, and South Gippsland Water's metered properties, **107ML**.

Drinking Water Compliance

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

Microbiological:	<i>E.coli</i>	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 Regulation 2005*. Further details of drinking water compliance for each distribution system are reported annually to the Department of Human Services.

Parameter	2009/2010 %
<i>E.coli</i> (<1 <i>E.coli</i> in 98% of samples taken)	100
Turbidity (95% upper confidence limit of the mean <=5 NTU)	100
Aluminium (<=0.2 mg/L)	99.6
Trihalomethanes (<=250ug/L)	100
Chloroacetic Acid (<=150ug/L)	100
Dichloroacetic Acid (<=100ug/L)	100
Trichloroacetic Acid (<=100ug/L)	100

Drought Response Plan

No staged restrictions were imposed in South Gippsland Water's area of responsibility in 2009-10 consequently no individual drought response plans have been updated. However, as mentioned in the relevant sections of this report the major focus for the year was the revision and updating of the Corporation's Water Supply Demand strategy.

Major Non-residential Water Users

Customers equal to or greater than 50ML - by volume range for 2009/10

Volumetric Range ML per year	Number of Customers
Equal to or greater than 50ML and less than 100ML	1
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	4

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 have provided support to the 16 customers [12 using more than 10ML but less than 50ML] who qualify as Water Map customers, and who are continuing to participate positively in this water conservation program.

Water Map Customers & Conservation initiatives

Business type	Participation in Water Conservation Program
Murray Goulburn Coop 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	Have just completed a major upgrade of their processing facilities to increase production; including water conservation measures.
Tabro Meats Pty Ltd. Lance Creek	Introducing recycling of treated wastewater onsite.

Wastewater Services

Wastewater Management

During 2009/2010, South Gippsland Water was 100% compliant with sewerage treatment standards at all systems, except for the Foster wastewater system.

South Gippsland Water's EPA waste discharge licence compliance for each wastewater system is shown in the table below:

South Gippsland Water's waste discharge licence compliance 2009/10.

System	EPA Licence No.	Licence Compliance
Korumburra	EX15	Yes
Leongatha	EX2	Yes
Baxter's Beach Ocean Outfall	EM42361	Yes
Venus Bay Ocean Outfall	EW17	Yes
Foster	EX136	No
Toora	EW294	Yes
Welshpool	LX37	Yes
Tarraville	EW293	Yes
Waratah Bay	LS31167	Yes

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	2008/09 Result	2009/10 Result	2009/10 Target	Variance %	Notes
Reuse indicators					
Effluent reuse (volume)					
Foster	0.0%	0.0%			1
Korumburra	0.3%	0.7%			1
Leongatha (domestic)	0.1%	0.1%			1
Leongatha (trade waste)	0.0%	0.0%			1
Toora	20.3%	5.7%			1
Welshpool	0.0%	0.0%			1
Wonthaggi/Cape Paterson/Inverloch	3.2%	1.7%			1
Yarram	100.0%	100.0%			1
Waratah Bay	0.0%	100.0%			1
Biosolids reuse (dry mass)					
Foster	0.0%	0.0%	0.0%	0.0	2
Korumburra	0.0%	0.0%	0.0%	0.0	2
Leongatha (domestic)	0.0%	0.0%	0.0%	0.0	2
Leongatha (trade waste)	0.0%	0.0%	0.0%	0.0	2
Toora	0.0%	0.0%	0.0%	0.0	2
Welshpool	0.0%	0.0%	0.0%	0.0	2
Wonthaggi/Cape Paterson/Inverloch	0.0%	0.0%	0.0%	0.0	2
Yarram	0.0%	0.0%	0.0%	0.0	2
Waratah Bay	0.0%	0.0%	0.0%	0.0	2
Sewage treatment standards					
Number of analyses complying with licence agreements as % of samples					
Foster	63.9%	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	
Waratah Bay	100.0%	100.0%	100.0%	0.0	

Note 1 No targets set at individual plant level. Reuse decreased marginally, mostly due to weather conditions.

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

Note 3 The actual result was less than target, due to algae and increased inflow into the Foster plant caused by stormwater infiltration into the reticulation system reducing detention times in lagoons. The Corporation has identified and designed a wetlands solution encompassing reuse and community outcomes which is pending land acquisition.

Environmental Sustainability - Our Water Our Future

Through 2009/2010 progress continued on the 'Our Water Our Future' policies. The comments below relate to key regional issues in South Gippsland Water's area of responsibility.

Sustainability at South Gippsland Water

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 the Corporation identify how it will continue to contribute to a secure economy, enhanced environment and healthy community.

Sustainability is central to our core purpose, which is to provide and manage quality water and wastewater systems in an ecologically sustainable and cost efficient manner in order to meet the needs of the communities of South Gippsland, Victoria. South Gippsland Water is committed to becoming a more sustainable business and has a Sustainability Strategy that is supported by our Environment and Sustainability Policy.

Environment & Sustainability Policy

The Environment and Sustainability Policy describes the overall intentions and direction of the Corporation related to its environmental performance. It provides a framework for action and for the setting of its environmental and sustainability objectives and targets. This policy not only articulates South Gippsland Water's commitment to exceptional environmental management, but also its commitment to a broader sustainability agenda.

Corporate 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 – We will provide water resources to a diverse region for a range of uses and accommodate the impacts of population growth and climate change, this will include identifying alternative water supplies such as recycled water.

Water and wastewater quality – We will provide a quality product to the region and contribute to public health through the delivery of safe drinking water and collection and treatment of wastewater.

Natural environment – We will protect, conserve and enhance our community's natural assets to ensure that our water resources are managed appropriately, to minimise the impact of our operations on the surrounding environment and protect our natural assets for future generations.

Climate change – We will reduce our greenhouse gas emissions to minimise our contribution to climate change and will be an adaptable business to enable our services to be delivered in a changing climate.

Progress towards sustainability – 2009/10 highlights

Highlights of the sustainability program for the current period included:

- Finalisation of the Corporate Sustainability Strategy and review of the Environment and Sustainability Policy completed. The action plan to help implement the Corporate Sustainability Strategy is being progressively implemented;
- Appointment of an EMS/Sustainability Coordinator and supporting Officer to facilitate implementation of the Sustainability Strategy action plan;
- Maintained certification of the Environmental Management System to the internationally recognized AS/NZS ISO 14001 Standard;
- Progressed implementation of the Energy Management Plan to reduce our greenhouse gas emissions. Initiatives include trialling a solar powered wastewater treatment mixer, 16 high-efficiency solar panels for Toora Depot and energy efficient office lighting. Other investigations include a wind power generation feasibility study and mini-hydro power investigation;

- Developed a draft Sustainability Procedure, which aims to incorporate sustainability into existing decision making processes;
- Continuing progress with the South Gippsland Water and West Gippsland Catchment Management Authority co-funded EPA Catchment Officer. The EPA Catchment Officer continues to conduct dairy farm audits throughout our drinking water supply catchments;
- Obtained funding to implement the Battery Creek Catchment Revegetation Plan. The Corporation-owned 88 hectare property will be progressively planted entirely with native vegetation over a number of years, creating a community asset supporting walking trails, enhancing biodiversity and protecting source water quality in the Fish Creek water supply system;
- Continued implementation of our significant weed control program, to manage the impacts of declared noxious and environmental weeds;
- Continued upgrading a large number of sewer pump stations to best practice, with the aim to eliminate sewer spills to the environment from these assets;
- The development and implementation of a River Health Program, including a Bulk Entitlement monitoring and reporting program and fish and macro invertebrate surveys;
- Partnering with South Gippsland Landcare Network, West Gippsland Waterwatch, the Gippsland Regional Water Monitoring Partnership and South Gippsland Environmental Education and Interpretation;
- Trialling 100% recycled paper and investigating other sustainable products such as staple-less staplers and recycled pens/pencils;
- Made significant progress in construction of the Meeniyen Wetlands Wastewater Treatment Facility, which will provide a sustainable wastewater system for township of Meeniyen whilst providing other social and environmental benefits to the region;
- The second South Gippsland Water Sustainability Competition was a success; with over 20 sustainability ideas identified, most now implemented or planned to be implemented. The winner donated their prize of \$1,000 to the Cancer Council Australia;
- Improved contractor management protocols and commenced development of the Occupational Health and Safety System for AS/NZS 4801:2001 certification;
- A wide range of Community and Schools programs featuring the sustainability message have been delivered throughout the year for more details see the Customer Consultation section on page 14.
- South Gippsland Water has played a key role in supporting a number of environmental groups and sustainability events throughout the district, delivering programs to reduce water consumption and promoting environmentally sound behavior such as filling up a water bottle as opposed to buying bottled water.

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 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

Environmental Sustainability - Our Water Our Future

Catchment Management

South Gippsland Water regards itself as a principle 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 to revegetate around 40 hectares of land within the catchment. The Corporation has purchased a further 88 hectares of land within the Battery Creek catchment and we have developed a revegetation plan for the land that will see it 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 by taking an integrated approach to management

Weed issues that are noticed within the water supply catchments, but 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 reuse where possible. The Corporation currently has a number of reuse schemes which include the following:

- Tarrville 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 to enable our services to be delivered in a changing climate.

The Corporation has identified around 50 options for energy savings. The key energy efficiency improvement opportunities are:

- 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

The following table sets out Corporate greenhouse gas emissions for 2009/10 [and the two preceding years].

ITEM	2009/10 [Emissions in Tonnes]	2008/09 [Emissions in Tonnes]	2007/08 [Emissions in Tonnes]
Office Energy Use	190.4	171.4	175.7
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Offsets	nil	788.1	1,950.0
Net CO ₂ e	13,208.7	11,458.1	6,894.6

Community Partners in Environment and Sustainability

South Gippsland Water supports local organisations and groups involved in catchment improvement and environmental education. These organisations provide benefits to South Gippsland Water by raising awareness and understanding of water issues and providing on-ground improvements in our water supply catchments. In addition, by supporting these organisations, South Gippsland Water is strengthening partnerships and providing wider benefits to the South Gippsland community.

SGW provides financial contributions to community groups either by annual sponsorship or on a case-by-case basis. In many cases, South Gippsland Water also provides in-kind support through use of office facilities, technical advice and committee membership. In 2009/10 the groups and organisations supported by South Gippsland Water are listed in the table below.

Community groups, organisations and activities supported by South Gippsland Water in 2009/10.

Name	Activities	Type of Support	
		Financial	In-kind
West Gippsland Waterwatch	Raises awareness about water issues through educational activities. Involves the community in water quality monitoring of local rivers, streams and estuaries.	✓ \$10 000 (annual)	✓
Candowie / Lance Creek Catchment Management Group	A community group comprising of Candowie and Lance Creek residents that work together to improve catchment health.	✓ case by case basis	✓
South Gippsland Environmental Education and Interpretation (SGEEI)	A local environmental education service for schools and the general public.	✓ \$5 000 (annual)	✓
South Gippsland Landcare Network	A community-based organisation that facilitates catchment improvements such as revegetation and streamside fencing.	✓ \$20 000 (annual)	✓
South Gippsland Conservation Society	A membership-based community group that promotes conservation of the environment in South Gippsland.	✓ case by case basis	✓
National Water Week	An event held in October each year to involve the community in conserving water resources and raise awareness about protecting our streams, wetlands, estuaries and oceans.	✓ \$8 000 (annual)	✓

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 2009/10 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 group during 2009/10 included:

Extensive development of systems including:-

- *Real time SCADA Historical data retrieval operational and analysis functionality - rollout commenced.*

Other achievements:-

- *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 upgraded to VM environment.*
- *Continuation of the internal customer help desk.*
- *Review and development of new strategic plan underway.*
- *Completion of virtualised server environment.*

Quality Assured Documentation

The system incorporates all South Gippsland Water's policies, procedures, instructions for Water and Wastewater Quality Assurance, Safety, Emergency Management, Environmental and Sustainability Systems, together with their associated forms, in a single "Quality Assured" environment. All existing policies undergo scheduled reviews at regular intervals to ensure they are relevant and up to date.

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 and relevant governance committees.

Quality Control & Risk Management Documents - Activity 2009/10	Number Of Documents
Approved	413
Currently under Review	411
New Documents Created & Approved	126
Documents Made Obsolete	57

Risk Management

The Corporation has established risk management processes consistent with the Australian/New Zealand Risk Management Standard AS 4360 2004 and has an internal control system 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.

The Risk Management system is 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 covers a wide range of risk areas, including Corporate and strategic issues, OH&S and public safety, water quality, environmental and financial elements.

Asset Management

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.*

Achievements in 2009/10

- *Backflow program fully operational. Annual Inspection & Maintenance carried out on all SGW installed backflow, letters sent to privately installed backflow owners for Inspection & Maintenance.*
- *Victorian coastal LIDAR (light detection and ranging) information incorporated in GIS system. For coastal inundation predictions*
- *Climate change modeling – modeling of selected coastal towns in South Gippsland Water's area of responsibility to show a range of flood inundation scenarios*
- *Failure analysis on pumps – performance and maintenance*
- *Workforce development – broadening usage amongst staff of asset management features*
- *Commenced implementation of bar-coding field assets, mechanical, electrical and fixed above ground assets*
- *34 reports prepared in 2010, major reports include:*
 - *Extensive Drinking Water Management System reports*
 - *Analysis on reactive works*
 - *Analysis on scheduled maintenance*
 - *Asset analysis*

Major Projects

Summary of Major Projects 2009/10

The following table summarizes the major projects undertaken by South Gippsland Water during 2009/10, and the progress or results at the end of the financial year.

TECHNICAL SERVICES - MAJOR PROJECTS		
Reason	Project Description	Result / Progress
Poowong/Loch/Nyora Sewerage Scheme SGW's region has a number of small towns without adequate wastewater management facilities. Unsuitable soil types and smaller size allotments mean that current septic systems are unable to retain effluent on these individual allotments. In many locations, grey water finds its way directly to the street drainage system with resultant health, environment and amenity issues.	Domestic wastewater will be delivered via a trunk main from the reticulation network within each town to a centrally located wastewater treatment plant. The new treatment facility will have sufficient capacity to ensure compliance with relevant discharge licence limits and a capability to accommodate growing population levels.	Detail design of the reticulation system and rising mains is continuing. Construction is to commence in 2011/12 which will include reticulated sewerage system for each town, trunk sewer rising mains and common wastewater treatment plant facility. Planning and rezoning process for WWTP land site underway.
Meeniyan Sewerage Scheme SGW's region has a number of small towns without adequate wastewater management facilities. Unsuitable soil types and smaller size allotments mean that current septic systems are unable to retain effluent on these individual allotments. In many locations, grey water finds its way directly to the street drainage system with resultant health, environment and amenity issues.	Domestic wastewater will be delivered via a trunk main from the reticulation network in the town to the wastewater treatment plant and environmental wetlands. The new treatment facility that will have sufficient capacity to ensure compliance with relevant discharge licence limits and a capability to accommodate growing population levels.	Rising main completed. Town reticulation sewers completed. Pump station completed. WWTP construction works have been delayed due to continuing significant rain periods. WWTP now scheduled for completion in summer of 2010/11.
Battery Creek Dams Risk (Rehabilitation -Augmentation) The dam embankment wall at Battery Creek reservoir requires upgrading to meet current and future development supply demands and comply with current design standards and ANCOLD guidelines for dam safety.	Rehabilitate embankment to achieve required dam safety design standards. Raising the embankment and spillway to provide an additional storage capacity of 150 ML.	Detail design to commence in 2013/14. Construction to commence in 2014/15. Upgrade of dam embankment wall at Battery Creek reservoir for dam safety and augmented storage.
Coalition Creek Dams Risk (Rehab-Augmentation) When the water level within the Coalition Creek reservoir reaches a certain level, well below full supply level, the embankment is observed to leak at several locations. The embankment requires upgrading to comply with current design standards and ANCOLD guidelines for dam safety.	Reconstruction of leaking embankment crest and raising of embankment wall to achieve an additional storage capacity of 100 ML.	Upgrade of dam embankment wall at Coalition Creek reservoir for dam safety and storage augmentation on hold pending the development of the business case regarding connection to Melbourne Grid water.
Water Renewals/Replacement To rehabilitate/replace inefficient water mains.	Water main replacement program based on established priorities with the Operations group. Works include the progressive replacement of asbestos cement (AC) pipes installed up to the 1970s.	Ongoing replacement of troublesome water mains within SGW's region. Approximately 12 km of water mains replacements over the Water Plan period. Programmed works for 2009/10 completed. 2010/11 program commenced.
Wonthaggi Wastewater Strategy Works The Wonthaggi WWTP requires upgrading to provide additional treatment capacity for effluent to meet Class C irrigation quality standard and control development of odour.	Improvement to treatment process to meet effluent standards required to achieve a viable wastewater reuse system within a balanced water resource cycle.	Works include construction of winter storage lagoons for reuse, de-sludging of existing lagoons and purchase of nearby land for reuse as irrigation/wet lands. Now scheduled for 2011/12 and 2016/17.
Agnes River Augmentation - Construction of Off Stream Raw Water Storage The existing Agnes River water supply system, due to significant river flow fluctuations, does not provide for the current level of service requirements. A new 250 ML raw water storage reservoir is required to prevent ongoing and regular water restrictions and to provide for growth and development within the Toora/Welshpool area.	Construction of new off stream raw water storage, transfer pipelines and pump station.	Detail design to commence in 2010/11. Construction to commence in 2011/12. Construction of 250ML off stream storage to ensure adequate supply for current and growth demand. Currently on hold pending completion of business case investigation regarding connection to Melbourne Grid water.
Reticulation Sewer Replacement/Rehabilitation To rehabilitate/replace inefficient water mains.	Reticulation sewer rehabilitation/replacement works including pipeline replacement/relining & manhole repairs/replacement based on established priorities with the Operations group.	Ongoing rehabilitation/replacement of ageing, cracked and broken reticulation sewer pipelines and manholes. Approximately 3 km of sewer pipelines and manholes over the Water Plan period. 2009/10 program successfully completed.
Desalination Plant - Connection of Water & Wastewater Services The Desalination Plant required SGW to supply it with potable water during the construction phase of the project. A sewer rising main and pump station were also required to service the Desalination Plant.	Installation of approximately 10 km of water supply pipeline and approximately 2 km of sewer rising main were required to effectively service the Desalination Plant.	Water supply pipeline, sewer rising main and pump station completed - 2009/10.
Foster Wastewater Treatment Plant Upgrade (Wetlands) The Foster WWTP discharges into Corner Inlet but does not comply with EPA licence requirements for water quality.	Additional lagoons are required to be installed including a wetland treatment system to achieve reuse on land. Ocean outfall to be closed by 2017.	Purchase of additional land is required. Study/investigation recommending preferred site is in progress.

Financial Performance

South Gippsland Water's net result for the year was a surplus of \$4.132 million.

Revenue was \$7.077 million higher than 2008/09 mainly due to payments received from the desalination project for infrastructure to supply water and wastewater services for the construction phase (\$5.000 million). Further higher revenue was obtained from increases in service charges (\$1.277 million) and volumetric charges (\$0.567 million). Expenditure was \$2.738 million higher than 2008/09, due to a combination of higher borrowing costs, depreciation, employee benefit costs and write-offs from work in progress.

Over \$14 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 \$6.600 million during the year to \$27.600 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 2009/10, the final transition year, *FRD121* 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 2010) less any subsequent accumulated depreciation and subsequent accumulated impairment losses.*

Subsequent to the 2009/10 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 2010/11 as directed by the Department of Treasury and Finance.

South Gippsland Water submitted a fair value of \$202.402M, an increase of \$38.697M into the State's annual financial report, in accordance with *AASB 1049 Whole of Government and General Government Sector Financial Reporting.*

Key Financial Elements & KPI's

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

ELEMENT	2009/10 \$	2008/09 \$	2007/08 \$	2006/07 \$	2005/06 \$
Operating revenue	26,342	20,151	17,888	16,930	15,731
Government contributions	0	23	450	1,105	380
Other revenue	1,458	572	715	597	486
Total revenue	27,800	20,642	19,053	18,632	16,597
Administration	6,176	5,682	4,517	4,306	3,456
Corporate Expenditure	14,654	13,681	12,820	15,113	11,065
Project Expenditure	2,838	1,567	2,194	2,092	543
Total expenditure	23,668	20,930	19,531	21,511	15,064
Current assets	7,012	2,159	3,953	3,674	1,272
Non-current assets	165,059	158,566	152,799	148,984	144,613
Total assets	172,071	160,725	156,752	152,658	145,885
Current liabilities	11,754	9,136	7,471	5,924	8,991
Non-current liabilities	20,051	16,390	15,414	12,964	245
Total liabilities	31,805	25,526	22,885	18,888	9,236

Financial Performance Indicators

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

Performance indicator	2008/09 Result	2009/10 Result	2009/10 Target	Variance %	Notes
Long Term Profitability <u>Earnings before net interest and tax X 100</u> ÷ Average total assets	0.7%	3.5%	3.2%	8.9	1
Owner's Investment <u>Net profit after tax X 100</u> ÷ Average total equity	(0.2%)	3.0%	2.6%	15.4	1
Long Term Financial Viability <u>Total debt (incl. finance leases) X 100</u> ÷ Total assets	13.1%	16.0%	16.6%	(3.6)	
Liquidity and Debt Servicing (Interest Cover) <u>Earnings before net interest and tax expense</u> ÷ Net interest expense	0.8 times	3.4 times	3.0 times	(13.3)	1
Immediate Liquidity and Debt Servicing (Cash Cover) <u>Cash flow from Operations before net interest and tax payments</u> ÷ Net interest payments	3.4 times	4.3 times	3.8 times	(13.2)	1
Operating Efficiency Water supply / wastewater collection Operations, maintenance and administration expenses per ML transported or treated:					
• water supply bulk	\$329	\$468			2
• water supply reticulation	\$483	\$493			2
• water supply treatment	\$934	\$971			2
• sewerage reticulation	\$539	\$526			2
• sewerage treatment	\$1,379	\$1,357			2

Note 1 The actual result was favourable to target mostly due to contributions in excess of budget with respect to construction of connecting infrastructure the Victorian desalination project.

Note 2 No targets set. For water – expenses were generally in line with the previous year. Higher unit costs with respect to bulk water supply reflect asset write-offs related to dams projects within Work in Progress. For sewerage – expenses were generally in line with the previous year.

Financial Statements

for the year ended 30 June 2010

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Statement of Comprehensive Income

FOR THE REPORTING PERIOD ENDED 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
Revenue from operating activities			
Service charges	1(d),4(a)	13,588	12,311
Water usage charges	1(d)	6,030	5,463
Government grants and contributions	1(d),4(a)	-	23
Interest	1(d)	10	28
Developer contributions	1(d),4(a)	6,714	2,285
Profit on sale of assets	1(f),4(b)	-	41
		<u>26,342</u>	<u>20,151</u>
Revenue from non-operating activities			
Other income		1,458	572
		<u>1,458</u>	<u>572</u>
Total Revenue		27,800	20,723
Expenses from operating activities			
Borrowing costs	1(e),4(c)	(1,698)	(1,373)
Depreciation	1(g),4(c),10(b)	(5,584)	(5,316)
Amortisation	1(g),4(c),11	(407)	(414)
Employee benefits	1(p)	(6,041)	(5,449)
Repairs and maintenance expense	1(f)	(1,007)	(1,004)
Loss on sale of assets	1(f),4(b)	(338)	-
Environmental contributions	1(r)	(754)	(754)
Inventories distributed	1(k)	(64)	(44)
Supplies and services	4(c)	(7,775)	(6,576)
Total Expenses		(23,668)	(20,930)
Net result before tax		<u>4,132</u>	<u>(207)</u>
Income Tax expense / (revenue)	1(t),5	-	-
Net result for the period		<u>4,132</u>	<u>(207)</u>
Other comprehensive income			
Gain/(loss) on revaluation of non-current assets	1(f),10(b)	-	-
Income tax relating to components of other comprehensive income	1(t),5	-	-
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>4,132</u></u>	<u><u>(207)</u></u>

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

Balance Sheet

AS AT 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	1(i),2,6,27	1,033	713
Receivables	1(j),2,7,27	2,615	538
Inventories	1(k),8	315	295
Prepayments		196	-
Other financial assets	2,9	2,853	1,548
Total current assets		7,012	3,094
Non-current assets			
Receivables	1(j),2,7,27	14	41
Property, plant and equipment	1(f),1(g),10	163,705	156,811
Intangible assets	1(l),11	1,340	1,714
Total non-current assets		165,059	158,566
TOTAL ASSETS		172,071	161,660
LIABILITIES			
Current liabilities			
Payables	1(m),2,12,27	2,560	3,170
Interest bearing liabilities	1(n),2,13,27	7,700	4,800
Employee benefits	1(p),14	1,494	1,166
Total current liabilities		11,754	9,136
Non-current liabilities			
Interest bearing liabilities	1(n),2,13,27	19,900	16,200
Employee benefits	1(p),14	151	190
Total non-current liabilities		20,051	16,390
TOTAL LIABILITIES		31,805	25,526
NET ASSETS		140,266	136,134
EQUITY			
Contributed capital	1(q),16	63,353	63,353
Reserves	1(f),17	3,597	3,597
Accumulated funds	18	73,316	69,184
TOTAL EQUITY		140,266	136,134

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 2010

	Notes	Contributions by owners \$'000	Reserves \$'000	Accumulated funds \$'000	Total \$'000
Balance at 1 July 2008		61,733	3,597	68,537	133,867
Effects of changes in accounting policy (net of tax):	1(b)	-	-	854	854
Restated total equity at the beginning of the financial year		61,733	3,597	69,391	134,721
Total comprehensive income for the year as reported in the 2008/09 financial report		-	-	(288)	(288)
Effects of changes in accounting policy (net of tax):	1(b)	-	-	81	81
Restated total comprehensive income for the year		61,733	3,597	69,184	134,514
Transactions with the State in its capacity as owner:					
Dividends	1(u)	-	-	-	-
Contributions by owners	1(q),16	1,620	-	-	1,620
		1,620	-	-	1,620
Balance at 30 June 2009		63,353	3,597	69,184	136,134
Total comprehensive income for the year				4,132	4,132
Transactions with the State in its capacity as owner:					
Dividends	1(u)	-	-	-	-
Contributions by owners	1(q),16	-	-	-	-
		-	-	4,132	4,132
Balance at 30 June 2010		63,353	3,597	73,316	140,266

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

Cash Flow Statement

FOR THE REPORTING PERIOD ENDED 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
Cash flows from Operating Activities			
Receipts			
Service and usage charges		19,037	18,868
Interest received		11	27
GST received from the ATO		1,987	59
Contributions from developers		3,527	407
Other receipts		1,458	599
Receipts from government		-	-
		26,020	19,960
Payments			
Payments to suppliers and employees		(15,639)	(13,203)
Interest and other costs of finance paid		(1,740)	(1,332)
GST paid to the ATO		(402)	(1,516)
Environmental contributions		(754)	(754)
		(18,535)	(16,805)
Net cash inflow from Operating Activities	19	7,485	3,155
Cash flows from Investing Activities			
Payments for infrastructure, property, plant and equipment		(14,067)	(9,438)
Proceeds from sale of infrastructure, property, plant and equipment		439	350
Payments for intangible assets		(33)	(76)
Grants received for capital purposes		-	23
Net cash (outflow) from investing activities		(13,661)	(9,141)
Cash flows from Financing Activities			
Proceeds from borrowings		6,600	2,030
Repayments of borrowings		-	-
Proceeds from contributions by owners		-	1,620
Net movements in contractor deposits		(104)	157
Net cash inflow from financing activities		6,496	3,807
Net (decrease)/increase in cash and cash equivalents		320	(2,179)
Cash and cash equivalents at the beginning of the financial year		713	2,892
Cash and cash equivalents at the end of the financial year	1(i),6	1,033	713
Financing arrangements	13		

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

Notes to the Financial Report for the year ended 30 June 2010

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

General

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

Where applicable, those paragraphs of the AAS's applicable to not-for-profit entities have been applied.

This 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.

Functional and presentation currency

Items included in this financial report are measured using the currency of the primary economic environment in which the Corporation operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Corporation's functional and presentation currency.

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the Corporation's operational cycle - see Note 1(p) 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 financial statements in conformity with AAS's requires the use of certain critical accounting estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.

Financial statement presentation

The entity has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the entity had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Changes in Accounting Policy

Nature of change in Accounting Policy

Historically, South Gippsland Water has not recognised accrued revenue in relation to unread water meters on the basis of the reliability of the estimation and materiality. South Gippsland Water is now able to reliably calculate the estimated revenue accrual in relation to unread water meters and has changed its accounting policy accordingly.

A third balance sheet under AASB101 Presentation of Financial Statements has not been presented because the restatement is not material to the comparative amounts included within the balance sheet.

The appropriate disclosures under AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* are detailed below.

*Restatement of Financial Statements as a Result of Change in Accounting Policy***30 June 2009 Comparative year**

Financial Statement Line Item / Balance Affected	Note	Actual 2009 \$'000	Change in Acc. Policy Adj \$'000	Restated Actual 2009 \$'000
Statement of Comprehensive Income (Extract)				
Revenue from operating activities				
Water usage charges	1(d)	5,382	81	5,463
Total Revenue		20,642	81	20,723
Net result before tax		(288)	81	(207)
Total comprehensive income for the year		(288)	81	(207)
Balance Sheet (Extract)				
Current assets				
Other financial assets	2,9	613	935	1,548
Total current assets		2,159	935	3,094
Total Assets		160,725	935	161,660
Net Assets		135,199	935	136,134
Equity				
Accumulated Funds	18	68,249	935	69,184
Total Equity		135,199	935	136,134
Statement of Changes in Equity (Extract)				
Accumulated funds – balance at 30 June 2008		68,537	854	69,391
Total comprehensive income for the year as reported in the 2008/09 financial report		(288)	81	(207)
Accumulated funds – balance at 30 June 2009		68,249	935	69,184

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

(c) Comparative Amounts

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

(d) 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 issued 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. An estimation, calculated by multiplying the number of days since the last reading by each customer's average service usage, is made at the end of each accounting period in respect of meters which have not been read at balance date.

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 grants and contributions

Government grants and contributions are recognised as operating revenue on receipt or when an entitlement is established, whichever is the sooner, and disclosed in the Statement of Comprehensive Income 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

Interest income is recognised using the effective interest rate method.

Lease or rental income

Income from operating leases (i.e. rentals) is recognised in income on a straight-line basis over the lease term.

(e) 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.

(f) 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

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.

Measurement 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 FRD 103D. Revaluations are conducted using management expertise and are classified as a managerial revaluation.

Plant, equipment and motor vehicles are measured at fair value

For the plant, equipment and motor vehicles asset class, where the Corporation is able to demonstrate that there is no evidence that a reliable market-based fair value (or other fair value indicators) exist for these assets, depreciated replacement cost could represent a reasonable approximation of fair value.

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

For Whole-of-government reporting at 30 June 2009 and 30 June 2010, water infrastructure assets are measured at fair value less any accumulated depreciation and any accumulated impairment losses, in accordance with FRD 121 Infrastructure Assets (Water/Rail).

During 2009, the Minister for Finance issued two new FRDs in relation to non-current physical assets that are relevant to water infrastructure assets. FRD 103D Non-current Physical Assets ("FRD 103D"), as revised in March 2009, requires all non-current physical assets to be measured using the revaluation model unless the entity has received prior written approval of the Minister for Finance to measure the assets at cost. FRD 103D is applicable for reporting periods commencing on or after 1 July 2008, superseding FRD 103C. However, in recognition of the initial workload and heavy demand on resources within a relatively tight timeframe for implementation, transitional dispensation was available to relieve measurement at fair value at the entity reporting level until the temporary exemption is withdrawn. This temporary exemption is made under FRD 121 Infrastructure Assets (Water/Rail) ("FRD 121"). During the year, this temporary exemption was extended until the financial year ending June 2011 at the direction of DTF.

Revaluation of non-current physical assets

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

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

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

Revaluation reserves are not transferred to accumulated funds on de-recognition 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income, a reversal of that impairment loss is also recognised in the Statement of Comprehensive Income.

(g) Depreciation and Amortisation of Non-current Assets

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

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.

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

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

	<u>Periods</u>
Corporate	
Buildings	33 years
Plant & Machinery	7 years
Motor Vehicle	2-4 Years
Intangible assets	3 & 7 years
Furniture & Equipment	10 years
Infrastructure	
Water	
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	
Fencing	12.5 years
Outfalls	50 years
Trunk Sewers	50 years
Pump Stations	50 years
Distribution Network	40 years
Treatment Plants	40 years

(h) 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 Statement of Comprehensive Income 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.

(i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash 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, but are included within cash and cash equivalents for cash flow statement presentation purposes.

(j) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impaired receivables. Trade receivables are due for settlement no more than 30 days from the date of recognition for water 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. An allowance 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 allowance 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 amounts credited to the allowance are recognised as an expense in the operating statement.

(k) 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.

(l) Intangibles

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

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.

(m) Payables

Payables consist predominantly of trade and sundry creditors. These amounts represent liabilities for goods and services provided to the Corporation prior to the end of the financial year, which are unpaid at financial year end. The amounts are unsecured and are usually paid within 30 days of recognition. Payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured at amortised cost.

Provisions are recognised when the Corporation, as a result of a past event, has a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(n) Interest Bearing Liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income 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.

(o) 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 Statement of Comprehensive Income.

(p) 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, liabilities 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 (LSL)

Current Liability – unconditional LSL (representing 7* or more years of continuous service [10+ years in 2008/09]) 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 7* years of continuous service [10+ years in 2008/09]) 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.4, 2009.*

Superannuation

The amount charged to the Statement of Comprehensive Income 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.

(q) Contributions by Owners

Additions to net assets, which have been designated as contributions by owners, are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners. Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

(r) Environmental Contributions

The Water Industry (Environmental Contributions) Act 2004 (the Act) amended the Water Industry Act 1994 to make provision for environmental contributions to be paid by water 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.

(s) Operating Results of Retail Services

The financial report includes a note reporting the retail services of the Corporation, in accordance with the Ministerial Direction under Section 51 of the Financial Management Act 1994.

(t) Taxation

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

The Corporation made a \$3.244 million tax loss during the financial year (\$7.314 million tax loss in 2008/2009). 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 Statement of Comprehensive Income, Balance Sheet and Statement of Changes in Equity as it is not probable that future taxable amounts will be available to utilise those temporary differences.

(u) 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 year's 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.

(v) 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.

(w) New Accounting Standards and Interpretations issued that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. As at 30 June 2010, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2010. The Corporation has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	In May 2009, the AASB issued a number of improvements to existing Australian Accounting Standards. The entity will apply the revised standards from 1 July 2010.	1 January 2010	The entity does not expect that any adjustments will be necessary as a result of applying the revised rules.
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2]	The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction.	1 January 2010	Not applicable.
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.	1 February 2010	Not applicable.
AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the entity's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.	1 January 2013	The entity is yet to assess its full impact. However, initial indications are that it may affect the entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards	In December 2009, the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party.	1 January 2011	The entity does not expect that any adjustments will be necessary as a result of applying the revised rules.
AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19	AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.	1 July 2010	Not applicable.
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.	1 January 2011	The entity does not make any such prepayments. The amendment is therefore not expected to have any impact on the entity's financial statements.

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 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 cooperation with the Corporation's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as 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 2010	Carrying amount \$'000	Interest rate risk			
		-1%		+1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Financial assets					
Cash and Cash Equivalents	1,033	(10)	(10)	10	10
Financial liabilities					
Interest Bearing Liabilities (Note 13)					
- Variable	5,600	56	56	(56)	(56)
- Fixed	22,000	-	-	-	-
Total increase / (decrease)		46	46	(46)	(46)

30 June 2009	Carrying amount \$'000	Interest rate risk			
		-1%		+1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Financial assets					
Cash and Cash Equivalents	713	(7)	(7)	7	7
Financial liabilities					
Interest Bearing Liabilities (Note 13)					
- Variable	600	6	6	(6)	(6)
- Fixed	20,400	-	-	-	-
Total increase / (decrease)		(1)	(1)	1	1

(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 7.

(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 27.1.

(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 27.2.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and/or assumptions that will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTE 4. STATEMENT OF COMPREHENSIVE INCOME - DISCLOSURES

	Note	2010 \$'000	2009 \$'000
(a) Significant Revenues			
Service Charges			
Water service charges		5,217	4,939
Sewerage charges		6,538	6,083
Trade waste charges		1,833	1,289
		<u>13,588</u>	<u>12,311</u>
Government contributions			
Operating		-	23
		<u>-</u>	<u>23</u>
Developer contributions			
Fees paid by developers		683	407
Assets received from developers		6,031	1,878
		<u>6,714</u>	<u>2,285</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 disposal of motor vehicles		439	350
Written down amount of motor vehicles disposed		(305)	(309)
		<u>134</u>	<u>41</u>
Written down amount of other assets disposed		(472)	-
		<u>(338)</u>	<u>41</u>
(c) Significant Expenses			
Depreciation:			
Buildings		71	68
Water infrastructure		2,673	2,506
Wastewater infrastructure		2,074	1,979
Plant, equipment and motor vehicles		766	763
Total depreciation		<u>5,584</u>	<u>5,316</u>
Amortisation			
Intangible assets	11	407	414
Total amortisation		<u>407</u>	<u>414</u>
Asset write-offs (included in Supplies and services)		1,842	352

Asset write-offs relate to preliminary design works for dam's projects within Work in Progress. A revised strategy has been adopted that recognises an existing Melbourne water grid connection and will utilise the Lance Creek Reservoir in conjunction with grid water to supply the Corporation's Northern and Southern towns. This decision was taken on the basis of the long term cost, efficiency and security of supply over the 50 year period of the Water Supply Demand Strategy and will eventually result in the decommissioning of a number of the Corporation's dams.

NOTE 4. STATEMENT OF COMPREHENSIVE INCOME - DISCLOSURES (continued)

	Note	2010 \$'000	2009 \$'000
Employee Benefits			
Salaries and wages		4,531	4,215
Annual leave		327	317
Long service leave		301	162
Superannuation contributions		475	421
Other		407	334
Total employee benefit costs		<u>6,041</u>	<u>5,449</u>
 Borrowing costs		 1,698	 1,373
Rental expense - operating lease		11	11
Auditors' remuneration			
Auditor-General for audit of financial statements		29	27
Internal audit (RSM Bird Cameron)		30	23
		<u>59</u>	<u>50</u>

NOTE 5. INCOME TAX

The Corporation made a \$3.244 million tax loss during the financial year (\$7.314 million tax loss in 2008/2009). 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 Statement of Comprehensive Income 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	4,132	(207)
Tax at Australian tax rate of 30% (2009:30%)	1,239	(62)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
• Income tax not assessable for income tax purposes	25	(74)
• Expenditure not allowable for income tax purposes	1,798	1,719
• Expenditure allowable for income tax purposes	(4,035)	(3,777)
• Benefit of tax losses not brought to account	973	2,194
Income tax as reported in the Statement of Comprehensive Income	<u>-</u>	<u>-</u>

NOTE 6. CASH AND CASH EQUIVALENTS

Deposits at call	1,033	713
	<u>1,033</u>	<u>713</u>

(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	1,033	713
Balance as per Cash Flow Statement	<u>1,033</u>	<u>713</u>

(b) Deposits at call

The deposits are bearing floating interest rates between 0.10% and 4.51% (0.10% to 3.03% in 2008/09).

1,033	713
-------	-----

NOTE 7. RECEIVABLES

	2010 \$'000	2009 \$'000
Current		
Trade receivables	2,631	553
Provision for impaired receivables	(16)	(15)
	<u>2,615</u>	<u>538</u>
Non Current		
Other receivables	14	41
Total receivables	<u>2,629</u>	<u>579</u>

(a) Provision for impaired receivables

As at the 30 June 2010, current receivables of the Corporation with a nominal value of \$13,000 (2009 \$10,000) were impaired. The amount of the provision was \$16,000 (2009 \$15,000). For 2010 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	16	15
Over 6 months	-	-
Total	<u>16</u>	<u>15</u>

As at the 30 June 2010, trade receivables of \$48,000 (2009 \$28,000) 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:

3 to 6 months	29	21
Over 6 months	19	7
Total	<u>48</u>	<u>28</u>

Movements in the provision for impaired receivables are as follows:

At 1 July	15	12
Provision for impairment recognised during the year	14	13
Receivables written off during the year as uncollectable	(13)	(10)
Receivables previously provided for now collected	-	-
Unused amount reversed	-	-
At 30 June	<u>16</u>	<u>15</u>

The creation and release of the provision for impaired receivables has been included in "supplies and services" in the Statement of Comprehensive Income. 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.

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.

NOTE 8. INVENTORIES

Current		
Stores and consumables - at cost	315	295
Total current inventories	<u>315</u>	<u>295</u>

NOTE 9. OTHER FINANCIAL ASSETS

Current		
Accrued revenue	2,853	1,548
Total current other financial assets	<u>2,853</u>	<u>1,548</u>

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

	2010	2009
	\$'000	\$'000
(a) Classes of property, plant and equipment		
Land		
At Fair Value (as at 30 June 2010)	5,586	5,586
	<u>5,586</u>	<u>5,586</u>
Buildings		
At Fair Value (as at 30 June 2010)	1,155	1,155
Less: Accumulated Depreciation	(215)	(144)
	<u>940</u>	<u>1,011</u>
Water infrastructure		
At Cost	150,716	142,484
Less: Accumulated Depreciation	(82,821)	(80,148)
	<u>67,895</u>	<u>62,336</u>
Wastewater infrastructure		
At Cost	116,406	113,182
Less: Accumulated Depreciation	(37,053)	(35,477)
	<u>79,353</u>	<u>77,705</u>
Plant and equipment		
At Fair Value (as at 30 June 2010)	6,505	5,787
Less: Accumulated Depreciation	(4,265)	(3,920)
	<u>2,240</u>	<u>1,867</u>
Under construction		
At Cost	7,691	8,306
	<u>7,691</u>	<u>8,306</u>
Total Property, Plant & Equipment	<u>163,705</u>	<u>156,811</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(f) in relation to valuation of the above non-current assets.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) Movements during the reporting period

	2009 / 2010					
	Opening WDV at 1 July 2009	Additions	Disposals	Revaluations	Transfers between categories	Closing WDV at 30 June 2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land						
At fair value	5,586	-	-	-	-	5,586
Building						
At fair value	1,011	-	-	-	-	940
Water Infrastructure						
At cost	62,336	328	-	-	7,904	67,895
Wastewater Infrastructure						
At cost	77,705	702	(472)	-	3,492	79,353
Equipment & motor vehicles						
At fair value	1,867	-	(305)	-	1,444	2,240
Under construction						
At cost	8,306	14,067	-	-	(14,682)	7,691
Total property, plant & equipment	156,811	15,097	(777)	-	*(1,842)	163,705

*Refer Note 4(c)

	2008 / 2009					
	Opening WDV at 1 July 2008	Additions	Disposals	Revaluations	Transfers between categories	Closing WDV at 30 June 2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land						
At fair value	5,539	-	-	-	47	5,586
Building						
At fair value	989	-	-	-	90	1,011
Water Infrastructure						
At cost	58,800	271	-	-	5,771	62,336
Wastewater Infrastructure						
At cost	75,999	1,607	(8)	-	2,086	77,705
Equipment and motor vehicles						
At fair value	2,023	-	(300)	-	907	1,867
Under construction						
At cost	7,335	10,224	-	-	(9,253)	8,306
Total property, plant & equipment	150,685	12,102	(308)	-	*(352)	156,811

*Refer Note 4(c)

NOTE 11. INTANGIBLE ASSETS

	2010 \$'000	2009 \$'000
Software		
Asset Value	3,190	3,156
Less Accumulated amortisation	(1,850)	(1,442)
	<u>1,340</u>	<u>1,714</u>
 Movements during the period		
	Development Costs \$'000	
At 1 July 2009, net of accumulated amortisation	1,714	
Additions	33	
Impairment	-	
Amortisation	(407)	
At 30 June 2010, net of accumulated amortisation	<u>1,340</u>	
 At 1 July 2008, net of accumulated amortisation	2,052	
Additions	76	
Impairment	-	
Amortisation	(414)	
At 30 June 2009, net of accumulated amortisation	<u>1,714</u>	

NOTE 12. PAYABLES

	2010 \$'000	2009 \$'000
Current		
Trade payables	1,725	1,663
Accrued expenses	453	1,021
Contractor deposits/retentions	382	486
Total current payables	<u>2,560</u>	<u>3,170</u>

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

NOTE 13. INTEREST BEARING LIABILITIES

	2010 \$'000	2009 \$'000
Current		
<i>Secured</i>		
Loans - Treasury Corporation of Victoria (TCV)	7,700	4,800
Total current interest bearing liability	7,700	4,800
Non-Current		
<i>Secured</i>		
Loans - Treasury Corporation of Victoria (TCV)	19,900	16,200
Total non-current interest bearing liability	19,900	16,200
Total interest bearing liabilities	27,600	21,000
Assets pledged as security	nil	nil
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 <i>Borrowings & Investment Powers Act 1987</i> .		
Loan facilities - TCV		
Total facilities	29,600	24,856
Used at balance date	27,600	21,000
Unused at balance date	2,000	3,856

For the year ending 30 June 2010 the Corporation had approved financial accommodation of \$29.600 million and utilised \$27,600 million. The unused portion does not carry forward.

Fair Value

Non traded financial liabilities comprise borrowings with the Treasury Corporation of Victoria (TCV). The fair value of these borrowings was \$28.342M (2009: \$21.405M).

The fair value of borrowings are based on cash flows discounted using borrowing rates varying from 4.85% to 5.71% (2009: 3.065% to 7.435%).

Foreign exchange risk

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

Interest rate risk

Exposures arise, predominately from liabilities bearing variable interest rates as the Corporation intend to hold fixed borrowings to maturity.

TCV borrowings - fixed	22,000	20,400
TCV borrowings - variable	5,600	600
	27,600	21,000

NOTE 14. EMPLOYEE BENEFITS**Current**

All rostered days off, annual leave and unconditional long service leave entitlements representing 7+ years (10+ years in 2008/09) of continuous service:

Short-term employee benefits expected to be settled within 12 months after the end of the period, measured at nominal value	613	577
Long-term employee benefits expected to be settled after 12 months after the end of the period, measured at present value	881	589
Total Current	1,494	1,166

Non-current

Conditional long service leave [representing less than 7 years (10 years in 2008/09)] of continuous service measured at present value	151	190
Total Non-Current	151	190
Total employee benefits	1,645	1,356

The following assumptions were adopted in measuring the present value of long service leave entitlements:

Weighted average increase in employee costs	4.475%	4.450%
Weighted average discount rates	5.822%	5.478%
Weighted average settlement period	12 yrs	12 yrs

NOTE 15. 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 Statement of Comprehensive Income 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 2009/2010, South Gippsland Water's superannuation contribution relating to "Vision Super Saver" members was \$341,011 (\$307,077 in 2008/09).

(b) Defined Benefit Members

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Plan's assets and liabilities are pooled and are not allocated by 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)

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in the Corporation's financial statements. AAS 25 requires that the present value of the defined benefit liability to be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue. 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, South Gippsland Water was advised that no additional contributions are required for 30 June 2010. The Actuary has commenced undertaking the next actuarial investigation to ascertain if additional contributions would be required. The Actuarial review will be as at 30 June 2010.

The result of the actuarial review is expected to be finalised during October 2010. Should the review identify a funding shortfall requiring additional contributions, the Corporation will be notified of any amount payable by November 2010 for payment on 1 July 2011. A further actuarial review will be undertaken as at 30 June 2011. Based on the result of this further review, a detailed funding plan will be developed and implemented to achieve the target of fully funding the Fund by 31 December 2013.

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	3,616,422
Difference between Assets and Accrued Benefits	14,010
Vested Benefits (Minimum sum which must be paid to members when they leave the fund)	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 2009/10 the Corporation's superannuation contributions relating to that year's defined benefit members' service was \$82,838 (\$83,210 in 2008/09).

(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 \$475,371 (\$421,141 in 2008/09).

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.

NOTE 16. CONTRIBUTED CAPITAL

	2010 \$'000	2009 \$'000
Opening balance at 1 July	63,353	61,733
Capital transactions with the State in its capacity as owner arising from:		
Grants	-	1,620
Closing balance at 30 June	63,353	63,353

NOTE 17. RESERVES

Composition of reserves		
Asset revaluation reserve		
Land	3,292	3,292
Buildings	305	305
	3,597	3,597
Total reserves	3,597	3,597
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	3,597	3,597

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

NOTE 18. ACCUMULATED FUNDS

Opening balance at 1 July	69,184	69,391
Net surplus/(deficit)	4,132	(207)
Closing balance at 30 June	73,316	69,184

NOTE 19. 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	4,132	(207)
Add/(less) non-cash flows in Net Result		
(Profit)/Loss on disposal of non-current assets	338	(41)
Depreciation and amortisation	5,991	5,730
Provision for impaired receivables	1	3
Developer contributions	(1,031)	(1,901)
Asset Write-offs	1,842	352
Changes in Assets and Liabilities		
Decrease/(Increase) in trade receivables	(2,050)	(59)
(Increase) in inventories	(20)	(51)
(Increase)/Decrease in prepayments	(196)	121
(Increase)/Decrease in accrued revenue	(1,304)	(459)
(Decrease)/Increase in payables	62	(486)
(Decrease)/Increase in employee benefits liabilities	289	149
(Decrease)/Increase in accrued expenses	(569)	4
Net cash flows from Operating Activities	7,485	3,155

20. 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. Tim Holding MP, Minister for Water (1 July 2009 to 30 June 2010).

(b) Board Members

The names of Board Members of South Gippsland Water for the Year to 30 June 2010 were:

L Vale (Chairperson)	(1 July 2009 to 30 June 2010)	N Maud (Director)	(1 July 2009 to 30 June 2010)
J Liley (Deputy Chairperson)	(1 July 2009 to 30 June 2010)	J Rundell (Director)	(1 July 2009 to 30 June 2010)
J Anderson (Director)	(1 July 2009 to 30 June 2010)	G Sparkes (Director)	(1 July 2009 to 27 May 2010)
J Fawcett (Director)	(1 July 2009 to 30 June 2010)		

(Details on remuneration of responsible persons are contained in Note 21)

(c) Accountable Officer

The Accountable Officer of South Gippsland Water for the year to 30 June 2010 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 21. REMUNERATION OF RESPONSIBLE PERSONS

(a) Ministers

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

(b) Directors and Accountable Officer

Remuneration received, or due and receivable from the Corporation in connection with the management of the Corporation (includes termination payments and bonuses paid).

2010	2009
\$'000	\$'000
376	355

Remuneration received, or due and receivable from the Corporation in connection with the management of any related party entity is nil (2009 nil).

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

Income band (\$)	2010 No.	2009 No.
10,000 - 19,999	1	6
20,000 - 29,999	5	0
40,000 - 49,999	1	1
190,000 - 199,999	0	1
200,000 - 209,999	1	0
Total Numbers	8	8

(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:

2010	2009
\$'000	\$'000
33	31

(d) Loans

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

NOTE 22. 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	
	2010	2009	2010	2009
\$				
130,000 - 139,999	-	-	-	2
140,000 - 149,999	-	2	2	1
150,000 - 159,999	2	-	1	-
160,000 - 169,999	1	1	-	-
Total Amount	\$483,000	\$459,000	\$454,000	\$428,000
Total Numbers	3	3	3	3

NOTE 23. DIVIDENDS

The process to determine the 2009/10 dividend has not yet been completed at the reporting date. The Board's preliminary dividend estimate for this period is zero.

NOTE 24. COMMITMENTS

	2010 \$'000	2009 \$'000
(a) Finance lease commitments		
At 30 June 2010 the Corporation had no finance lease commitments.		
(b) Capital commitments		
At 30 June 2010, the Corporation had the following significant capital commitments:		
Meeniyen sewerage scheme – sewer reticulation pipe-work		
Meeniyen sewerage scheme – treatment plant and wetlands		
Poowong/Loch/Nyora sewerage scheme – reticulation design		
Poowong/Loch/Nyora sewerage scheme – treatment plant design		
Venus Bay ocean outfall upgrade		
Leongatha wastewater bio-solids management facility		
Korumburra & Leongatha mechanical sludge dewatering design		
Outstanding capital commitments are likely to be paid as follows:		
Payments due:		
within one year	2,293	5,261
	<u>2,293</u>	<u>5,261</u>
(c) Operating lease commitments		
At 30 June 2010, the Corporation had the following operating lease commitments:		
Photocopier		
Office Accommodation		
Outstanding lease commitments are to be paid as follows:		
within one year	19	16
one to five years	15	14
	<u>34</u>	<u>30</u>
(d) Environmental Contribution commitments		
At 30 June 2010, the Corporation had outstanding environmental contribution commitments to be paid as follows:		
within one year	754	754
one to five years	1,508	2,262
	<u>2,262</u>	<u>3,016</u>

NOTE 25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

At 30 June 2010 the Corporation was not aware of any Contingent Assets or Contingent Liabilities relating to the Corporation.

NOTE 26. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Since the end of the reporting period, the Corporation has submitted its 2010/11 to 2014/15 Corporate Plan for Ministerial approval. A revised strategy has been adopted in the plan that recognises an existing Melbourne water grid connection and proposes the utilisation of the Lance Creek Reservoir in conjunction with grid water to supply the Corporation's Northern and Southern towns. This decision was taken on the basis of the long term cost, efficiency and security of supply over the 50 year period of the Water Supply Demand Strategy. It will result in the decommissioning of a number of the Corporation's dams and will have a long term impact on the way the Corporation provides water to the bulk of its customers.

NOTE 27. FINANCIAL INSTRUMENTS**27.1 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.

2010	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	1,033	-	-	-	-	1,033
Receivables	-	5,482	-	-	-	5,482
Total financial assets	1,033	5,482	-	-	-	6,515
Financial liabilities						
Payables	-	2,560	-	-	-	2,560
Interest bearing liabilities	5,600	-	2,100	8,800	11,100	27,600
Total financial liabilities	5,600	2,560	2,100	8,800	11,100	30,160
Net financial liabilities	(4,567)	2,922	(2,100)	(8,800)	(11,100)	(23,645)
Weighted average interest rate	4.67%	-	6.59%	6.19%	6.20%	5.92%

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	-	2,127	-	-	-	2,127
Total financial assets	713	2,127	-	-	-	2,840
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	(1,043)	(4,200)	(7,700)	(8,500)	(21,330)
Weighted average interest rate	3.02%	-	6.30%	6.60%	6.37%	6.23%

27.2 Fair Valuation

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

as at 30 June 2009	2010			2009	
	Carrying Amount	Fair Value		Carrying Amount	Fair Value
	\$'000	\$'000		\$'000	\$'000
Financial assets					
Cash and Cash Equivalents	1,033	1,033		713	713
Receivables	5,482	5,482		2,127	2,127
Total Financial Assets	6,515	6,515		2,840	2,840
Financial liabilities					
Payables	2,560	2,560		3,170	3,170
Interest Bearing Liabilities	27,600	28,342		21,000	21,405
Total Financial Liabilities	30,160	30,902		24,170	24,575

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.

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.

NOTE 28. OPERATING RESULTS OF RETAIL SERVICES**(a) Balance Sheet****as at 30 June 2010**

	WATER		WASTEWATER		TOTAL	
	2010 \$'000's	2009 \$'000's	2010 \$'000's	2009 \$'000's	2010 \$'000's	2009 \$'000's
Total Current Assets	4,169	1,523	2,843	1,571	7,012	3,094
Total Non-Current Assets	75,268	71,727	89,791	86,839	165,069	158,566
TOTAL ASSETS	79,437	73,250	92,634	88,410	172,071	161,660
Total Current Liabilities	7,415	6,727	4,340	2,409	11,754	9,136
Total Non-Current Liabilities	13,732	13,752	6,319	2,638	20,051	16,390
TOTAL LIABILITIES	21,146	20,479	10,659	5,047	31,805	25,526
NET ASSETS	58,291	52,771	81,975	83,363	140,266	136,134
TOTAL EQUITY	58,291	52,771	81,975	83,363	140,266	136,134

(b) Statement of Comprehensive Income**for the reporting period ended 30 June 2010**

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

	WATER		WASTEWATER		TOTAL	
	2010 \$'000's	2009 \$'000's	2010 \$'000's	2009 \$'000's	2010 \$'000's	2009 \$'000's
Revenue						
Revenue from operating activities	15,883	10,945	10,459	9,206	26,342	20,151
Revenue from non-operating activities	968	335	490	237	1,458	572
Total Revenue	16,851	11,280	10,949	9,443	27,800	20,723
Total Expenses	11,330	12,496	12,338	8,434	23,668	20,930
Net result for the period	5,521	(1,216)	(1,389)	1,009	4,132	(207)



Statutory Certification

South Gippsland Region Water Corporation

For The Year Ended 30 June 2010

We certify that the attached financial statements for South Gippsland Region Water Corporation have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Australian Accounting Standards, interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2010 and the financial position of the Corporation as at 30 June 2010.

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


Llew Vale
Chairperson


Steve Evans
Managing Director


Philippe du Plessis
Chief Finance & Accounting Officer

24 August 2010



Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, South Gippsland Region Water Corporation

The Financial Report

The accompanying financial report for the year ended 30 June 2010 of the South Gippsland Region Water Corporation which comprises the statement of comprehensive income, 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 Members' 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.

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Auditing in the Public Interest

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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 2010 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

MELBOURNE
26 August 2010

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

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Auditing in the Public Interest

Statement of Performance

for the year ended 30 June 2010

Financial Performance Indicators

Performance indicator	2008/09 Result	2009/10 Result	2009/10 Target	Variance %	Notes
Long Term Profitability					
<u>Earnings before net interest and tax X 100</u> Average total assets	0.7%	3.5%	3.2%	8.9	1
Owner's Investment					
<u>Net profit after tax X 100</u> Average total equity	(0.2%)	3.0%	2.6%	15.4	1
Long Term Financial Viability					
<u>Total debt (incl. finance leases) X 100</u> Total assets	13.1%	16.0%	16.6%	(3.6)	
Liquidity and Debt Servicing (Interest Cover)					
<u>Earnings before net interest and tax expense</u> Net interest expense	0.8 times	3.4 times	3.0 times	13.3	1
Immediate Liquidity and Debt Servicing (Cash Cover)					
<u>Cash flow from Operations before net interest and tax payments</u> Net interest payments	3.4 times	4.3 times	3.8 times	13.2	1
Operating Efficiency					
Water supply / wastewater collection					
Operations, maintenance and administration expenses per ML transported or treated:					
water supply bulk	\$329	\$468			2
water supply reticulation	\$483	\$493			2
water supply treatment	\$934	\$971			2
sewerage reticulation	\$539	\$526			2
sewerage treatment	\$1,379	\$1,357			2

Service & Environmental Performance Indicators

Performance indicator	2008/09 Result	2009/10 Result	2009/10 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	100 min's	92 min's	100 min's	8.0	3
Average duration of planned water supply interruptions	238 min's	211 min's	320 min's	34.1	4
Restoration of water supply					
Unplanned water supply interruptions restored within 5 hours	99.4%	100.0%	99.0%	1.0	
Reliability of sewerage collection services indicators					
Sewer spills from reticulation and branch sewers (priority 1 and 2)	29	37	35	5.7	5
Sewage spilt from emergency relief structures and pump stations (% of volume transported)	0.0%	0.0%	0.0%	0.0	
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	6.3	4.3	8.0	46.3	6
Water supply reliability complaints per 1000 customers	0.2	0.0	0.2	100.0	6
Sewerage service quality and reliability complaints per 1000 customers	0.1	0.1	0.1	0.0	6
Affordability complaints per 1000 customers	0.8	1.0	1.0	0.0	6
Billing complaints per 1000 customers	0.9	0.8	1.0	20.0	6
Pressure complaints per 1000 customers	0.1	0.0	0.5	100.0	6
Sewage odour complaints per 1000 customers	0.4	0.1	0.7	85.7	6
Other complaints per 1000 customers	2.5	2.2	2.8	21.4	6

Service & Environmental Performance Indicators

Performance indicator	2008/09 Result	2009/10 Result	2009/10 Target	Variance %	Notes
Reuse indicators					
Effluent reuse (volume)					
Foster	0.0%	0.0%			7
Korumburra	0.3%	0.7%			7
Leongatha (domestic)	0.1%	0.1%			7
Leongatha (trade waste)	0.0%	0.0%			7
Toora	20.3%	5.7%			7
Welshpool	0.0%	0.0%			7
Wonthaggi/Cape Paterson/Inverloch	3.2%	1.7%			7
Yarram	100.0%	100.0%			7
Waratah Bay	0.0%	100.0%			7
Biosolids reuse (dry mass)					
Foster	0.0%	0.0%	0.0%	0.0	8
Korumburra	0.0%	0.0%	0.0%	0.0	8
Leongatha (domestic)	0.0%	0.0%	0.0%	0.0	8
Leongatha (trade waste)	0.0%	0.0%	0.0%	0.0	8
Toora	0.0%	0.0%	0.0%	0.0	8
Welshpool	0.0%	0.0%	0.0%	0.0	8
Wonthaggi/Cape Paterson/Inverloch	0.0%	0.0%	0.0%	0.0	8
Yarram	0.0%	0.0%	0.0%	0.0	8
Waratah Bay	0.0%	0.0%	0.0%	0.0	8
Sewage treatment standards					
Number of analyses complying with licence agreements as % of samples					
Foster	63.9%	63.9%	100.0%	(36.1)	9
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	
Waratah Bay	100.0%	100.0%	100.0%	0.0	

NOTES:

- Note 1 The actual result was favourable to target mostly due to contributions in excess of budget with respect to construction of connecting infrastructure to the Victorian desalination project.
- Note 2 No targets set.
For water - expenses were generally in line with the previous year. Higher unit costs with respect to water supply bulk reflect asset write-offs related to dams projects within Work in Progress.
For sewerage - expenses were generally in line with the previous year.
- Note 3 The actual result was better than target due to effective management of operating response units.
- Note 4 The actual result was better than target due to less air scouring throughout the Corporation's water reticulation.
- Note 5 Results fluctuate due to weather conditions and affects on soil moisture.
- Note 6 Results largely in line or better than the target.
- Note 7 No targets set at individual plant level. Reuse decreased marginally, mostly due to weather conditions.
- Note 8 The Corporation does not recycle biosolids.
- Note 9 The actual result was less than the target, due to algae and increased inflows into the Foster plant caused by storm water infiltration into the reticulation system reducing detention times in the lagoons. The Corporation has identified and designed a wetlands solution encompassing reuse and community outcomes which is pending land acquisition.



Statutory Certificate

South Gippsland Region Water Corporation

Statement of Performance for 2009/10

In our opinion, the accompanying Statement of Performance of South Gippsland Region Water Corporation in respect of 2009/10 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.

A handwritten signature in dark ink, appearing to read "Llew Vale", written over a dotted line.

Llew Vale
Chairperson

A handwritten signature in dark ink, appearing to read "Steve Evans", written over a dotted line.

Steve Evans
Managing Director

24 August 2010



Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, South Gippsland Region Water Corporation

The Statement of Performance

The accompanying statement of performance for the year ended 30 June 2010 of the South Gippsland Region Water Corporation comprises the statement, the related notes and the statutory certificate.

The Board Members' Responsibility for the Statement of Performance

The Board Members of the South Gippsland Region Water Corporation are responsible for the preparation and the 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 judgment, 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 2010. The Board Members 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 statement 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 statement of performance 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)

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 South Gippsland Region Water Corporation for the year ended 30 June 2010. The Board Members of 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 2010 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
26 August 2010

For 
D D R Pearson
Auditor-General

Appendix A – Disclosure index

The 2009/10 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.

Legislation	Requirement	Page Reference
Ministerial Directions		
Report of Operations		
<i>Charter and purpose</i>		
FRD 22B	Manner of establishment and the relevant Ministers	7
FRD 22B	Objectives, functions, powers and duties	7
FRD 22B	Nature and range of services provided	2
<i>Management and structure</i>		
FRD 22B	Organisational structure	5
FRD 22B	Names of Board Members Major Committees	4 & 6
<i>Financial and other information</i>		
FRD 29	Statement of workforce data	8
FRD 22B	Employment and conduct principles	7
FRD 22B	Summary of financial results [5 year]	25
FRD 22B	Significant changes in financial position during the year	25
FRD 22B	Operational & budgetary objectives and performance against objectives	25
FRD 22B	Major changes or factors affecting performance	25
FRD 22B	Subsequent events	8
FRD 22B	Details of consultancies >\$100,000	9
FRD 22B	Details of consultancies – total No. and cost <\$100,000	9
FRD 12A	Disclosure of major contracts	9
FRD 22B	Application and operation of Freedom of Information Act 1982	8
FRD 22B	Application and operation of the Whistleblowers Protection Act 2001	9
FRD 22B	Compliance with building and maintenance provisions of Building Act 1993	8
FRD 22B	Statement on National Competition Policy	10
FRD 22B	Occupational Health and Safety Policy	11
FRD 24C	Environmental Reporting [Office]	10
FRD 25	Victorian Industry Participation Policy disclosures	9
FRD 10	Disclosure index	7
FRD 22B	Statement of availability of other information	7
FRD 121	Infrastructure Assets (Water/Rail)	25
Financial Statements		
<i>Financial statements required under Part 7 of the Financial Management Act 1994</i>		
SD 4.2(b)	Operating Statement	27
SD 4.2(b)	Balance Sheet	28
SD 4.2(b)	Statement of Changes in Equity	29
SD 4.2(b)	Cash Flow Statement	30
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	31-52
SD 4.2(c)	Compliance with Ministerial Directions	2-26
SD 4.2(d)	Rounding of amounts	31
SD 4.2(c)	Accountable officer's declaration	3
SD 4.2(g)	General information requirements	7
SD 4.2(j)	Sign-off requirements	3
SD 4.5.5	Risk Management Compliance Attestation	7
<i>Other disclosures in notes to the financial statements</i>		
FRD 9A	Departmental Disclosure of Administered Assets and Liabilities	none
FRD 11	Disclosure of ex-gratia payments	none
FRD 13	Disclosure of Parliamentary Appropriations	none
FRD 21A	Responsible person and executive officer disclosures	49-50
Legislation		
Freedom of Information Act 1982		8
Building Act 1983		8
Financial Management Act 1994		53-55 & 59-61
Audit Act 1994		53-55 & 59-61
Whistleblowers Protection Act 2001		9
Victorian Industry Participation Policy Act 2003		9
Multicultural Victoria Act 2004		9
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