



South
Gippsland Water

ANNUAL
REPORT
2011 - 2012

VISION

Our future ideal is.....

To be widely recognised as an exemplary service provider and valued as an essential contributor to regional development and resource sustainability.

MISSION

Our core purpose is.....

As South Gippsland's Regional Urban Water Corporation; to secure and manage quality water and wastewater systems, in an environmentally sustainable and cost efficient manner.

CORE VALUES

Integrity - earning and sustaining public trust

- Freedom from conflicts of interest
- Using powers responsibly
- Honesty and transparency
- Reporting improper conduct
- Respect for others
- Freedom from discrimination, harassment and bullying

Accountability - accepting responsibility for decisions and actions

- Working to objectives
- Acting in a transparent manner
- Achieving best use of resources
- Being open to appropriate scrutiny

Impartiality - acting objectively

- Without bias or self interest
- Based on merit, facts and fair criteria
- Implementing policies and programs equitably

Service - providing the best standards of service

- To our customers
- To the government
- To our local and regional community
- To Board Members and Corporation Staff
- To the broader water industry

Operational responsibility - the way we run our business

- Operating our business in a sustainable manner
- Behaving as a good corporate citizen
- Striving to minimise the environmental impact of our operations
- Commitment to safety in the workplace
- The highest standards of public health will be our priority

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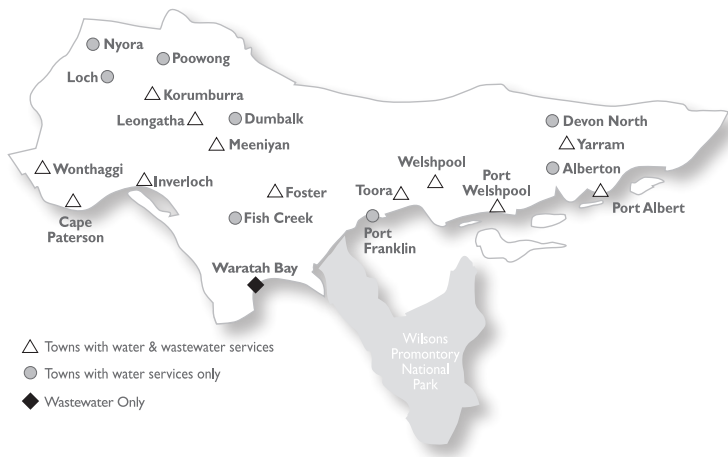
Our Region

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, Waratah Bay and Port Albert. The region has two internationally recognised National Parks: Wilson's Promontory and Tarra Bulga, north east of Yarram.

Dairy farming is the major primary 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 2011/12 comprised:

Water Supply

- 20056 water assessments [accounts] over 21 rural centres
- 13 reservoirs and 18 service storages
- 4721 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
- 692 km of water mains
- 15 water pump stations

Wastewater Services

- 17255 wastewater assessments [accounts] over 11 rural centres
- 4288 ML of wastewater collected
- 11 conventional wastewater systems
- 1 vacuum wastewater system
- 11 wastewater treatment plants
- 415 km of wastewater mains
- 59 wastewater pump stations

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

South Gippsland Water & Wastewater Service Localities 30th June 2012

Centre	Population Served (Permanent) [See note 1]	Water		Sewerage
		Customers Billed	Supplied from	Customers Billed
Port Franklin	129	108	Agnes River	Not Serviced
Port Welshpool	209	273	Agnes River	257
Toora	717	517	Agnes River	283
Welshpool	155	204	Agnes River	119
Fish Creek	183	209	Battery Creek	Not Serviced
Korumburra	3348	2129	Coalition Creek storage network	1822
Foster	1106	828	Deep Creek / Foster Dam	736
Inverloch	4761	4400	Lance Creek	4364
Cape Paterson	774	1120	Lance Creek	1104
Wonthaggi	7507	4281	Lance Creek Reservoir	4032
Loch	193	147	Little Bass	Not Serviced
Nyora	576	342	Little Bass	Not Serviced
Poowong	304	207	Little Bass	Not Serviced
Koonwarra	152 (estimate)	80	Ruby Creek storage network	Not serviced
Leongatha	4762	3006	Ruby Creek storage network	2810
Alberton	168	146	Tarra River	Not Yet Serviced
Devon North	80 (estimate)	124	Tarra River	Not Serviced
Port Albert	260	391	Tarra River	326
Yarram	1821	1177	Tarra River	1062
Dumbalk	172	103	Tarwin River - East Branch	Not Serviced
Meeniyen	451	264	Tarwin River - West Branch	229
Waratah Bay - See note 2.	152 (estimate)	Not Serviced	N/A	111

Notes:

1. Population Served based on ABS 2006 Census* updated with a local government growth factor of 2.5% Bass Coast Shire Council, 1.5% South Gippsland Shire Council and 0.9% Wellington Shire Council. Also note 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 person's usual place of residence, regardless of where they are on Census night.
2. 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.

Statement by the Managing Director and Chair

The 2011/12 financial year has been a time of significant change for South Gippsland Water with key long standing leaders, Chair Llew Vale, and Managing Director Steve Evans both retiring after serving the Corporation since its inception in 1995.

South Gippsland Water was formed from five local water boards with Llew and Steve instrumental in setting the strategic direction of the fledging organisation and providing the resources for establishing sound foundations.

Both Llew and Steve have been active in the wider Victorian water industry having held executive roles with the sector's peak body, VicWater, and contributing on many State and Regional development committees.

On behalf of its community, the Corporation expresses sincere thanks to both Llew and Steve for their substantial contribution in securing sustainable quality water and wastewater services for the South Gippsland Region

Strong structures with respect to the Board's Corporate Governance, and Executive Team together with the professionalism of staff have ensured the transition of leadership has been positive and consistent, as the Corporation continues to look to the future.

Higher than average rainfall has continued throughout the 2011/12 financial year, ensuring a secure water supply for the ten systems across the region. While a blessing for the water supply systems, the wet weather has proven a challenge in completing capital works programs due to water logged construction sites. In addition storm water infiltration has caused a challenge for environmental compliance and service continuity at the eleven wastewater systems operated by South Gippsland Water.

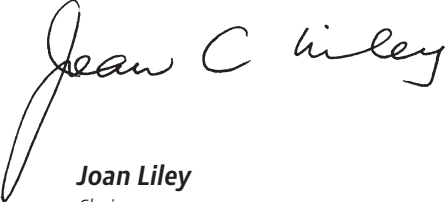
Faced with these challenges the Corporation has been able to achieve an \$11.9M capital works program throughout the year, including the commissioning of the Meeniyah Sewerage System in order to address public health and environmental issues, the construction of a 4ML Clear Water Storage on the Toora Water Supply System to address water quality and reliability and the construction and commissioning of mechanical dewatering equipment at the Leongatha and Korumburra Wastewater Treatment Plants.

Environment and Occupational Health and Safety continue to be a high priority of South Gippsland Water with the Corporation achieving recertification for both quality systems during the year. Staff are to be congratulated on their continued proactive culture towards these areas of importance.

During the year, South Gippsland Water consulted on and finalised its 50 year Water Supply Demand Strategy, a key planning document that will set the long term vision for water provision for the region.

The Corporation's draft Water Plan III has also been developed and submitted to the South Gippsland Community and relevant stakeholders for consultation in advance of its finalisation during September 2012. Water Plan III embodies the key elements of the Water Supply Demand Strategy, including commencement of the Northern Supply Connection project which will ultimately service the water supply of 78% of our customers.

We would like to thank our Board of Directors, Executive Management team and staff for their commitment and dedication through this year of significant change, and look forward to the future as the Corporation implements programs outlined in Water Plan III in order to provide quality water and wastewater services to our customers, in the most sustainable and cost effective manner.


Joan Liley
Chair


Philippe du Plessis
Managing Director

Accountable Officers Attestation

In accordance with the Financial Management Act 1994, I am pleased to attest that South Gippsland Water's annual report is compliant with all statutory reporting requirements.



Philippe du Plessis
Managing Director
South Gippsland Water
Dated: 30th June 2012

The Board

During 2011/12 the Board consisted of:

Joan Liley

B.Com, Dip.Ed. FAICD

(Chair) Appointed 1st of July 2004.

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

John Anderson

Cert EDP, MACS

(Deputy Chair) Appointed 1st October 2007

John brings over 30 years experience in the Information Technology industry to the organisation. In partnership with his wife, he also operates a Dairy farm in West Gippsland. John is currently an independent information technology consultant and is the Deputy Chair of Victrack, a Director of the West Gippsland Healthcare Group and a Director of the West Gippsland Catchment Management Authority. John has a strong interest in community and volunteer groups including Landcare.

Jim Fawcett

CPA

Appointed 1st October 2007

Jim is a certified practicing 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 previously served as Mayor of South Gippsland Shire Council.

Kim McGrath

LLB, BA, GAICD

Appointed 1st July 2010

Kim has a legal background and over 20 years experience in public policy development and implementation in a range of portfolio areas including governance, sustainability, the water industry and the cultural sector. Kim provides policy and governance advice to the Timor Leste Government and public and private sector entities in Australia.

Llew Vale OAM

(Chair) Appointed 1st January 1995

Resigned Appointment 30th September 2011.

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 served as Chair of South Gippsland Water since its inception in 1995 to 30th September 2011 having previously been a Member of the South Gippsland Water Board.

Llew Chaired the Gippsland Regional Sustainable Water Strategy Consultative Committee and 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 Goulburn - Murray Water.

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

Chris Badger

BEng (Monash), ADP (London Business School),

LC&OR (Stanford University Business School (USA),

CPIEA, and Member AICD - Appointed 1st October 2011

Appointed 1st October 2011

Mr Badger has over 30 years experience both in Australia and Internationally in the utilities and energy sectors with over 10 years at senior executive level. He is currently the Executive General Manager, Generation at Loy Yang Power (2009 - current) and has previously held Senior Executive positions with WestNet Energy, Alinta Asset Management and EON Ag Energy Services. He was formerly Deputy Chair of Trafalgar and District Bendigo Community Bank (2009). He has a Bachelor Degree in Electrical and Mechanical Engineering and postgraduate leadership and business training.

Anna Kilborn

BSc, MAICD

Appointed 1st October 2011

Anna is an environmental planner with over 20 years experience in the planning and delivery of resource and infrastructure projects. She holds a Bachelor of Science; is the Managing Director of the environmental planning consultancy, ECube Australia; and is partner in a small farming enterprise. Anna lives in the Strzelecki Ranges, and is involved in numerous local community groups including Landcare, SeaSearch / Parks Victoria seagrass monitoring and the West Gippsland Catchment Management Authority.

David Schultz

MIEAust, CPEng, GAICD

Appointed 1st October 2011

David Schultz is a Civil Engineer and holds a Company Director Diploma. He is an independent member of the Bass Coast Shire Council Audit Committee and a Director of the Inverloch and District Community Bank. David along with his wife Jan and family have owned a holiday house in Inverloch for over 30 years. He has been actively involved with the Surf Life Saving Club since it started in 1998, being a member of the first patrol and President of the club from 1999 until 2006. Previously David held various executive roles with GHD Global including Practice Leader of the Management Consulting practice and Senior Project Director Middle East.

Noel Maud

Appointed 1st of July 2005

Resigned Appointment 30th September 2011

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. Noel served 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.

John Rundell

BE, BEc, MBA, LLM, DipICArb,

CA, FCPA, FHKICPA, FIAMA, FCIArb, GAICD

Appointed 1st October 2007

Resigned Appointment 30th September 2011

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 Managing Director of a specialist consulting firm, Stratica, which provides strategy, sourcing, and risk advice to both the private and public sectors, and is also an accredited mediator and graded arbitrator.

Meetings Attended

Director		Date of Commencement on Board	Board Meetings	OH&S Committee	Audit and Risk Management Committee	Corporate Governance Committee	Environment Committee	Executive Remuneration Committee
Joan Liley	[Chair of Board] (Chair of Remuneration Committee) To 30th September 2011 [Deputy Chair of Board] (Chair of Corporate Governance Committee)	1st of July 2004	12 of 12	2 of 4	2 of 3	4 of 4	3 of 3	5 of 5
John Anderson		1st of October 2007	12 of 12	n/a	2 of 2	2 of 2	1 of 1	5 of 5
Jim Fawcett	(Chair of Audit and Risk Management Committee) To 30th September 2011 (Chair of OH&S Committee)	1st of October 2007	10 of 12	1 of 1	3 of 3	n/a	n/a	5 of 5
Kim McGrath	(Chair of Environment Committee)	22nd of July 2010	10 of 12	n/a	2 of 2	2 of 2	4 of 4	n/a
Chris Badger		1st of October 2011	8 of 9	3 of 3	n/a	n/a	3 of 3	n/a
Anna Kilborn	(Chair of OHS Committee)	1st of October 2011	9 of 9	3 of 3	n/a	n/a	3 of 3	n/a
David Schultz	(Chair of Corporate Governance Committee)	1st of October 2011	9 of 9	n/a	3 of 3	3 of 3	n/a	n/a
Llew Vale	To 30th September 2011 (Chair of Board] (Chair of Remuneration Committee)	1st of July 1995	3 of 3	0 of 1	2 of 2	n/a	1 of 1	n/a
Noel Maud		1st of July 2005	3 of 3	1 of 1	n/a	n/a	1 of 1	n/a
John Rundell	To 30th September 2011 (Chair of Audit and Risk Management Committee)	1st of October 2007	3 of 3	n/a	2 of 2	1 of 1	n/a	n/a
Number of Meetings Held			12	4	5	4	4	5

Our Management Team

Managing Director

Philippe du Plessis [Appointed 1st January 2012]

Steve Evans [Retired 31st December 2011]

The Managing Director 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.

Manager Finance & Corporate Services

Justin Wightman [Appointed 7th May 2012]

Philippe du Plessis

Manager Finance and Corporate Service role encompasses Finance and Accounting, Revenue Management, Customer Services, Human Resources and Information Technology. 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.

Manager Technical Services

Rob McKaige

Rob is responsible for the planning and direction of the Corporation's Capital Works Program incorporating a broad range of Projects. Other functions under Rob's responsibility include developing the Corporation's Water Supply Demand Strategy including the Drought Response Program and Engineering & Technical Services.

Manager Operations

Ravi Raveendran

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, who are appointed by the Minister for Water, operate under the provisions of the *Water Act 1989* and have responsibility for the governance of the Corporation, to provide strategic direction and accountability for the performance of South Gippsland 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 the Notes to Accounts within the Financial Report.

Meetings, Committees & Composition of 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 2011/12. The committee assists the Board to discharge its duty of care and fulfil its corporate governance responsibilities with respect to workplace health and safety.

Period of operation

1/7/11 – 30/9/2011	1/10/2011 – 30/6/2012
Jim Fawcett (Chair)	Anna Kilborn (Chair)
Llew Vale	Chris Badger
Joan Liley	Joan Liley
Noel Maud	

Audit and Risk Management Committee

The Audit and Risk Management Committee met 5 times in 2011/12. 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.

Period of operation

1/7/11 – 30/9/2011	1/10/2011 – 30/6/2012
John Rundell* (Chair)	Jim Fawcett *(Chair)
Llew Vale	Joan Liley
Kim McGrath*	John Anderson*
Peter Moloney**	David Schultz*
	Peter Moloney**

(*Independent Members)

(**Independent External Member)

Corporate Governance Committee

The Corporate Governance Committee met 4 times in 2011/12, to identify and put in place processes to enhance Board and organisational performance.

Period of operation

1/7/11 – 30/9/2011	1/10/2011 – 30/6/2012
Joan Liley(Chair)	David Schultz (Chair)
Llew Vale	Kim McGrath
John Rundell	Joan Liley

Environment Committee

The Environment Committee met 4 times in 2011/12. Its objectives include, assisting in establishing environmental management policy, monitoring organisational environmental awareness and performance and advice on environmental issues to the Board.

Period of operation

1/7/11 – 30/9/2011	1/10/2011 – 30/6/2012
Kim McGrath (Chair)	Kim McGrath (Chair)
Llew Vale	Anna Kilborn
John Anderson	Chris Badger
Noel Maud	Joan Liley

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 5 times in 2011/12. The committee ensures compliance with the requirements of the Government Sector Executive Remuneration Panel (GSERP).

1/7/11 – 30/9/2011

Llew Vale (Chair)	Joan Liley (Chair)
Jim Fawcett	Jim Fawcett
John Anderson	John Anderson

1/10/2011 – 30/6/2012

Statement of Availability of Other Information

In compliance with the requirements of the Ministerial Directions of the Minister for Finance, Financial Reporting Direction (FRD) 22C, 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 statement that declarations of pecuniary interests have been duly completed by all relevant officers of the Corporation;
- details of shares held by senior officers as nominee or held beneficially in a statutory Corporation or subsidiary;
- details of publications produced by the Corporation about the activities of the Corporation and where they can be obtained;
- details of changes in prices, fees, charges, rates and levies charged by the Corporation for its services, including services that are administered;
- details of any major external reviews carried out in respect of the operation of the Corporation;
- 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;
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- details of major promotional, public relations and marketing activities undertaken by the Corporation to develop community awareness of the services provided by the Corporation;
- details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the Report of Operations;
- 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
- 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 54.

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

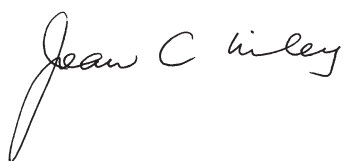
WHK Audit (Vic), as an agent for the Auditor-General Victoria, undertook the external audit for 2011/12.

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 processes.

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

I, Joan Liley, 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.



Joan Liley
Chair

Board of Directors
South Gippsland Water
Dated: 30th June 2012

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 2011/12 reporting period the responsible Minister for South Gippsland Region Water Corporation was the Hon Peter Walsh MP, Minister for Water.

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.

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 2 complaints listed and resolved in 2011/12.

Formal Staff Grievances Disclosure Summary.

Year	2011/12	2010/11
Disclosures	2	1

Workforce data

	Ongoing Employees				Fixed term & Casual Employees
	Employees (Headcount)	Full time (Headcount)	Part time (Headcount)	FTE	FTE
June 2012	91	87	4	86.35	2.4
June 2011	87	76	6	80.5	4.2

	June 2011/12			June 2010/11		
	Ongoing	Fixed term & Casual Employee		Ongoing	Fixed term & Casual Employee	
	Employee (Headcount)	FTE	FTE	Employee (Headcount)	FTE	FTE
Gender						
Male	65	64.8	1.0	62	61.9	2.0
Female	22	21.6	1.4	20	18.6	2.2
Age						
Under 25	6	6.0	0.0			
25-34	14	14.0	1.0			
35-44	24	24.0	0.2			
45-54	27	26.8	1.0			
55-64	14	13.8	0.2			
Over 64	2	1.8	0.0			
Classification						
Trainee	1	1.0		11	11.0	
Band 3	10	10.0		19	18.5	
Band 4	19	18.8	2.4	15	15.0	4.2
Band 5	16	16.0		15	14.4	
Band 6	17	16.8		7	6.8	
Band 7	7	7.0		4	4.0	
Band 8	5	5.0		7	6.8	
SEO	8	7.8		3	3.0	
Executives	3	3.0		1	1.0	
M/g Director	1	1.0				
	87	86.4	2.4	82	80.5	4.2

Corporate Governance

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	
	2012	2011	2012	2011
90,000 - 99,999	-	-	1	-
100,000 - 119,999	1	-	-	-
150,000 - 159,999	-	-	-	2
160,000 - 169,999	-	2	-	1
170,000 - 179,999	-	1	2	-
180,000 - 189,999	2	-	-	-
Total Amount	\$474,000	\$505,000	\$443,000	\$477,000
Total Numbers	3	3	3	3
Total annualised employee equivalent (AEE)^(a)	2.6	3	2.6	3

Note: (a) Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

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 2011/12 South Gippsland Water received two requests under the Fol Act for access to information.

Contact for Requests

Requests under the Freedom of Information Act 1982, describing the documents requested, must be made, in writing. A Freedom of Information (Fol) application fee of \$25.10 from 1st July 2012 is payable. Depending on the circumstances, further charges may also be payable. Fol fees and charges are not subject to GST.

Requests should be addressed to:-

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

Compliance with the Building Act 1993

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

Events Subsequent to Balance Date

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

Whistleblowers Protection Act 2001 No 36

The *Whistleblowers Protection Act 2001* came into effect on 1 January 2002. The Act is designed to protect people who disclose information about serious wrongdoing within the Victorian Public Sector and to provide a framework for the investigation of these matters.

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:

Protected Disclosure Coordinator
 Department of Sustainability and Environment
 PO Box 500, East Melbourne VIC 8002
 Email: Jennifer.Berensen@dse.vic.gov.au
 Facsimile: 9637 8128
 Telephone: 9637 8697

The Ombudsman Victoria
 Level 9, 459 Collins Street (North Tower)
 Melbourne Victoria 3000
 (DX 210174 Melbourne)

Internet: www.ombudsman.vic.gov.au
 Email: ombudvic@ombudsman.vic.gov.au
 Facsimile: 03 9614 0246
 Telephone: 03 9613 6222
 Toll Free: 1800 806 314 (regional only)

Disclosure Summary.

Year	2011/12	2010/11
Disclosures	Nil	Nil

Victorian Industry Participation Policy - Implementation

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 in 2011/12 to which VIPP applied;

- During 2011/12 three contracts totalling \$7.27 million were underway to which VIPP applied, these projects were completed in 2011/12.
- The contracts are in Regional Victoria
- The commitment by the contractors includes:
 - An overall level of local content of between 87% and 100% of the total value of each contract.
 - A total of 62 full time equivalent jobs
- The following benefit to the Victorian economy occurred, in terms of skills and technology transfer:
 - Civil, electrical and mechanical works
 - Concreting, steel reinforcing, painting and pipework

Consultancies for 2011/12 - Greater than \$10,000

Consultant	Project	Total Approved Project Fee (Excl. GST)	Expenditure 2011/12 (Excl. GST)	Future Expenditure (Excl. GST)
Aurecon	Water Treatment Plant Upgrades Studies	\$40,370.78	\$7,653.64	N/A
Beveridge Williams	Poowong, Loch & Nyora Sewer Reticulation Design	\$339,864.75	\$59,404.75	Est: 8,500.00
CEE	Ocean Outfall Monitoring	\$176,604.00	\$38,310.90	N/A
GHD	Assistance with Conceptual Design for Water Treatment Plant Upgrades for Central Towns Business Case	\$21,237.50	\$21,237.50	N/A
GHD	Connection to Melbourne Supply - Report on Connection Options	\$97,982.00	\$9,705.52	N/A
GHD	Poowong, Loch & Nyora Sewerage Waste Water Treatment Plant Design	\$107,490.45	\$49,107.64	\$52,759.17
Halcrow	Inverloch Sewerage System Modelling and Augmentation Plan	\$100,867.09	\$13,933.00	N/A
Coffey Geotechnics	Foster WWTP Site - Geotechnical Investigations	\$54,240.00	\$50,074.96	\$4,165.04
Coffey Geotechnics	Alberton Sewer Scheme - Geotechnical Investigations	\$35,337.00	\$35,337.00	N/A
Halcrow	Lance Creek Water Supply System - Wonthaggi Future Development Assessment	\$34,725.00	\$34,725.00	N/A
Halcrow	Hydraulic Model Proposal for Foster Township	\$51,435.00	\$51,435.00	N/A
Halcrow	Korumburra Sewerage System - Inflow/Infiltration and Future Development Assessment	\$58,930.00	\$3,950.00	N/A
KBR	Preliminaries/ Set Up/ Planning	\$194,575.60	\$117,191.80	\$50,000.00
KBR	Alberton Sewer Scheme - Environmental Investigations and Detail Design	\$142,412.00	\$73,963.50	\$68,448.50
KBR	Foster WWTP Site Selection	\$162,251.00	\$47,415.50	\$17,854.59
KBR	Leongatha Anaerobic Sludge Digester Review	\$130,122.49	\$63,932.50	N/A
KBR	Korumburra & Leongatha Waste Water Treatment Plant - Sludge Dewatering	\$169,921.85	\$7,165.00	N/A
KBR	Wonthaggi Sewer System Upgrades - Design Documentation	\$182,660.21	\$27,805.29	N/A
KBR	Audit of Bulk Entitlements	\$15,000.00	\$0.00	\$15,000.00
KBR	Tarraville WWTP - Strategic Plan	\$26,410.00	\$0.00	\$26,410.00
KBR	Toora WWTP Function Design - Lagoon Modifications	\$35,184.00	\$0.00	\$35,184.00
KBR	Korumburra WWTP Modelling	\$31,476.72	\$31,476.72	N/A
KBR	Melbourne Supply Connection - Preliminary Environment Assessment	\$21,504.55	\$21,504.55	\$504.55
KBR	Review of Long Term Wastewater Strategy	\$94,228.78	\$70,934.78	N/A
KBR	Wonthaggi WWTP Ecological Assessment	\$13,650.00	\$13,650.00	N/A
KBR	Leongatha Treated Water Trunk Main - Concept Design Proposal	\$21,324.18	\$6,848.00	\$2,348.50
KBR	Lance Creek WTP Centrifuge	\$41,313.00	\$27,964.50	N/A
KBR	Inverloch Sewer Upgrades - Design Works	\$81,676.60	\$37,754.39	N/A
KBR	Toora WWTP Modification options Investigation	\$32,502.00	\$10,180.50	\$2,575.00
KBR	Wonthaggi, Inverloch and Cape Paterson - Fluoridation	\$80,961.00	\$33,598.51	\$16,898.22
KBR	PLN Sewer Scheme - Flora and Fauna and EPBC	\$42,667.35	\$19,650.33	N/A
Marsden Jacob Associates	Connection to Melbourne Supply System Business Case	\$294,978.81	\$53,472.15	Est: \$3,000.0
RMCG	Foster WWTP - Irrigation Options Investigations	\$15,100.00	\$12,636.36	\$2,463.64
SKM	Monitoring Bores - Andersons Road Leongatha	\$13,939.00	\$0.00	\$13,939.00
SKM	Drought Response Update Plan	\$33,420.96	\$33,420.96	N/A
SKM	SGW Water Supply Demand Strategy Update	\$195,925.48	\$17,003.48	N/A
Taylor Development Stategists	Proposed Foster WWTP Site - Topographical and Feature Survey	\$19,121.69	\$19,121.69	N/A
Taylor Development Stategists	Alberton Sewer Scheme - Topographical and Feature Survey	\$69,500.00	\$69,500.00	N/A
Tim Stone	Wonthaggi WWTP Extension Aboriginal CHMP Complex Assessment	\$27,720.00	\$0.00	\$27,720.00
URS	Dam Safety Inspection and Dam Surveillance	\$124,118.80	\$39,894.00	Est: \$45,600.00

Total expenditure for the 14 consultancies greater than \$10,000 was \$1,230,960.

In 2011/12 South Gippsland Water engaged three consultancies where the total fees payable to the consultants were less than \$10,000 with a total expenditure of \$19,666(Excl. GST).

Corporate Governance

Disclosure of Major Contracts

There were no contracts of a value in the order of \$5M during the reporting period 2011/12. There were no contracts of a value greater than \$10M during the reporting period 2011/12.

Corporate Water Consumption 2011/12

Calculation based on the Foster Head Office and Annex, accommodating 54 full time equivalent staff [including contractors].

The calculation includes Foster Head Office and Annex consumption only.

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

Wonthaggi, Korumburra, Leongatha, Toora, Yarram depots, - Leongatha water treatment plant, Devon North water treatment plant, Dumbalk water treatment plant, Fish Creek basin, Fish Creek water treatment plant, Foster water treatment plant, Foster wastewater treatment plant, Korumburra water treatment plant, Korumburra wastewater treatment plant, Lance Creek Water treatment plant, Wonthaggi, Inverloch & Cape Paterson wastewater treatment plants, Meeniyah water treatment plant, Meeniyah Wastewater 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 2011/12	Variation %	Actual 2010/11	Actual 2009/2010
Consumed [Kilolitre (KL) = 1,000 litres]	260kL	285kL	9%*	241kL	232kL
Kilolitres consumed per full time equivalent staff member	7.19kL	8.2kL	14.05%	6.2kL	5.9kL

*Target exceeded due to an undetected leak during 2011/12.

Water Consumed Per Unit of Office Space

Water consumed per square metre of office space for 2011/12 was 287.0 litres.

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

We recognise that our staff, are a major strength and we will plan to continue to focus on recruiting, training and retaining staff of the highest calibre. 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.

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 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 2011/12 year, resulting in payment of the corresponding salary increases provided for under the agreement.

The current EBA applies until September 2012 and the Consultative Committee is in the process of negotiating a new agreement for approval by Government.

Occupational Health and Safety Management (OH&S)

South Gippsland Water's Occupational Health and Safety unit continued to strongly focus on improving OH&S risk control across the corporation by implementing new procedures and systems. This also involved continued accreditation of SGW's Occupational Health and Safety Management System with AS 4801:2001 the Australian Standard for OH&S Management Systems.

Accreditation and compliance to this standard ensures SGW is addressing the critical and key criteria of both state and national OH&S legislation. In maintaining accreditation of its OH&S Management System to the national standard the OH&S department have created numerous systems for capturing risks, assessments and actions. These systems assist the corporation's employees to safely carry out their duties without impediment.

Staff induction, formal and industry-specific training, including on-the-job, industry and nationally accredited training programs and staff supervision, continue to be high priorities. With an emphasis on working cost effectively during the reporting period, the Corporation increased its use of competent and qualified staff to deliver compliance training in-house, and also continued to engage local training institutions. This is reflective in the annual training hours which show a minor increase for the 2011/12 period.

During the 2011/12 financial year South Gippsland Water's OH&S Department continued to vigorously inspect and audit worksites to ensure compliance with policy and procedure. This is highlighted in the target inspection data which shows a 100% completion record for OH&S site inspections and assessments.

The OH&S department have also been diligent in looking at reducing injury rates across the corporation. For the 2011/12 financial year an identical injury rate to the previous financial was achieved. Whilst this rate is pleasingly low the department continues to aim for zero harm. South Gippsland Water has continued to track below the industry average for lost time and medical treatment injuries which is positive and effort will be placed into reducing the rate further in the coming period.

	SGW Rate	Industry Comparative Rate
Total recordable injury frequency rate	11.5 incidents per million hours worked	21 incidents per million hours worked
Lost time injury frequency rate	5.7 incidents per million hours worked	9.7 incidents per million hours worked

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 2011/12 period.

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.

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

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 Obligation Provided	2011/12 \$	2010/11 \$
Provision of concessions to pensioners	1,217,574	1,095,792
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	136,933	131,006
Utility Relief Grants Scheme payments	9,672	7,638
Water concessions on Life Support Machines - Haemodialysis	Nil	Nil
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	Nil	Nil

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 regarding projects such as sewerage schemes and fluoridation of water supply.

During 2011/12 South Gippsland Water has completed a number of customer consultation initiatives regarding the release of the Water Supply Demand Strategy and in drafting its Water Plan III for 2013/14-2017/18.

This consultation has included;

- Community information sessions
- Focus Group discussions
- Surveys both electronic and hard copy
- Direct mail materials
- Advertisements and advertorials
- Information available for download on the South Gippsland Water website
- Letters and correspondence with customers and stakeholders

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.

South Gippsland Water maintains a data base, of contacts, representing community groups, business associations and individuals.

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

South Gippsland Water has continued to facilitate school education programs throughout 2011/12:-

- "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. External funding from the Smart Water Fund for this program ended in 2011, with the last program being delivered in Korumburra in September 2011.
- 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."

Meetings with local community and special interest groups

The Corporation seeks meetings of this type and is keen to provide 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 and at certain times submit online web survey's.

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 incorporates the requirements of the Essential Services Commission's Customer Code and South Gippsland Water's Customer Charter. Features of the policy include:-

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

During 2011/12 the Corporation took part in the Living Victoria Water Rebate Program for Residential Customers and Small Business. The program provides rebates for a wide range of water efficient products.

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.

Bulk Entitlement Reporting

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 2011/12

System & reference number of relevant Bulk Entitlement	Water Supply	Towns Serviced	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	New Entitlement	Failures to Comply ⁴	Difficulties & Remedial action ⁵	Compliance with Making Allowances ⁶	Compliance with Environmental Obligations ⁷	Compliance with Metering Obligations ⁸
BEE049324 Leongatha	Ruby Creek	Leongatha Koonwarra	2476	1646	Res 1	15	nil	nil	nil	nil	nil	nil	✓	✓	✓
					Res 2	83.6									
					Hyland	671.1									
					Western	1115									
BEE049323 Devon North, Alberton, Yarram and Port Albert	Tarra River	Yarram Alberton Port Albert Devon North	853	461	Nil		nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE049327 Fish Creek	Battery Creek	Fish Creek	251	101	Battery Creek Reservoir	123.0	nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE049331 Korumburra	Coalition Creek	Korumburra	1000	758	No. 1	160	nil	nil	nil	nil	nil	nil	✓	✓	✓
	Ness Creek				No. 2	73.5									
	Bellview Creek				No. 3	359.2									
BEE049325 Loch, Poowong & Nyora	Little Bass River	Poowong Loch Nyora	420	201	Little Bass reservoir	218.5	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	531	Cooks Dam	58.7	nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE049334 Wonthaggi, Inverloch	Lance Creek Powlett River	Wonthaggi Inverloch Cape Paterson	3800	1805	Lance Creek Reservoir	4200	nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE050819 Augmented Melbourne system	Melbourne Headworks System	Wonthaggi-Inverloch, Korumburra, Leongatha	5000	nil	nil		nil	nil	a	nil	nil	nil	✓	✓	✓
BEE049328 Foster	Deep Creek	Foster	326	168	Deep Creek Reservoir	15.2	nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE049329 Meeniyen	Tarwin River	Meeniyen	200	49	nil		nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE049326 Dumbalk	Tarwin River East	Dumbalk	100	23	nil		nil	nil	nil	nil	nil	nil	✓	✓	✓

Notes:

1. Annual amount of water taken in ML
2. Storages included under each Bulk Entitlement
3. Water Storage Levels (ML) as at June 30 2012
4. Any failure by the Corporation to comply with the Bulk Entitlement.
5. Any difficulties experienced or anticipated in complying with the Bulk Entitlement and remedial action taken or proposed.
6. Approval, amendment and implementation of programs and proposals for Making Allowances (✓ indicates compliance has been met)
7. Approval, amendment and implementation of programs and proposals for Environmental Obligations (✓ SGW environmental programs and plans are underway and demonstrates progress towards compliance with environmental obligations).
8. Approval, amendment and implementation of programs and proposals for metering obligations (✓ SGW metering program was approved by the Minister in December 2010 and demonstrates progress towards compliance with metering obligations)

Water Consumption Report

Water District	Actual Annual Consumption (ML) and Number of Assessments (No.) 2011/12											
	Retail Urban Residential		Retail Urban Non-Residential Include Majors		Concessional		Retail Stock & Domestic		Total Annual Consumption		Ave Annual Demand	Actual Annual Cons/ Ave Annual Demand
	ML	No.	ML	No.	ML	No.	ML	No.	ML	No.	ML	%
Alberton/Port Albert Yarram/Devon Nth	149	1228	107	317	60	79	20	131	336	1755	356	-5.62
Dumbalk	8	75	2	9	1	6	1	5	12	95	12	0.00
Fish Creek	12	99	4	23	2	14	63	64	81	200	77	5.19
Foster	68	586	39	120	17	39	7	15	131	760	131	0.00
Korumburra	217	1697	294	235	29	68	12	12	552	2012	495	11.52
Wonthaggi/Cape Paterson/Inverloch	868	8521	288	474	75	166	178	137	1409	9298	1373	2.62
Leongatha/Koonwarra	334	2390	1117	430	39	134	15	23	1505	2977	1502	.20
Meenyan	29	196	4	35	2	9	5	12	40	252	41	-2.44
Poowong/Loch/Nyora	67	513	37	67	8	31	43	44	155	655	152	1.97
Toora/Welshpool/Port Welshpool/Port Franklin	61	600	204	311	12	37	64	71	341	1019	364	-6.32
Total	1813	15905	2096	2021	245	583	408	514	4562	19023	4503	1.31

Average annual demand is calculated as rolling 3 year average and non revenue water for the year was 1,023ML.

It also excludes Standpipe Sales, (13ML), and Wonthaggi Desalination Plant consumption 137ML and estimated sales consumption (9ML).

Water Quality

During 2011/12, South Gippsland Water maintained its water quality monitoring program consistent with the requirements of the Safe Drinking Water Regulations 2005.

Percentage compliance detailed below is based on the total number of drinking water samples complying with requirements of the regulations. Further details of drinking water compliance for each distribution system are reported annually to the Department of Health and are available on South Gippsland Water's web site, or on request.

Parameter	Water Quality Standard	Notes	2011/12 %
Escherichia coli (E. coli)	At least 98 % of all samples of drinking water collected in any 12 month period to contain no E. coli per 100 mL		100.0
Turbidity	95 % upper confidence limit of the mean of drinking water samples collected in preceding 12 months must be ≤ 5.0 NTU		100.0
Aluminium	Must not exceed 0.2 mg/L		100.0
Trihalomethanes	Must not exceed 0.25 mg/L		100.0
Chloroacetic Acid	Must not exceed 0.15 mg/L		100.0
Dichloroacetic Acid	Must not exceed 0.1 mg/L		100.0
Trichloroacetic Acid	Must not exceed 0.1 mg/L		100.0

Drought Response Plan

No staged restrictions were imposed in South Gippsland Water's area of responsibility in 2011/12. Consequently no drought response plans were invoked. However, implementation of the Corporation's Water Supply Demand Strategy has been a major focus throughout the year.

The Drought Response Plan was revised and submitted with the Department of Sustainability and Environment during 2011/12.

Major Non-Residential Water Users

Customers by volume/range for 2011/12

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

WaterMaps

The WaterMaps program 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 5ML in 2011/12 were asked to take part in a voluntary program 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

Water Map Customers & Sustainability initiatives

Business type	Participation in Water Conservation Program
Murray Goulburn Coop Ltd. Leongatha	Participate in the EREP program [includes both energy and water. Highly active in water conservation.
Towang No 1 Pty Ltd. Burra Foods. Korumburra	Processing facilities upgraded; including water conservation measures and community re-use.
Poowong Pre School	Received funds under the Small Business and Community Grant Scheme for water conservation improvements.

Water Services

Wastewater Management

During 2011/12, South Gippsland Water was compliant with sewerage treatment quality standards at eight of its nine licensed wastewater systems.

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

Analysis of performance against EPA Licence CL67907

Condition area	Condition reference	Condition description	Condition complied with?
General	G1	Waste from the premises must not be discharged to the environment except in accordance with this licence.	Yes
	G2	You must immediately notify EPA of non-compliance with any condition of this licence.	Yes
	G3	By 30 September each year you must submit an annual performance statement to EPA for the previous financial year in accordance with the <i>Annual Performance Statement guidelines</i> (EPA Publication 1320).	Yes
	G4	Documents and monitoring records used for preparation of the annual performance statement must be retained at the premises for seven years from the date of each statement.	Yes
	G5	You must implement a monitoring program that enables you and EPA to determine compliance with this licence.	Yes
Amenity	A1	Offensive odours must not be discharged beyond the boundaries for the premises.	No ¹
Water Discharges	DW1	Stormwater discharged from the premises must not be contaminated with waste.	Yes
	DW2	Discharge of waste to surface waters must be in accordance with the 'Discharge to Water' table.	No ^{2,3}
	DW2.4	You must immediately notify EPA, in writing if practicable, of any exceedence of a notification limit as defined in the 'Notification' table.	Yes
	DW3.1	The mixing zone extends as defined in the 'Mixing Zone' table.	Yes
	DW4	You must install and maintain signage at the discharge point showing, (a) the extend of the mixing zone, (b) your name, (c) the EPA licence number, and (d) the discharge point number.	Yes
Land discharges	DL2	Discharge of wastewater to land must not adversely affect the land.	Yes
	DL4	Deposit of biosolids to land must not adversely affect the land.	Yes

1. An odour complaint was received on 26 December 2011 regarding the biosolids management facility at the Leongatha WWTP. EPA was notified of this incident.
2. Five maximum ammonia exceedences occurred in July and August 2011 at the Leongatha WWTP due to an unknown industrial discharge which seriously affected the plant's ability to remove nitrogen and ammonia.
3. Foster WWTP, Korumburra WWTP, Leongatha WWTP and Baxter's Beach wastewater system have exceeded the specified discharge annual mean daily flow rate.

Wastewater Improvements

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;
- Relining of sewer pipelines to reduce blockages and spills in the higher risk areas such as Foster, Inverloch and Korumburra;
- 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 Wonthaggi including an additional aerator and Probiotic Low Energy Aeration System to improve treated water quality;
- Ongoing trials at the Foster lagoons with Probiotic dosing and a chlorine dosing system.

Treated Effluent

Treated effluent re-use systems are in place at Tarraville, Welshpool, Toora and Inverloch and the Corporation 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 biosolids management facility for processing biosolids for suitable re-use, via land application. Potential biosolids re-use is being investigated.

Environmental Sustainability

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.

Greenhouse Gases – 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.

Environment & Sustainability Policy Environmental Management System [EMS]

South Gippsland Water's Environment & Sustainability 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.

South Gippsland Water's commitment to responsible environmental management is also reflected in our Environmental Management System which has been certified to the Australian Standard AS/NZS 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:

- Identifying impacts that the Corporation may be having on the environment
- Operational and incident management procedures
- Objectives and targets to improve our environmental performance.
- Specification of environmental responsibilities
- Continual improvement.

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.

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

EPA Catchment Officer

South Gippsland Water has partnered with EPA Gippsland 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 this catchment area.

Weed Control Program

South Gippsland Water has developed a significant weed control program for its 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.

Sustainable Water Use

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 use of reclaimed water in the South Gippsland Region for various applications decreased during 2011/12 due largely to increased rainfall events throughout the year.

The return to high rainfall in the region, the relatively low volumes of treated effluent available, the limited number of prospective customers wanting the resource and the long piping distances involved, make for low commercial and agricultural demand.

However, treated wastewater from South Gippsland Water's Tarraville wastewater treatment plant is piped to an adjacent property owner for pasture irrigation and a grazer in Cape Paterson uses a portion of the treated wastewater from the Inverloch wastewater system for irrigation. A neighbouring landholder uses all of the treated wastewater from the Welshpool wastewater treatment plant for pasture irrigation.

The Toora Football Club used treated wastewater from the Toora system during 2011/12 on occasions 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 reuse for applications such as road works and weed control.

The sewerage scheme recently constructed at Meeniyan has incorporated wetlands as the final treatment process, providing treated effluent that will be available for multiple reuse options within the area including the Stoney Creek Race Club and the Meeniyan Golf Club.

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

Uniform Drought Response Plan and By - Law

A revised Drought Response Plan (DRP) was prepared by South Gippsland Water accordance with State Government guidelines for preparing DRPs. The requirements specified in the guidelines include defining the legal and institutional context, reviewing past drought experience, describing the supply system and changes since the last drought, setting objectives for drought management, identifying and evaluating drought response options, developing a sequential plan of action, identifying pre-drought activities and evaluating the effectiveness of the DRP post-drought. South Gippsland Water submitted a finalised Drought Response Plan to the Department of Sustainability and Environment for their records

During 2011/12 South Gippsland Water also undertook a program to promote and implement the revised Permanent Water Savings Plan and Uniform Model Water Restriction By-Law, number seven. The Model by-law was adopted by the Board of Directors and approved by the Minister for Water during 2012.

Water Supply Demand Strategy

The Corporation finalised its long term Water Supply Demand Strategy [WSDS] in 2011/12. The detailed strategy document was approved by the Board of Directors and submitted to the Minister for Water.

The strategy outlines the use of the pipeline connecting the Desalination Plant and Lance Creek Reservoir [initially for construction purposes] which has provided South Gippsland Water with an access point to the Melbourne water supply system as a source of supplementary and long term water supply for 78% of our customers in the southern and northern service areas.

Environmental Sustainability

The Corporation has undertaken a community awareness program for the project and has progressed in the preliminary design stage during 2011/12. Currently the Corporation is actively seeking State Government funding opportunities.

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 these 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 2011/12 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 2011/12.

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	✓
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	✓
South Gippsland Landcare Network	A community-based organisation that facilitates catchment improvements such as revegetation and streamside fencing.	✓ \$20 000	✓
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	✓

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 less than 1% of the total historical surface water flows in the region to service the communities, industries and businesses of South Gippsland.

The vision for South Gippsland Water is to continue 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 systems in the South Gippsland Water Supply Catchment Areas. Rivers and streams support an enormous diversity of life. A healthy stream is representative of a healthy catchment which is vital for the maintenance of river health, biodiversity and the supply of good quality potable water.

South Gippsland Water has implemented a river health monitoring program that draws on concepts and requirements as detailed in the Victorian River Health Strategy as well as the Government's commitments in the Water Conservation action plan for water.

The SGW river health program involves biennial surveys and monitoring of:

- Fish populations in the Tarwin, Tarra, Agnes and Powlett Rivers.
- Macroinvertebrate monitoring of waterways within Declared Water Catchments
- Areas of the South Gippsland Basin including studies in the Agnes, Tarwin, Tarra, Little Bass and Powlett Rivers and the waterways of Ruby Creek, Coalition Creek, Ness Creek, Bellview Creek, Deep Creek and Battery Creek.
- River health monitoring of SGW wastewater outflows into Little Ruby Creek at Leongatha and Foster Creek at Korumburra.
- Water quality monitoring of rivers and streams at river and waterway diversions.

Victorian Biodiversity Strategy

The Corporation recognises its responsibility in protecting the biodiversity assets in its areas of operation for the benefit of the region and is committed to integrating biodiversity conservation and management into operating and management systems.

Accordingly South Gippsland Water will:

- integrate social, environmental and economic factors into decision-making and seek to maximise net beneficial outcomes;
- apply the precautionary principle in evaluating decisions and policies we make;
- act to conserve or reinstate the biodiversity and ecological integrity of land, aquatic and other natural assets that we manage;
- maintain biodiversity registers for land and aquatic systems in the vicinity of our operating areas and take these into account during planning and approval processes;
- ensure staff appreciate and respect biodiversity values and recognise their role in protecting biodiversity from detrimental impacts as a result of their work activities;
- cooperate with other agencies in the development and implementation of biodiversity conservation initiatives; and
- engage with the community providing involvement for those affected by decisions and seek to involve them in actions to support long term biodiversity.

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.

Greenhouse Gas Emissions

The following table sets out Corporate greenhouse gas emissions for 2011/12 [and the two preceding years].

ITEM	2011/12 [Emissions in Tonnes]	2010/11 [Emissions in Tonnes]	2009/10 [Emissions in Tonnes]
Water Treatment & Pumping	2,617.7	1,919.4	2,040.4
Wastewater Treatment	4,674.4	9,823.3	10,348.3
Waste Disposal	Not recorded	N/r	N/r
Energy Use - Non-fleet	197.6	203.9	190.4 [office]
Vehicle Fleet	662.8	623	620.5
Offsets Purchased	nil	nil	nil
Any other activities	-	-	-
Gross Tonnes CO ₂ -e	-	-	13,208.7
Net CO ₂ -e	8,152.5	12,559.6	13,208.7

South Gippsland Water achieved the emissions reduction target of 11,826 during the 2011/12 year.

South Gippsland Water aims to reduce greenhouse gas emissions to minimise its contribution to climate change, and be an adaptable business to enable 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

Major Projects

Summary of Major Projects 2011/12

The following table summarises the major projects undertaken by South Gippsland Water during 2011/12, 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.	Construction is planned to commence in 2013/14 which will include a reticulated sewerage system for each town, interlinking trunk sewer rising mains and a common wastewater treatment plant facility. WWTP site purchased. Preliminary site investigation studies are in progress. Capital expenditure reviewed and updated. Construction scheduled for completion in 2016/17 (weather dependent).
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 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 near completion. Wetlands planting in progress. Reuse pipeline completed/commissioned.
Toora Clear Water Storage Construction of a 4 million litre treated water storage tank adjacent to the Hackwills Road Water Treatment Plant. The tank will improve the reliability of supply avoiding the need to use an old uncovered basin, as well as providing additional buffering for seasonal river flow and water quality variations.	The tank was constructed in concrete. In all 440 cubic metres of concrete was used. The tank is 33 metres in diameter and 5.8 metres high overall. The Hackwills Road Water Treatment Plant supplies drinking water to Toora, Welshpool, Port Welshpool, Hedley, Agnes and Port Franklin.	Construction of 4 ML treated water storage tank has been completed.
Korumburra and Leongatha Sludge Dewatering The works are to replace existing "geobag" sludge dewatering facilities with suitable mechanical sludge dewatering systems at both the Korumburra and Leongatha Wastewater Treatment Plants. Provides improved sludge material handling and environmental requirements.	The "geobag" sludge dewatering processes at both plants are to be replaced with a mechanical sludge dewatering facility, incorporating a gravity drainage deck and a belt filter press housed within a new dedicated building.	Major equipment components installed. Testing and commissioning completed and handed over to Operations.
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 25 km of water mains replaced over the year.
Lance Creek Fluoridation Introduction of fluoridation to the Lance Creek water supply system has been requested and is being funded by the Victorian Government's Department of Health.	A new fluoride dosing control system shall be integrated with the existing Lance Creek WTP controls and SCADA systems.	Fluoridation system completed. Commissioning on water satisfactorily completed. Commissioning on fluoride awaiting DoH approval.
Burying Above Ground Winter Fill Pipeline - Powlett River to Lance Creek Temporary above ground pipeline was initially installed during the drought to transfer water pumped from Powlett River to Lance Creek Reservoir. This pipeline is to be made permanent by burial of pipeline which will be used to transfer water from the Melbourne Supply System to SGW's northern towns.	Burial of approximately 9.5km of 400mm and 350mm polyethylene pipe from the Powlett River temporary pump station to the Lance Creek WTP.	Pipeline has been completely buried. Installation of air valves in progress.
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 5 km of sewer pipelines relined and manholes rehabilitated over the year.
Wonthaggi Sewer System Upgrades Implementation of overall upgrading/augmentation strategy is required to address the existing deficiencies associated with the Wonthaggi Sewer Reticulation System and to cater for the rapid escalating current and future development within the township.	A staged improvement implementation program over a 50 year horizon for augmenting the Wonthaggi Sewer Reticulation System based on the hydraulic model analysis, flow survey data and comparative risk assessments.	First stage of sewer upgrade works completed. Second stage of works in progress.
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.	Strategic Land Purchase. Purchase of land settled. Concept design being undertaken assessing all possible pipeline and reuse options.
Alberton Sewerage Scheme Implementation of sewerage scheme to provide an effective means of managing sewage within the Alberton township in order to protect public health, public amenity, social, economic and township environmental values.	Construction of a pressure sewer system to manage the collection and transmission of wastewater from the Alberton township to the existing Tarraville WWTP.	Detailed design has commenced. Supply of pumping units tenders received. Tender assessment on hold pending formal resolution of town planning rezoning matters by Wellington Shire Council.
Vehicle Replacement Ongoing replacement of vehicles.	Replacement of vehicles on an annual basis.	Ongoing replacement program of approximately 25 vehicles per year.

Financial Performance

South Gippsland Water's net result for the year was a deficit of \$1.120 million.

Revenue was \$2.608 million higher than 2010/11 mainly due to increases in service charges (\$1.081million) and volumetric charges (\$1.003 million). A government capital grant was also received for \$0.403million for completion of the Venus Bay saline outfall project.

Expenditure was \$5.110 million higher than 2010/11, due to higher depreciation as a result of the revaluation of assets in 2011 (\$2.704 million), underfunding call of the defined benefit superannuation plan (\$1.075 million), higher interest costs on borrowings (\$0.314 million). The remaining \$1.017 million increase in expenses reflected general increase in cost of services and wages.

Over \$13 million of new capital investment was undertaken during the year in order to improve services to the Corporations' water and wastewater customers.

This continued high level of capital expenditure has resulted in borrowings increasing \$2.590 million during the year to \$35.100 million.

Summary of Financial Performance

Performance Indicator	2007/08	2008/09	2009/10	2010/11	2011/12
Internal Financing Ratio	44.4%	26.2%	64.1%	81.0%	47.4%
Gearing Ratio	12.1%	13.1%	16.0%	10.8%	11.6%
Interest Cover (EBIT)	(0.6) times	0.8 times	3.4 times	1.7 times	0.5 times
Interest Cover (Cash)	3.9 times	3.4 times	4.3 times	6.0 times	3.6 times
Return on Assets	0.4%	0.7%	3.5%	1.4%	0.4%
Return on Equity	(0.4)%	(0.2)%	3.0%	0.8%	(0.6)%

2011/12 Summary of Financial Results

Financial Result	2007/08 (\$'000)	2008/09 (\$'000)	2009/10 (\$'000)	2010/11 (\$'000)	2011/12 (\$'000)
Core business revenue	1778	20128	26342	23555	25793
Government contributions	450	23	0	50	483
Other revenue	715	572	1458	1030	967
Total revenue	19053	20723	27800	24635	27243
Operating expenditure	12929	13827	15979	15175	17267
Depreciation expenditure	5504	5730	5991	6125	8829
Finance costs	1098	1373	1698	1953	2267
Other expenditure	0	0	0	0	0
Total expenditure	19531	20930	23668	23253	28363
Net result before tax	(478)	(207)	4132	1382	(1120)
Current assets	3953	3094	7012	7242	4500
Non-current assets	152799	158566	165059	298361	297994
Total assets	156752	161669	172071	305603	302494
Current liabilities	7471	9136	11754	9888	13553
Non-current liabilities	15414	16390	20051	66508	63976
Total liabilities	22885	25526	31805	76396	77529
Net cash flows from operations	3678	3155	7485	10807	5802
Payments for property, plant and equipment (including infrastructure.)	8276	9514	14100	13526	12102

Financial Report

For The Year Ended 30 June 2012

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Comprehensive Operating Statement

For the Year Ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Revenue from operating activities			
Service charges	1(b),4(a)	16,290	15,209
Water usage charges	1(b)	7,453	6,450
Government grants and contributions	1(b),4(a)	483	50
Interest	1(b)	14	85
Developer contributions	1(b),4(a)	1,862	1,811
Resources received free of charge	1(b),4(a)	174	-
		<u>26,276</u>	<u>23,605</u>
Revenue from non-operating activities			
Net gain on disposal of non-financial assets	1(d),4(b)	123	236
Other income		844	794
		<u>967</u>	<u>1,030</u>
Total Revenue		27,243	24,635
Expenses from operating activities			
Borrowing costs	1(l),4(c)	(2,267)	(1,953)
Depreciation	1(e),4(c)10(b)	(8,395)	(5,710)
Amortisation	1(e),4(c),11	(434)	(415)
Employee benefits	1(n), 4(c)	(8,126)	(6,409)
Repairs and maintenance expense	1(d)	(1,226)	(1,264)
Environmental contributions	1(p)	(754)	(754)
Inventories distributed	1(i)	(29)	(63)
Supplies and services		(7,132)	(6,685)
Total Expenses		(28,363)	(23,253)
Net result before tax		(1,120)	1,382
Income Tax expense / (revenue)	1(q),5	-	-
Net result for the period		(1,120)	1,382
Other comprehensive income			
Gain/(loss) on revaluation of infrastructure, property, plant and equipment	1(d),10(b)	-	120,736
Income tax relating to components of other comprehensive income	1(q),5	-	(37,299)
Other comprehensive income for the year, net of income tax		-	83,437
Comprehensive Result		(1,120)	84,819

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

Balance Sheet

As at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	1(g),2,6,26	1,783	3,837
Receivables	1(h),2,7,26	620	1,584
Inventories	1(i),8	390	329
Prepayments		146	129
Other financial assets	2,9	1,561	1,363
Total current assets		4,500	7,242
Non-current assets			
Receivables	1(h),2,7,26	63	10
Infrastructure, property, plant and equipment	1(d),1(e),10	297,176	292,775
Intangible assets	1(j),11	755	1,115
Total non-current assets		297,994	293,900
TOTAL ASSETS		302,494	301,142
LIABILITIES			
Current liabilities			
Payables	1(k),2,12,26	2,951	3,545
Interest bearing liabilities	1(l),2,13,26	8,700	4,810
Employee benefits	1(n),14	1,902	1,533
Total current liabilities		13,553	9,888
Non-current liabilities			
Interest bearing liabilities	1(l),2,13,26	26,400	27,700
Employee benefits	1(n),14	277	170
Deferred tax liabilities	1(q),15	37,299	37,299
Total non-current liabilities		63,976	65,169
TOTAL LIABILITIES		77,529	75,057
NET ASSETS		224,965	226,085
EQUITY			
Contributed capital	1(o),17	64,353	64,353
Reserves	1(e),18	87,034	87,034
Accumulated funds	19	73,578	74,698
TOTAL EQUITY		224,965	226,085

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 2012

	Notes	Contributed Capital \$'000	Reserves \$'000	Accumulated funds \$'000	Total \$'000
Balance at 1 July 2010		63,353	3,597	73,316	140,266
Total comprehensive income for the year			83,437	1,382	84,819
Transactions with the State in its capacity as owner:					
Dividends	1(r)	-	-	-	-
Contributions by owners	1(o),17	1,000	-	-	1,000
		1,000	-	-	1,000
Balance at 30 June 2011		64,353	87,034	74,698	226,085
Total comprehensive income for the year		-	-	(1,120)	(1,120)
Transactions with the State in its capacity as owner:					
Dividends	1(r)	-	-	-	-
Contributions by owners	1(o),17	-	-	-	-
		-	-	-	-
Balance at 30 June 2012		64,353	87,034	73,578	224,965

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 2012

	Notes	2012 \$'000	2011 \$'000
Cash flows from Operating Activities			
Receipts			
Service and usage charges		23,510	23,108
Interest received		13	84
GST received from the ATO		2,195	1,828
Developers' contributions		663	3,118
Other receipts		878	800
Receipts from government		483	50
		27,742	28,988
Payments			
Payments to suppliers and employees		(18,887)	(15,251)
Interest and other costs of finance paid		(2,181)	(1,873)
GST paid to the ATO		(118)	(303)
Environmental contributions		(754)	(754)
		(21,940)	(18,181)
Net cash inflow from Operating Activities	20	5,802	10,807
Cash flows from Investing Activities			
Payments for infrastructure, property, plant and equipment		(12,028)	(13,336)
Proceeds from sale of infrastructure, property, plant and equipment		717	514
Proceeds from sale of investments		-	-
Payments for intangible assets		(74)	(190)
Net cash (outflow) from investing activities		(11,385)	(13,012)
Cash flows from Financing Activities			
Proceeds from borrowings		3,990	7,800
Repayments of borrowings		(1,400)	(2,890)
Proceeds from contributions by owners		1,000	-
Net movements in contractor deposits		(61)	99
Net cash inflow from financing activities		3,529	5,009
Net (decrease)/increase in cash and cash equivalents		(2,054)	2,804
Cash and cash equivalents at the beginning of the financial year		3,837	1,033
Cash and cash equivalents at the end of the financial year	1(g),6	1,783	3,837

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 2011

NOTE 1. ACCOUNTING POLICIES

(a) Basis of Accounting

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 a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS'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. South Gippsland Region Water Corporation is a not-for-profit entity for the purpose of preparing the financial statements.

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

The annual financial statements were authorised for issue by the Board 31st August 2012.

The principal address is: South Gippsland Regional Water Corporation
14-18 Pioneer Street
Foster VIC 3960

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 align with current presentation and disclosure.

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(n) 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 infrastructure, property, plant and equipment.

Accounting estimates

The preparation of financial statements in conformity with AAS's requires the use of certain accounting estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.

Financial statement presentation

The entity has applied the revised AASB 101 *Presentation of Financial Statements* which became effective for reporting periods beginning on or after 1 July 2011, and AASB 1054 Australian Additional Disclosures which became effective for reporting periods beginning on or after 1 July 2011.

(b) Revenue Recognition

Service and usage charges

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

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

Water usage charges by measure are recognised as revenue when the water is provided. Meter readings are undertaken progressively during the year. 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 the entity obtains control of the contribution and meets certain other criteria as outlined by AASB 1004, whichever is the sooner, and disclosed in the Comprehensive Operating Statement as government grants and contributions. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for 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.

Resources Received Free of Charge

Contributions of resources provided and received free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another government department or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such a transfer will be recognised at carrying value.

Lease or rental income

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

(c) Borrowing Costs

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

(d) Recognition and Measurement of Assets

Infrastructure, property, plant and equipment represent non-current physical 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.

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 are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of Financial Reporting Direction (FRD) 103D Non-Current Physical Assets.

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

Depreciated replacement cost has been adopted as an estimate of fair value under the revaluation model adopted for these assets.

Plant, equipment and motor vehicles are measured at fair value.

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

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

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 infrastructure, property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes

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

Impairment of Assets

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

Inventories;

- 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 Comprehensive Operating Statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

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

Financial Report for the year ended 30 June 2012

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 Comprehensive Operating Statement, a reversal of that impairment loss is also recognised in the Comprehensive Operating Statement.

(e) 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(j).

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

	Periods	
	2012	2011
Corporate		
Buildings	50 years	50 years
Plant & Machinery	7-10 years	7-10 years
Motor Vehicle	2-4 Years	2-4 Years
Intangible Assets	3 & 7 years	3 & 7 years
Furniture & Equipment	10 years	10 years
Infrastructure		
Water		
Fencing	12.5 years	12.5 years
Headworks/Storages	150 years	150 years
Distribution Networks	50 years	50 years
Pump Stations	44 years	44 years
Water Storage	50 years	50 years
Reticulation Network	50 years	50 years
Water Meters	15 years	15 years
Treatment Plants	33 years	33 years
Wastewater		
Fencing	12.5 years	12.5 years
Outfalls	50 years	50 years
Trunk Sewers	50 years	50 years
Pump Stations	50 years	50 years
Distribution Network	40 years	40 years
Treatment Plants	40 years	40 years

(f) Leased Assets

Operating Leases

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

(g) 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.

(h) 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 Comprehensive Operating Statement.

(i) Inventories

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

(j) Intangibles

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

A summary of the policies applied to the Corporation's intangible assets is as follows:

	Patents and Licences	Development Costs
Useful lives	Indefinite	Finite
Amortisation method used	Not amortised or revalued	3 and 7 years - straight line
Internally generated / acquired	Acquired	Internally generated
Impairment test / Recoverable amount testing	Annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end / Reviewed annually for indicators of impairment

(k) 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.

(l) 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 Comprehensive Operating Statement over the period of the borrowings, using the effective interest method.

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

(m) 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. Loans and receivables are recorded at amortised cost less impairment.

Fair value

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

Impairment of financial assets

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

(n) 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) 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) 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.

Superannuation

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents the contributions made by the Corporation to the superannuation plan in respect to the services of current entity staff and the call on the defined benefit fund which was made in July 2013 however was charged to the Comprehensive Operating Statement during the year as it related to unfunded amounts at 31 December 2011. 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.

(o) 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.

(p) 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, and has since been extended to cover the period 1 July 2012 until 30 June 2016.

The purpose of the environmental contribution is set out in the Act, and the funding may be used for the purpose of funding initiatives that seek to promote the sustainable management of water or address water-related initiatives. The environmental contributions are disclosed separately within expenses.

(q) Taxation

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

The income tax expense or revenue for the period is the tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

No deferred tax assets or liabilities have been recognised for deductible temporary differences, other than revaluations of assets, as the Corporation has carry forward tax losses it is not probable that they will be recouped. A deferred tax liability has been recognised for revalued assets, as future depreciation on revalued assets will not be deductible for tax purposes.

(r) 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.

(s) 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.

(t) 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 2012 reporting period. As at 30 June 2012, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2012. 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 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	<i>AASB 9 Financial Instruments</i> 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.
<i>AASB 119 Employee Benefits</i> , AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119</i> and AASB 2011-11 <i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i> .	These standards require the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removed of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.	1 July 2013	The entity is yet to assess its full impact. The entity will apply amended standard from 1 January 2013.
AASB 2011-4 <i>Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements</i>	<i>Removes the individual key management personnel disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporation Act 2001. The amendments cannot be adopted early.</i>	1 July 2013	This amendment is expected to have a limited impact.
AASB 2011-13 <i>Amendments to Australian Accounting Standards – Improvements to AASB 1049</i>	<i>The amendments clarify some of the requirements in AASB 1049 Whole of Government and General Government Sector Financial Reporting and will improve the harmonisation of the financial reporting requirements of the Commonwealth, State and Territory Governments. Applicable only to not-for-profit entities and/or public sector entities.</i>	1 July 2012	The impact of this standard will depend on instructions provided by DTF on its applicability to the entity. The entity will assess its impact once DTF has provided guidance on this standard
AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2011-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	On 30 June 2011 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.	1 July 2013	The impact of this standard will depend on instructions provided by DTF on its applicability to the entity. The entity will assess its impact once DTF has provided guidance on this standard.

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 2012	Carrying amount \$'000	Interest rate risk			
		1%		+1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Financial Assets					
Cash and Cash Equivalents	1,783	(18)	(18)	18	18
Financial Liabilities					
Interest Bearing Liabilities (Note 13)					
- Variable	4,900	49	49	(49)	(49)
- Fixed	30,200	-	-	-	-
Total increase/(decrease)		31	31	(31)	(31)
30 June 2011	Carrying amount \$'000	Interest rate risk			
		1%		+1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Financial Assets					
Cash and Cash Equivalents	3,837	(38)	(38)	38	38
Financial Liabilities					
Interest Bearing Liabilities (Note 13)					
- Variable	3,410	34	34	(34)	(34)
- Fixed	29,100	-	-	-	-
Total increase/(decrease)		(4)	(4)	4	4

(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 26.1.

(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 26.2.

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. COMPREHENSIVE OPERATING STATEMENT - DISCLOSURES

	Note	2012 \$'000	2011 \$'000
(a) Significant Revenues			
Service Charges			
Water service charges		6,253	5,850
Sewerage charges		7,651	6,996
Trade waste charges		2,386	2,363
		<u>16,290</u>	<u>15,209</u>
Government contributions			
Capital		483	-
Operating		-	50
		<u>483</u>	<u>50</u>
Developer contributions			
Fees paid by developers		632	744
Assets received from developers		1,230	1,067
		<u>1,862</u>	<u>1,811</u>
Assets received free of charge		174	-
(b) Net gains and expenses			
The surplus/(deficit) from operating activities includes the following specific net gains and expenses:			
Net loss on disposal of infrastructure, property, plant and equipment :			
Proceeds from disposal of motor vehicles		467	514
Written down amount of motor vehicles disposed		(284)	(278)
		<u>183</u>	<u>236</u>
Proceeds on disposal of land and buildings		250	-
Written down amount of land and buildings disposed		(310)	-
		<u>(60)</u>	<u>-</u>
		<u>123</u>	<u>236</u>

NOTE 4. COMPREHENSIVE OPERATING STATEMENT - DISCLOSURES cont.

	Note	2012 \$'000	2011 \$'000
(c) Significant Expenses			
Depreciation:			
Buildings		71	70
Water infrastructure		4,276	2,735
Wastewater infrastructure		3,253	2,165
Plant, equipment and motor vehicles		795	740
Total depreciation		<u>8,395</u>	<u>5,710</u>
Amortisation			
Intangible assets	11	434	415
Total amortisation		<u>434</u>	<u>415</u>
Asset write-offs (included in supplies and services)		82	81
Employee Benefits			
Salaries and wages		5,209	4,805
Annual leave		477	371
Long service leave		376	203
Superannuation contributions		539	446
Unfunded Superannuation		1,096	198
Other		429	386
Total employee benefit costs		<u>8,126</u>	<u>6,409</u>
Borrowing costs		2,267	1,953
Bad and doubtful debts		29	17
Rental expense - operating lease		14	17
Auditors' remuneration			
Auditor-General for audit of financial statements		31	29
Internal audit (RSM Bird Cameron)		37	32
		<u>68</u>	<u>61</u>

NOTE 5. INCOME TAX

The Corporation made a \$5.811 million tax loss during the financial year (\$5.311 million tax loss in 2010/2011).

Reconciliation of income tax to prima facie tax payable	2012 \$'000	2011 \$'000
Net result before income tax expense	(1,120)	1,382
Tax at Australian tax rate of 30% (2011:30%)	(336)	415
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
• Income tax not assessable for income tax purposes	10	8
• Expenditure not allowable for income tax purposes	2,649	1,837
• Expenditure allowable for income tax purposes	(4,066)	(3,853)
• Benefit of tax losses not brought to account	1,743	1,593
Income tax as reported in the Comprehensive Operating Statement	<u>-</u>	<u>-</u>

NOTE 6. CASH AND CASH EQUIVALENTS

	2012 \$'000	2011 \$'000
Deposits at call	1,783	3,837
	<u>1,783</u>	<u>3,837</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	1,783	3,837
Balance as per Cash Flow Statement	<u>1,783</u>	<u>3,837</u>
(b) Deposits at call		
The deposits are bearing floating interest rates between 0.10% and 4.50% (0.10% to 4.65% in 2010/11)	1,783	3,837

NOTE 7. RECEIVABLES

	2012 \$'000	2011 \$'000
Current		
Trade receivables	645	1,601
Provision for impaired receivables	<u>(25)</u>	<u>(17)</u>
	620	1,584
Non Current		
Other receivables	<u>63</u>	<u>10</u>
Total receivables	<u>683</u>	<u>1,594</u>

(a) Provision for impaired receivables

As at the 30 June 2012, current receivables of the Corporation with a nominal value of \$21,000 (2011 \$16,000) were impaired. The amount of the provision was \$25,000 (2011 \$17,000). For 2012 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	25	17
Over 6 months	-	-
Total	<u>-</u>	<u>17</u>

Movements in the provision for impaired receivable are as follows:

At 1 July	17	16
Provision for impairment recognised during the year	29	17
Receivable written off during the year as uncollectable	(21)	(16)
Unused amount reversed	-	-
At 30 June	<u>25</u>	<u>17</u>

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

(b) Past due but not impaired trade receivables

As at the 30 June 2012, trade receivables of \$84,000 (2011 \$56,000) 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	48	23
Over 6 months	<u>36</u>	<u>33</u>
Total	<u>84</u>	<u>56</u>

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.

(c) 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	390	329
Total current inventories	<u>390</u>	<u>329</u>

NOTE 9. OTHER FINANCIAL ASSETS

Current		
Accrued revenue	1,561	1,363
Total current other financial assets	<u>1,561</u>	<u>1,363</u>

NOTE 10. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

	2012 \$'000	2011 \$'000
(a) Classes of infrastructure, property, plant and equipment		
Land		
At Fair Value	8,047	8,297
At Cost	1,941	-
	<u>9,988</u>	<u>8,297</u>
Buildings		
At Fair Value	1,430	1,490
Less: Accumulated Depreciation	(71)	-
	<u>1,359</u>	<u>1,490</u>
Water infrastructure		
At Fair Value	158,542	158,542
At Cost	4,986	-
Less: Accumulated Depreciation	(4,323)	(45)
	<u>159,205</u>	<u>158,497</u>
Wastewater infrastructure		
At Fair Value	109,757	109,757
At Cost	12,710	-
Less: Accumulated Depreciation	(3,274)	(22)
	<u>119,193</u>	<u>109,735</u>
Plant and equipment		
At Cost	7,384	6,906
Less: Accumulated Depreciation	(4,856)	(4,493)
	<u>2,528</u>	<u>2,413</u>
Under construction		
At Cost	4,903	12,343
	<u>4,903</u>	<u>12,343</u>
Total Infrastructure, Property, Plant & Equipment	<u>297,176</u>	<u>292,775</u>

The asset classes of land and buildings were valued at 30 June 2011 by Egan Nations Valuers (Vic) in accordance with the *Financial Management Act 1994* in conformity with Australian Accounting Standards, Victorian Government Policies and valuation guidelines. The valuation was performed on a fair value basis using market evidence and where this approach was not suitable, using the depreciated replacement cost method.

Infrastructure assets were independently valued at 30 June 2011 by the Valuer General of Victoria, using AECOM valuers. The valuation methodology used was depreciated replacement costs using a Greenfields approach for assessing costs and only included assets that were constructed before 1 July 2011. Cost models were built based on actual construction information complimented by a variety of information sources including capacity, height, material type, length and depth that could be applied broadly across the range of assets in each category.

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

(a) Movements during the reporting period

	2011 / 2012						
	Opening WDV at 1 July 2011	Additions	Disposals	Revaluations	Transfers between categories	Depreciation	Closing WDV at 30 June 2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	8,297	174	(250)	-	1,767	-	9,988
Buildings	1,490	-	(60)	-	-	(71)	1,359
Water Infrastructure	158,497	288	-	-	4,698	(4,278)	159,205
Wastewater Infrastructure	109,735	943	-	-	11,767	(3,252)	119,193
Equipment & motor vehicles	2,413	-	(283)	-	1,193	(795)	2,528
Under construction	12,343	12,067	-	-	(19,507)	-	4,903
Total infrastructure, property, plant & equipment	292,775	13,472	(593)	-	*(82)	(8,396)	297,176

*Refer Note 4(c)

	2010 / 2011						
	Opening WDV at 1 July 2010	Additions	Disposals	Revaluations	Transfers between categories	Depreciation	Closing WDV at 30 June 2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	5,586	-	-	1,454	1,257	-	8,297
Buildings	940	-	-	613	7	(70)	1,490
Water Infrastructure	67,895	283	-	89,502	3,552	(2,735)	158,497
Wastewater Infrastructure	79,353	785	-	29,167	2,595	(2,165)	109,735
Equipment and motor vehicles	2,240	-	(278)	-	1,191	(740)	2,413
Under construction	7,691	13,335	-	-	(8,683)	-	12,343
Total infrastructure, property, plant & equipment	163,705	14,403	(278)	120,736	*(81)	(5,710)	292,775

*Refer Note 4(c)

NOTE 11. INTANGIBLE ASSETS

Movements during the period	Development Costs \$'000	Patent & licences \$'000	Total \$'000
At 1 July 2011, net of accumulated amortisation	1,072	43	1,115
Additions	74	-	74
Impairment			
Amortisation	(434)	-	(434)
At 30 June 2012, net of accumulated amortisation	<u>712</u>	<u>43</u>	<u>755</u>
At 1 July 2010, net of accumulated amortisation	1,340	-	1,340
Additions	147	43	190
Impairment	-	-	-
Amortisation	(415)	-	(415)
At 30 June 2011, net of accumulated amortisation	<u>1,072</u>	<u>43</u>	<u>1,115</u>

NOTE 12. PAYABLES

	2012 \$'000	2011 \$'000
Current		
Trade creditors	2,055	2,525
Accrued expenses	476	539
Contractor deposits/retentions	420	481
Total current payables	<u>2,951</u>	<u>3,545</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

	2012 \$'000	2011 \$'000
Current		
<i>Secured</i>		
Loans - Treasury Corporation of Victoria (TCV)	8,700	4,810
Total current interest bearing liabilities	<u>8,700</u>	<u>4,810</u>
Non-Current		
<i>Secured</i>		
Loans - Treasury Corporation of Victoria (TCV)	26,400	27,700
Total non-current interest bearing liabilities	<u>26,400</u>	<u>27,700</u>
Total interest bearing liabilities	<u>35,100</u>	<u>32,510</u>
Assets pledged as security	Nil	nil
<p>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>.</p>		
Loan facilities - TCV		
Total facilities	36,200	37,300
Used at balance date	35,100	32,510
Unused at balance date	<u>1,100</u>	<u>4,790</u>
<p>For the year ending 30 June 2012 the Corporation had approved financial accommodation of \$36.2 million and utilised \$35.1 million. The unused portion does not carry forward.</p>		
Fair Value		
<p>Non traded financial liabilities comprise borrowings with the Treasury Corporation of Victoria (TCV). The fair value of these borrowings was \$37.721M (2011: \$33.081M).</p> <p>The fair value of borrowings are based on cash flows discounted using borrowing rates varying from 3.66% to 7.44% (2011: 4.92% to 7.44%).</p>		
Foreign exchange risk		
<p>The borrowings are in Australian dollars. There are no foreign currency denominated amounts or foreign currency exposures.</p>		
Interest rate risk		
<p>Exposures arise, predominately from liabilities bearing variable interest rates as the Corporation intend to hold fixed borrowings to maturity.</p>		
TCV borrowings - fixed	30,200	29,100
TCV borrowings - variable	4,900	3,410
	<u>35,100</u>	<u>32,510</u>

NOTE 14. EMPLOYEE BENEFITS

	2012 \$'000	2011 \$'000
Current		
All rostered days off, annual leave and unconditional long service leave entitlements representing 7+ years of continuous service:		
Employee benefits expected to be settled within 12 months after the end of the period, measured at nominal value	832	621
Employee benefits expected to be settled after 12 months measured at present value	<u>1,070</u>	<u>912</u>
Total Current	<u><u>1,902</u></u>	<u><u>1,533</u></u>
Non-current		
Conditional long service leave measured at present value	<u>277</u>	<u>170</u>
Total Non-Current	<u><u>277</u></u>	<u><u>170</u></u>
Total employee benefits	<u><u>2,179</u></u>	<u><u>1,703</u></u>
<i>The following assumptions were adopted in measuring the present value of long service leave entitlements:</i>		
Weighted average increase in employee costs	4.3125%	4.600%
Weighted average discount rates	3.058%	5.278%
Weighted average settlement period	12 yrs	12 yrs

NOTE 15. DEFERRED TAX LIABILITIES

(a) Amounts recognised directly in equity

Revaluation of infrastructure, property, plant & equipment:

Land	-	1,424
Buildings	-	275
Infrastructure	<u>-</u>	<u>35,600</u>
	<u>-</u>	<u><u>37,299</u></u>

Movements:

Opening balance at 1 July	37,299	-
Credited / (debited) to other comprehensive income	<u>-</u>	<u>37,299</u>
Closing balance at 30 June	<u><u>37,299</u></u>	<u><u>37,299</u></u>
Deferred tax liabilities to be recovered after more than 12 months	37,299	37,299

NOTE 16. 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, accumulation and defined benefit, 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 2011/2012, South Gippsland Water's superannuation contribution relating to "Vision Super Saver" members was \$438,927 (\$355,439 in 2010/11).

(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 2011, 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.

Following an actuarial review conducted by the Trustee in late 2011, as at 31 December 2011, a funding shortfall of \$406 million for the Fund was determined. A call to Employers for additional contributions was made for the financial year 30 June 2012 with commitment from Employers from 31 December 2011. An amount of \$1,073,092 (\$198,176 2010/11) was payable this financial year by the corporation with respect to the call.

Accounting Standard Disclosure

The Fund's liability for accrued benefits was determined by the Actuary at 31 December 2011 pursuant to the requirements of Australian Accounting Standard AAS25 as follows:

	31-Dec-11 \$'000
Net Market Value of Assets	4,315,324
Accrued Benefits	4,642,133
Difference between Assets and Accrued Benefits	<u>(326,809)</u>
Vested Benefits (Minimum sum which must be paid to members when they leave the fund)	4,838,503

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

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

During 2011/12 the Corporation's superannuation contributions relating to that year's defined benefit members' service was \$1,144,253 (\$271,568 in 2010/11) which included \$1,096,092 (\$198,176 in 2010/11) to meet its share of the shortfall of the Fund.

(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 \$1,635,478 (\$692,218 in 2010/11) which included \$1,096,092 (\$198,176 2010/11) to meet its share of the shortfall of the Fund.

As at the reporting date, there was an amount of \$1,096,092 of outstanding contributions payable to the above superannuation funds in relation to the defined benefit fund call. There were no loans to or from South Gippsland Water to any of the above superannuation funds.

NOTE 17. CONTRIBUTED CAPITAL

	2012 \$'000	2011 \$'000
Opening balance at 1 July	64,353	63,353
Capital transactions with the State in its capacity as owner arising from:		
Capital contributions	-	1,000
Closing balance at 30 June	<u>64,353</u>	<u>64,353</u>

NOTE 18. RESERVES

Composition of reserves		
Asset revaluation reserve surplus/(deficit)		
Land	3,323	3,323
Buildings	642	642
Infrastructure	83,069	83,069
Total Reserves	<u>87,034</u>	<u>87,034</u>
Movement in reserves		
Asset Revaluation reserve		
Opening balance at 1 July	87,034	3,597
Revaluation increment / decrement on non-current assets:		
Land	-	31
Buildings	-	337
Infrastructure	-	83,069
Closing balance at 30 June	<u>87,034</u>	<u>87,034</u>

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

NOTE 19. ACCUMULATED FUNDS

Opening balance at 1 July	74,698	73,316
Net surplus/(deficit)	<u>(1,120)</u>	<u>1,382</u>
Closing balance at 30 June	<u>73,578</u>	<u>74,698</u>

NOTE 20. RECONCILIATION OF NEW RESULTS FOR THE PERIOD AFTER RELATED INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Net result for the period after income tax	(1,120)	1,382
Add/(less) non-cash flows in Net Result		
(Profit)/Loss on disposal of non-current assets	(123)	(236)
Depreciation and amortisation	8,829	6,125
Provision for impaired receivables	29	1
Developer contributions	(1,230)	(1,067)
Assets received free of charge	(174)	-
Asset Write-offs	82	81
Changes in Assets and Liabilities		
Decrease/(Increase) in trade receivables	(97)	2,035
(Increase) in inventories	(61)	(14)
(Increase)/Decrease in prepayments	(17)	67
(Increase)/Decrease in accrued revenue	(198)	1,490
(Decrease)/Increase in payables	(470)	800
(Decrease)/Increase in employee benefits liabilities	476	57
(Decrease)/Increase in accrued expenses	<u>(124)</u>	<u>86</u>
Net cash inflows from Operating Activities	<u>5,802</u>	<u>10,807</u>

NOTE 21. RESPONSIBLE PERSONS AND EXECUTIVE OFFICER DISCLOSURES

(a) Responsible persons

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

The Hon. Peter Walsh MP, Minister for Water (1 July 2011 to 30 June 2012)

The names of Board Members of South Gippsland Water for the Year to 30 June 2012 were:

L Vale (Chairperson)	(1 July 2011 to 30 September 2011)	K McGrath (Director)	(1 July 2011 to 30 June 2012)
J Liley (Chairperson)	(1 October 2011 to 30 June 2012)	N Maud (Director)	(1 July 2011 to 30 September 2011)
J Liley (Deputy Chairperson)	(1 July 2011 to 30 September 2011)	J Rundell (Director)	(1 July 2011 to 30 September 2011)
J Anderson (Deputy Chairperson)	(1 October 2011 to 30 June 2012)	C Badger (Director)	(1 October 2011 to 30 June 2012)
J Anderson (Director)	(1 July 2011 to 30 September 2011)	A Kilborn (Director)	(1 October 2011 to 30 June 2012)
J Fawcett (Director)	(1 July 2011 to 30 June 2012)	D Schultz (Director)	(1 October 2011 to 30 June 2012)

The Accountable Officers of South Gippsland Water for the year to 30 June 2012 were:

Steve Evans	(1 July 2011 to 31 December 2011)
Philippe du Plessis	(1 January 2012 to 30 June 2012)

Remuneration of responsible persons

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.

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

	2012	2011
	\$'000	\$'000
	419	384

Remuneration received, or due and receivable from the Corporation in connection with the management of any related party entity is nil (2011 nil). The number of responsible persons whose remuneration from the Corporation was within the specified bands were as follows:

Income band (\$)	2012	2011
	No.	No.
0 - 9,999	2	-
10,000 - 19,999	4	1
20,000 - 29,999	3	5
40,000 - 49,999	1	1
110,000 - 119,999	1	-
120,000 - 129,999	1	-
210,000 - 219,999	-	1
Total Numbers	12	8

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:

	2012	2011
	\$'000	\$'000
	31	34

Other related party transactions

There were no loans in existence by the Corporation to responsible persons or related parties at the date of this report. There were no other transactions between the Corporation and responsible persons and their related parties during the financial year.

(b) Executive officers' remuneration

The number of executive officers, other than responsible persons, whose total remuneration falls within the specified bands above \$100,000 are disclosed in the table below. There was a movement in executive officer positions during the year with a position being vacant from 1 January 2012 until 7th May 2012. This resulted in reduced salaries and annualised employee equivalents compared to the prior year.

Income band \$	Total Remuneration		Base Remuneration		
	2012	2011	2012	2011	
90,000 - 99,999	-	-	1	-	
100,000 - 119,999	1	-	-	-	
150,000 - 159,999	-	-	-	2	
160,000 - 169,999	-	2	-	1	
170,000 - 179,999	-	1	2	-	
180,000 - 189,999	2	-	-	-	
	Total Amount	\$474,000	\$505,000	\$443,000	\$477,000
	Total Numbers	3	3	3	3
	Total annualised employee equivalent (AEE) (a)	2.6	3	2.6	3

Note: (a) Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

NOTE 22. DIVIDENDS

The process to determine the 2011/12 dividend has not yet been completed at the reporting date. The Board's preliminary dividend estimate for this period is zero.

NOTE 23. COMMITMENTS

	2012	2011
	\$'000	\$'000

The following commitments are exclusive of GST.

(a) Finance lease commitments

At 30 June 2012 the Corporation had no finance lease commitments.

(b) Capital commitments

At 30 June 2012, the Corporation had the following significant capital commitments:

- Meeniyen sewerage scheme – wetlands completion & wetlands planting
- Hansen 8 Asset Management System implementation
- Toora clear Water storage tank construction
- Wonthaggi sewer reticulation upgrades
- Riflebutts Road sewer pump station upgrades
- Poowong/Loch/Nyora sewerage scheme – treatment plant design

Outstanding capital commitments are to be paid as follows:

within one year	1,473	3,788
	<u>1,473</u>	<u>3,788</u>

(c) Operating lease commitments

At 30 June 2012, the Corporation had the following operating lease commitments:

- Photocopier
- Office Accommodation

Outstanding lease commitments are to be paid as follows:

within one year	24	8
one to five years	14	21
	<u>38</u>	<u>29</u>

(d) Environmental Contribution commitments

At 30 June 2012, the Corporation had outstanding environmental contribution commitments to be paid as follows:

within one year	754	754
one to five years	3303	-
	<u>4057</u>	<u>754</u>

NOTE 24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

At 30 June 2012 South Gippsland Water was not aware of any Contingent Assets or Contingent Liabilities relating to the Corporation.

NOTE 25. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

NOTE 26. FINANCIAL INSTRUMENTS

26.1 Interest rate risk exposures

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

2012	Non-interest bearing \$'000	Fixed interest rate \$'000	Floating interest rate \$'000	Contractual repricing or maturity periods						Total \$'000
				1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	
Financial assets										
Cash	-	-	1,783	-	-	-	-	-	-	1,783
Receivables	2,244	-	-	-	-	-	-	-	-	2,244
Total financial assets	2,244	-	1,783	-	-	-	-	-	-	4,027
Financial liabilities										
Payables	2,951	-	-	-	-	-	-	-	-	2,951
Interest bearing liabilities	-	30,200	4,900	8,700	2,200	4,400	1,000	2,300	16,500	35,100
Total financial liabilities	2,951	30,200	4,900	8,700	2,200	4,400	1,000	2,300	16,500	38,051
Net financial liabilities	(707)	(30,200)	(3,117)	(8,700)	(2,200)	(4,400)	(1,000)	(2,300)	(16,500)	(34,024)
Weighted average interest rate		5.83%	3.66%	5.38%	6.12%	5.66%	6.03%	5.75%	5.88%	5.53%

2011	Non-interest bearing \$'000	Fixed interest rate \$'000	Floating interest rate \$'000	Contractual repricing or maturity periods						Total \$'000
				1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	
Financial assets										
Cash	-	-	3,837	-	-	-	-	-	-	3,837
Receivables	2,957	-	-	-	-	-	-	-	-	2,957
Total financial assets	2,957	-	3,837	-	-	-	-	-	-	6,794
Financial liabilities										
Payables	3,545	-	-	-	-	-	-	-	-	3,545
Interest bearing liabilities	-	29,100	3,410	1,400	3,800	2,200	4,400	1,000	16,300	32,510
Total financial liabilities	3,545	29,100	3,410	1,400	3,800	2,200	4,400	1,000	16,300	36,055
Net financial liabilities	(588)	(29,100)	427	(1,400)	(3,800)	(2,200)	(4,400)	(1,000)	(16,300)	(29,261)
Weighted average interest rate		6.01%	4.92%	6.16%	6.31%	6.12%	5.53%	6.03%	6.05%	5.90%

26.2 Fair Value

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

	2012		2011	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Payables	2,951	2,951	3,545	3,545
Interest Bearing Liabilities	35,100	37,721	32,510	33,081
Total Financial Liabilities	38,051	40,672	36,055	36,626

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.



Statutory Certification

South Gippsland Region Water Corporation

FOR THE YEAR ENDED 30 JUNE 2012

We certify 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 Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the Financial Statements, presents fairly the financial transactions during the year ended 30 June 2012 and the financial position of the Corporation as at 30 June 2012.

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

A handwritten signature in cursive script, appearing to read "Joan Liley", written over a horizontal dotted line.

Joan Liley
Chairperson

A handwritten signature in cursive script, appearing to read "Philippe du Plessis", written over a horizontal dotted line.

Philippe du Plessis
Managing Director

A handwritten signature in cursive script, appearing to read "Justin Wightman", written over a horizontal dotted line.

Justin Wightman
Chief Finance & Accounting Officer

31 August 2012



Victorian Auditor-General's Office

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Melbourne VIC 3000
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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 2012 of the South Gippsland Region Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification has been audited.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditing in the Public Interest

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the South Gippsland Region Water Corporation as at 30 June 2012 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the South Gippsland Region Water Corporation for the year ended 30 June 2012 included both in the South Gippsland Region Water Corporation's annual report and on the website. The Board Members of the South Gippsland Region Water Corporation are responsible for the integrity of the South Gippsland Region Water Corporation's website. I have not been engaged to report on the integrity of the South Gippsland Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
31 August 2012

For 
D D R Pearson
Auditor-General

Performance Report

For the year ended 30 June 2012

TABLE 1A - FINANCIAL PERFORMANCE INDICATORS (Whole of Business)						
Performance indicator		Notes	2010/11 Result	2011/12 Result	2011/12 Target	Variance %
F1	Internal Financing Ratio					
	<u>Net operating cash flow less dividends</u> Capital expenditure	1	81.0%	47.4%	66.0%	(28.2)
F2	Gearing Ratio					
	<u>Total debt (including finance leases)</u> Total assets	2	10.8%	11.6%	16.1%	27.9
F3	Interest Cover (EBIT)					
	<u>Earnings before net interest and tax expense</u> Net interest expense	3	1.7 times	0.5 times	1.4 times	(64.3)
F4	Interest Cover (Cash)					
	<u>Cash flow from operations before net interest and tax payments</u> Net interest payments		6.0 times	3.6 times	3.7 times	(2.7)

Notes:

1. The actual result is unfavourable to target due to unbudgeted strategic land purchase of \$1.7m included in capital expenditure and was unfavourable to 2010/11 due to the previous year's cash inflows comprising of \$3.5 million of cash relating to prior accrued revenue.
2. The actual result was favourable to target as borrowing levels expected during the year ended up \$1.1m less due to reduced level of cash holdings required at year end to cover payables in addition to a large rise in asset base as a result of the asset revaluation in 2011.
3. The actual result is unfavourable to target due to higher levels of depreciation as a result of the asset revaluation in 2011 and the defined benefit superannuation call. It was unfavourable to 2010/11 due to the previous year's cash inflows comprising of \$3.5 million of cash relating to prior accrued revenue.
4. The actual result was unfavourable to 2010/11 due to the previous year's cash inflows comprising of \$3.5 million of cash relating to prior accrued revenue.

Performance Report for the year ended 30 June 2012

TABLE 1B - SERVICE AND ENVIRONMENTAL PERFORMANCE INDICATORS (Whole of Business)						
Performance indicator		Notes	2010/11 Result	2011/12 Result	2011/12 Target	Variance %
S1	Water Supply Interruptions					
S1.1	Number of customers receiving more than 5 unplanned interruptions in the year		0	0	0	0.0
S2	Interruption time indicators					
S2.1	Average duration of unplanned water supply interruptions		100 min's	95 min's	100 min's	(5.0)
S3	Restoration of water supply					
S3.1	Unplanned water supply interruptions restored within 5 hours		100.0%	99.0%	99.0%	0.0
S4	Reliability of sewerage collection services indicators					
S4.1	Sewer spills from reticulation and branch sewers (priority 1 and 2)	1	33	56	35	(60.0)
S5	Containment of sewer spillages					
S5.1	Sewerage spills contained within 5 hours		100.0%	100.0%	100.0%	0.0
S6	Customer complaints indicators					
S6.1	Water quality complaints per 1000 customers	2	6.9	2.7	8.0	66.3
S6.2	Sewerage service quality and reliability complaints per 1000 customers	3	0.1	0.0	0.1	100.0
S6.3	Billing complaints per 1000 customers	4	0.9	0.6	1.0	40.0
S6.4	Sewage odour complaints per 1000 customers	5	0.1	0.1	0.7	85.7

Notes:

1. Sewer Spills exceeded target due to several significant 1 in 20 year rain events causing infiltration into infrastructure.
2. Water quality complaints per 1000 customers were favourable to target due to system improvements within water treatment plants.
3. Sewerage service quality and reliability complaints per 1000 customers favourable to target. There were 0 sewerage quality and reliability complaints for the year against a target of 2. The nature of the indicator and the magnitude of the target mean that minor changes to complaint numbers can result in significant variations to targets. The zero complaints was due to exemplary service provision.
4. Billing complaints per 1000 customers were favourable to target. There were 12 complaints for the year against a target of 17. The nature of the indicator and the magnitude of the target mean that minor changes to complaint numbers can result in significant variations to targets. The lower complaints were due to exemplary service provision.
5. Sewerage odour complaints per 1000 customers favourable to target. There were 2 sewerage odour complaints for the year against a target of 13. The nature of the indicator and the magnitude of the target mean that minor changes to complaint numbers can result in significant variations to targets. The lower complaints were due to exemplary service provision.

TABLE 1C - SERVICE AND ENVIRONMENTAL PERFORMANCE INDICATORS (Whole of Business)						
Performance indicator		Notes	2010/11 Result	2011/12 Result	2011/12 Target	Variance %
E1	Reuse indicators					
E1.1	Effluent reuse (volume)		1.0%	2.0%	2.0%	0.0
E1.2	Biosolids reuse (dry mass)		0.0%	0.0%	0.0%	0.0
E2	Sewage treatment standards					
E2.1	Number of analyses complying with licence agreements as % of samples		98.7%	85.0%	100.0%	(15.0) ¹

Notes:

1. The actual result was favourable to 2010/11 due to the commissioning of irrigation equipment at the Waratah Bay Wastewater Treatment Plant.



Statutory Certification

South Gippsland Region Water Corporation

Certification of Performance Report for 2011/12

We certify that the accompanying Performance Report of South Gippsland Region Water Corporation in respect of the 2011/12 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The report 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 Performance Report to be misleading or inaccurate

A handwritten signature in cursive script, appearing to read "Joan Liley", written over a horizontal dotted line.

Joan Liley
Chairperson

A handwritten signature in cursive script, appearing to read "Philippe du Plessis", written over a horizontal dotted line.

Philippe du Plessis
Managing Director

31 August 2012



Victorian Auditor-General's Office

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INDEPENDENT AUDITOR'S REPORT

To the Board Members, South Gippsland Region Water Corporation

The Performance Report

The accompanying performance report for the year ended 30 June 2012 of South Gippsland Region Water Corporation comprises the performance indicators, the related notes and the statutory certification.

The Board Members' Responsibility for the Performance Report

The Board Members of South Gippsland Region Water Corporation are responsible for the preparation and fair presentation of the performance report in accordance with the *Financial Management Act 1994* and for such internal control as the Board Members determine is necessary to enable the preparation of the performance report 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 performance report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the performance report is free from material misstatement.

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

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

Auditing is in Public Interest

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the performance report of the South Gippsland Region Water Corporation in respect of the 30 June 2012 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Performance Report

This auditor's report relates to the performance report of the South Gippsland Region Water Corporation for the year ended 30 June 2012 included both in the South Gippsland Region Water Corporation's annual report and on the website. The Board Members of the South Gippsland Region Water Corporation are responsible for the integrity of the South Gippsland Region Water Corporation's website. I have not been engaged to report on the integrity of the South Gippsland Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the performance report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited performance report to confirm the information contained in the website version of the performance report.

MELBOURNE
31 August 2012

For 
D D R Pearson
Auditor-General

Appendix A - Disclosure index

The 2011/12 Annual Report of the South Gippsland Water is prepared in accordance with all relevant Victorian legislations. This index has been prepared to facilitate identification of the Authority's compliance with statutory disclosure requirements.

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Victorian Industry Participation Policy Act 2003	_____	8
Multicultural Victoria Act 2004	_____	none



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RESPONSIBLE MINISTER	The Hon. Peter Walsh MP.
BANKERS	Westpac Bank 28 Bair Street LEONGATHA VIC 3953
AUDITORS	Auditor General, Victoria By Agent WHK Audit (Vic)
INSURERS	Jardine Australian Insurance Brokers Pty Ltd [to June 30 2011] Marsh Insurance Brokers [From July 1 2011]
SOLICITORS	Oakleys White Russell Kennedy
INDUSTRY ASSOCIATIONS	Australian Water & Wastewater Association Institute of Water Administration Victorian Water Industry Association
OTHER ASSOCIATIONS	Business Management Health Services Candowie-Lance Creek Catchment Management Group South Gippsland Landcare Network Victorian Employers Chamber of Commerce & Industry Water Watch West Gippsland Catchment Management Authority
CHARITY	WaterAid Australia
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