



South
Gippsland Water

2014-2015 ANNUAL REPORT
[REPORT OF OPERATIONS]



AT A GLANCE

2014 - 2015



29,775

POPULATION SERVED

20,546

WATER ASSESSMENTS
(ACCOUNTS) OVER 21 RURAL
CENTRES

17,890

WASTEWATER ASSESSMENTS
(ACCOUNTS) OVER 14 RURAL
CENTRES

WATER SERVICES



- 13 Reservoirs & 18 Service Storages
- 4,642 ML annual volume of metered water
- 1,234 km² of water catchments
- 10 Separate water supply systems
- 10 Separate water treatment plants
- 699 km of water mains
- 15 water pump stations

WASTEWATER SERVICES

- 3,548 ML of wastewater collected
- 11 conventional wastewater systems
- 1 vacuum & 2 pressure sewer systems
- 442 km of wastewater mains
- 62 wastewater pump stations



VISION

Our future ideal is to be widely recognised as an exemplary service provider & valued as an essential contributor to regional development & resource sustainability

MISSION

Our core purpose is to secure & manage quality water & wastewater systems in an environmentally sustainable & cost efficient manner

VALUES

- Integrity
- Accountability
- Impartiality
- Service
- Operational Responsibility



85%
Customer
Satisfaction
2014

AWARDS

2014 Leongatha named winner of the Orica Taste Test for 'Best Tasting Water in Victoria' at the Water Industry Operators Conference



Corporate Highlights

- ✓ Signing of Memorandum of Understanding between South Gippsland Water, Gippsland Water, East Gippsland Water, Westernport Water and Southern Rural Water
- ✓ 2014 Leongatha water named winner of the 'Best Tasting Water in Victoria' at the Water Industry Operator Awards
- ✓ Jacob Bright winner Young Operator of the Year and Michael Fawcett winner of the Kwatye Water Prize at the Water Industry Operator Awards 2014
- ✓ Construction of the Alberton Sewer System complete, connections commenced November 2014
- ✓ Construction of the Nyora section of the Poowong, Loch and Nyora Sewer Scheme complete, connections commenced November 2014
- ✓ Digester construction complete on Leongatha Wastewater Treatment Plant upgrade, including commissioning of Bio-dome for gas capture and re-use
- ✓ Construction of sludge drying pans at Inverloch and Wonthaggi Wastewater Treatment Lagoons and the commissioning of a lagoon desludging machine for use at these sites
- ✓ Approximately 2.7km of water mains and 2.2km of sewer pipelines have been replaced or rehabilitated during 2014/15
- ✓ Volume of wastewater collected down by some 752ML; 4,300ML in 2013/14 to 3,548ML in 2014/15. Reduction attributed to lower rainfall levels, sewer rehabilitation programs and reduced volumes from a major customer

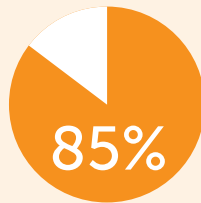
2014/15 Year in Review

Health & Safety Highlights

- ✓ Maintained water quality management system to the Australian Drinking Water Guidelines
- ✓ Regular water quality samples and tests including some:
 - 25,000 analyses by an independent laboratory
 - 4,000 field measurements
 - 12,000 checks by operators at treatment plants
- ✓ OH&S system re-certification

Social Highlights

- ✓ High customer satisfaction rating of 85%
- ✓ Participant in Choose Tap alliance to promote the benefits of drinking tap water compared to bottled water
- ✓ Participant in the 'Stop it. Don't Block it' Community campaign to improve awareness of the do's and don'ts of sewer systems
- ✓ Distributed \$5,805 through the H40 – Help for Water Efficient Organisations and \$1,500 through the H20 – Hills to Oceans Grant Programs
- ✓ The organisation's Water Efficient Showerhead Program continued to provide water saving showerheads free of charge to South Gippsland Water's customers
- ✓ Established the Poowong, Loch & Nyora Cash Back Program. A pilot project run in conjunction with the establishment of the Poowong, Loch & Nyora Sewerage Scheme to encourage water efficiency, some \$20,000 Cash Back rebated to customers
- ✓ Participant in the Living Victoria Water Rebate Program



Economic Highlights

- ✓ Operating surplus of \$0.6M
- ✓ Efficiency savings in operation expenses of over \$1M through alternate chemical purchases, optimised sampling and bringing contract works in-house
- ✓ Reduced water and sewerage tariffs by an average of \$48 from 1 July 2014 as part of efficiency savings
- ✓ \$19.4M investment in capital works across the region to strengthen and increase asset capacity and service delivery capability
- ✓ \$3.1M Sewer system rehabilitation
- ✓ \$1.4M Water system maintenance and renewals

Environmental Highlights

- ✓ Environmental Management System ISO certification maintained
- ✓ Catchment improvement; logging of pines at Bellview Reservoir, Korumburra and Hyland Reservoir, Leongatha
- ✓ Planting out of land at numerous sites including some 3,000 trees at Meeniyah Wastewater Treatment Plant, 800 grass species planted at Devon North Water Treatment Plant and 1,000 indigenous plants at Korumburra Water Treatment Plant
- ✓ Installation of two wind powered wastewater lagoon mixing devices at Inverloch and Toora Wastewater Treatment Plants
- ✓ Some \$30,000 in funds and in-kind support provided to community groups, education or environmental partners including \$10,000 to the South Gippsland Landcare Network

Vision, Mission & Values

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

Accountability – accepting responsibility for decisions and actions

Impartiality – acting objectively

Service - providing the best standards of service

Operational responsibility – the way we run our business

STRATEGIC OBJECTIVES

The Key Organisational Strategic Objectives, including priorities are summarised as:

Water Quality / Quantity / Reliability

- Meet customer satisfaction with water quality
- Meet water regulations
- Secure and manage sustainable future water resources for customers

Customer Engagement and Service Delivery

- Continue the high priority and commitment to our customers and maintenance of our service standards
- Continue to engage with key stakeholders
- Strong focus on communicating water and wastewater strategies

Regional Enhancement

- Responsiveness to local, State and regional development policies
- A balanced approach recognising economic and environmental challenges

Environmental Sustainability

- Better understand and respond to climate change
- Manage wastewater systems to optimise the link with the integrated water cycle
- Secure sustainable future water resources for customers

Organisation Culture & Development

- Embed efficiencies in to the business in order to deliver affordable services
- Attract, support and retain staff to ensure continued quality performance
- Continue working with staff to ensure a healthy, safe and rewarding work environment

Management of Assets

- Optimise asset life through the asset management strategy

Governance, Regulation & Compliance

- Ensure financial sustainability
- Maintain our commitment to achieve high standards of compliance, and performance of the organisation, through sound and prudent governance
- Cost efficient service delivery
- Engagement with Government, and responsiveness to Government policy.

Table of Contents

OUR REGION	6	Medical Injury Frequency Rate.....	15
South Gippsland – The Region.....	6	Equal Opportunity.....	15
Nature and Range of Services Provided.....	6	Collaboration within the water sector.....	16
STATEMENT BY THE MANAGING DIRECTOR AND CHAIRMAN	7	Community Service Obligations - Financial Assistance To Eligible Customers & Pensioners.....	16
THE BOARD	8	Schools education programs.....	17
THE MANAGEMENT TEAM	9	Meetings with local community and special interest groups.....	17
ORGANISATION STRUCTURE	9	South Gippsland Water website.....	17
CORPORATE GOVERNANCE	10	Management of Social and Economic Impacts.....	17
Role of the Board and Membership.....	10	WATER SERVICES	19
Remuneration of Directors and Executive Officers.....	10	Water Quality.....	19
Meetings, Committees & Composition of Committees.....	10	Water Consumption.....	19
Audit and Risk Management Committee.....	10	WATER SERVICES	20
Capital Works Committee.....	10	Weekly Household Water Consumption.....	20
Corporate Governance Committee.....	10	Customers by volume/range for 2014/15.....	20
Health Safety and Environment Committee.....	10	Major Non-Residential Water Users.....	20
Executive Remuneration Committee.....	10	WASTEWATER SERVICES	21
Statement of Availability of Other Information.....	10	Wastewater Management.....	21
Disclosure Index.....	10	Treated Effluent.....	21
Declaration of Pecuniary Interest.....	10	Bio Solids.....	21
External Auditors.....	10	Corporate Sustainability Strategy.....	22
Risk Management & Chairman’s Statement.....	11	Environment & Sustainability.....	22
Manner of Establishment & the Relevant Minister.....	11	Policy Environmental Management System [EMS].....	22
Objectives, Functions, Powers and Duties.....	11	Regional Catchment Strategies.....	22
Water Supply.....	11	Sustainable Water Use.....	22
Waste Water.....	11	Uniform Drought Response Plan.....	23
Freedom of Information (Fol).....	11	Water Supply Demand Strategy.....	23
Contact for Requests.....	11	Community Partners in Environment and Sustainability.....	23
Compliance with the Building Act 1993.....	11	Biodiversity.....	24
Protected Disclosures Act 2012.....	12	Green House Gas Emissions.....	24
Reporting procedures.....	12	SUMMARY OF MAJOR PROJECTS 2014/15	25
Further information.....	12	REPORT OF OPERATIONS	27
Disclosures under the Protected Disclosure Act 2012.....	12	Financial Performance.....	27
Victorian Industry Participation Policy - Implementation.....	12	FINANCIAL REPORT	29
Consultancies for 2014/15 – Greater than \$10,000.....	12	COMPREHENSIVE OPERATING STATEMENT	30
Disclosure of Major Contracts.....	13	BALANCE SHEET	31
Corporate Water Consumption 2014/15.....	13	STATEMENT OF CHANGES IN EQUITY	32
Water Consumed Per Unit of Office Space.....	13	CASH FLOW STATEMENT	33
National Competition Policy.....	13	NOTES TO THE FINANCIAL REPORT	34
Goods and Service Tax (GST).....	13	PERFORMANCE REPORT	61
OUR PEOPLE	14	PERFORMANCE REPORT	62
Employment and Conduct Principles.....	14	APPENDIX A – DISCLOSURE INDEX	66
Formal Staff Grievances Disclosure Summary.....	14		
Workforce data.....	14		
Employee Assistance Program.....	15		
Enterprise Bargaining Agreement [EBA].....	15		
Occupational Health and Safety Management (OH&S).....	15		
Lost Time Injury Frequency Rate.....	15		

Our Region

South Gippsland – The Region

South Gippsland is located around 2 hours drive from Melbourne and is a popular tourist destination, well known for its coastal resorts, such as Inverloch, Cape Paterson, Waratah Bay, Sandy Point 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 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 2014/15 comprised:

Water Supply

- 20,546 water assessments [accounts] over 21 rural centres
- 13 reservoirs and 18 service storages
- 4,642 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
- 699 km of water mains
- 15 water pump stations

Wastewater Services

- 17,890 wastewater assessments [accounts] over 14 rural centres
- 3,548 ML of wastewater collected
- 11 conventional wastewater systems
- 1 vacuum sewer system
- 2 pressure sewer systems
- 11 wastewater treatment plants
- 442 km of wastewater mains
- 62 wastewater pump stations

South Gippsland Water's service area covers 4,000 square kilometres.

The Corporation provides services to 21 towns - which are summarised in the following table.

South Gippsland Water & Sewerage Service Localities

Centres	Population Served (Permanent)	Water		Sewerage Customers Billed
		Customers Billed	Supplied from	
Port Franklin	129 (estimate)	105	Agnes River	Not Serviced
Port Welshpool	182	274	Agnes River	261
Toora/ Agnes, Bennison	456	517	Agnes River	285
Welshpool, Hedley	451	206	Agnes River	121
Fish Creek	814	208	Battery Creek	Not Serviced
Korumburra	3,455	2,212	Coalition Creek	1,904
Foster	1,122	858	Deep Creek /Foster Dam	767
Inverloch, Wattle Bank, Lance Creek	4,679	4,506	Lance Creek	4,462
Cape Paterson	753	1,133	Lance Creek	1,116
Wonthaggi, South Dudley, Glen Alvie, Kongwak, Lance Creek	7,226	4,430	Lance Creek	4,197
Loch	194 (estimate)	146	Little Bass	Under Construction
Nyora	723	350	Little Bass	25
Poowong	326	205	Little Bass	Under Construction
Koonwarra	395	80	Ruby Creek	Not serviced
Leongatha, Kardella, Leongatha South, Ruby	4,994	3,084	Ruby Creek	2,900
Alberton	263	146	Tarra River	98
Devon North,				
Tarra Valley	494	124	Tarra River	Not Serviced
Port Albert	249	396	Tarra River	328
Yarram	1,767	1,194	Tarra River	1,079
Dumbalk	424	103	Tarwin River – East Branch	Not Serviced
Meeniyan	466	269	Tarwin River – West Branch	235
Waratah Bay	213	Not Serviced	N/A	112
Totals	29,775	20,546		17,890

Notes:

1. Population Served based on ABS 2011 Census updated with a local government growth factor of 2.5% Bass Coast Shire Council, 5% South Gippsland Shire Council and 0.9% for the Wellington Shire Council.

2. Water and Sewerage Assessments = Number of Rated Properties at June 2015.

3. The ABS method of calculation of population is based on State Suburbs and may not always reflect the exact sewer/water district.

Statement by the Managing Director and Chairman

We are pleased to present the Report of Operations for South Gippsland Water for the year ending 30 June 2015.

The continuation of a Memorandum of Understanding and collaboration model with neighbouring water corporations Westernport Water, Gippsland Water, East Gippsland Water and Southern Rural Water is a significant highlight. The opportunity to work together in areas such as procurement, contracts, information technology and fleet management has led to significant collaboration, information sharing and a focus on efficiency savings. The Memorandum of Understanding provides a leading practice model within the industry.

South Gippsland Water's Operations team were recognised for their commitment and industry leadership at the 2014 Water Industry Operator Awards reflecting positively on the calibre of staff of the organisation. The Ruby Creek Water Supply System won an award for "Best Tasting Water" in Victoria, Jacob Bright was recognised as the Young Operator of the Year and Michael Fawcett won the Kwatye Water Prize to assist in the development and implementation of an innovative mobile device application for water treatment processes. South Gippsland Water is suitably proud of these achievements and in fact all of its employees contributions toward continuous improvement.

During 2014/15, South Gippsland Water continued its significant investment in capital works across the region, delivering some \$19.4 million in projects to strengthen and increase asset capacity and service delivery capability.

A number of large capital works projects were completed throughout the year. Construction of the Alberton Sewerage Scheme was completed in November 2014, a user pays scheme, initiated by the community that will improve the township public health and environment needs and allow further development for the area. The Leongatha Waste Water Treatment Plant digester and bio-dome upgrade, and the Lohr Avenue Inverloch Waste Water Pump Station upgrade were completed and commissioned.

The Poowong, Loch, Nyora sewerage scheme has progressed substantially, the partnership with South East Water involves a cooperative approach to design and construct a pressure sewer collection system with transfer of wastewater to South East Water's Lang Lang Treatment Plant. The wastewater will be treated to Class A standard and reused within the district. The project is well underway with completion scheduled for 2016/17. As at 30 June 2015, some 46 properties including the Nyora Primary School were connected to the scheme.

Water consumption across the region increased slightly with customers using around 4,642 ML for the year. No water restrictions were implemented during the period; however, an alternative water source was initiated for the township of Korumburra over the drier summer months to meet the towns water needs and increased demand from major customer, Burra Foods. The additional yield supplemented the existing Coalition Creek Water Supply System, avoiding the need for staged restrictions. All other towns continued to abide by Permanent Water Saving Rules.

The financial result for the year is an Operating Surplus before Income Tax of \$0.6 million. The result was \$1.8 million favourable compared to a budgeted deficit of \$1.2 million and an improvement on last year's Operating Loss of \$0.3 million.

Revenue was on budget at \$29.3 million and the savings in expenses of \$1.8 million were a combined result of:

- \$0.5 million interest savings achieved due to a favorable interest rate environment and timing of borrowings.
- \$0.8 million lower depreciation as a result of timing of capital expenditure and more detailed analysis of asset valuation data.
- \$0.5 million saving as a result of concerted efforts to reduce costs.

South Gippsland Water committed to achieving efficiency savings in the calculation of the reduction to customer's water bills as part of the State Government Water Rebate. These efficiency savings

were identified and implemented via a range of initiatives including chemical rationalisation, fleet management improvements and sampling and testing program changes. Customers received a \$48 reduction in the annual service charges from 1 July 2014.

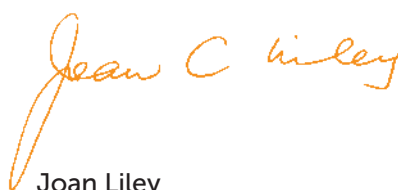
The corporation completed detailed design works for the Northern Towns Connection Project, the planned project being to secure the water supply to townships located in the north of South Gippsland Water's region including Poowong, Loch, Nyora and Korumburra. It involves the interconnection of smaller surface water supplies to the corporation's largest reservoir, Lance Creek utilising the Melbourne Supply System as backup when required. South Gippsland Water bid for state government funding for construction, however, was unsuccessful. The Northern Towns Connection project will be reviewed and all alternatives considered. This connection is considered pivotal in providing continuing reliable water supplies to Korumburra. However, until the review is complete, South Gippsland Water will rely on a combination of water sources, including surface and ground water. This means utilising a temporary pump station and a network of aged pipeline and pump infrastructure to augment the supply to Korumburra (an at risk system due to recent significant major customer water usage) during late summer and autumn.

South Gippsland Water employs 96 staff, serving a permanent population of approximately 30,000 customers. During summer and peak holiday periods this can increase by tens of thousands. We are proud of the year's achievements and would like to thank all South Gippsland Water staff for their continued dedication and professionalism. This has been highlighted by the annual customer Satisfaction Survey, which found 85% of our customers were satisfied or very satisfied with the Corporation's overall performance.

After 11 years as a Director of South Gippsland Water and 4 years as Chair, Joan Liley is stepping down in September 2015. The corporation would like to thank the Board of Directors and especially Joan for their outstanding commitment to leadership, governance and strategic direction which is acknowledged and very much appreciated.

We will continue to secure and manage quality water and wastewater systems in an environmentally sustainable and cost efficient manner and provide safe, reliable services to our customers.

In accordance with the Financial Management Act 1994, we are pleased to attest that the South Gippsland Water Annual Report is compliant with all statutory reporting requirements.



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 2015



The Board

During 2014/15 the Board consisted of:

Joan Liley - B.Com (Melb) Dip.Ed. (Monash) FAICD

Appointed 1st July 2004 (Chair)

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 West Gippsland Catchment Management Authority, Southern Rural Water and Gippsland Ports.

Joan is a Board member of VicWater, the peak body for the Victorian Water industry, and is involved in many community organisations, notably Prom Country Aged Care and the Prom Coast Seachange Festival. She has an abiding interest in the sustainable development of the Gippsland Coastal Region and the responsible management of its resources. Joan plans to retire from the South Gippsland Water board when her term finishes in September 2015.

Jim Fawcett - CPA

Appointed 1st October 2007 (Deputy Chair)

Jim is a certified practicing accountant and partner in a local accounting firm for over 30 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 former Mayor of South Gippsland Shire Council.

Anna Kilborn – BSc, GAICD

Appointed 1st October 2011

Ms Anna Kilborn is an environmental planner with over 20 years' experience in natural resource management and environmental planning for infrastructure projects. She holds a Bachelor of Science and is a graduate of the AICD Company Directors Course. Anna is Managing Director and principal environmental planner for the consultancy, ECube Australia. She currently serves as a voluntary member of the Regional Development Australia Gippsland Committee, and is committed to promoting sustainable and integrated development planning across the region.

Chris Badger – BEng, CPEng, ADP LBS, GAICD

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 having positions with Loy Yang Power, WestNet Energy, Alinta Asset Management, E.ON Ag and Powergen plc. He was formerly Deputy Chair of Trafalgar and District Bendigo Community Bank (2009). Mr Badger has a Bachelor of Engineering

and post graduate business training from AICD, Stanford University, Warwick University, and London Business school. He is an independent Director with Murray Irrigation Limited (2014), a skill based director with Gippsland Waste & Resource Recovery board (2014), Super Trustee Director (2012), associate with Maddison Cross (2014) a consultancy firm, and is a Director of his own consultancy business (2012).

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 Non Executive Director of Life Saving Victoria. 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 Inverloch 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.

Steve Rieniets - BEng(Civil), MBA, GAICD

Appointed 1st October 2012

Steve is Head of Mining at AGL Loy Yang, and has had an extensive career in the electricity industry. Steve is a member of Clean Coal Victoria Advisory Committee, Gippsland Emergency Relief Fund and the former Chair of Gippsland VECCI (2007- 2011). Steve is a lifelong Gippslander and enjoys spending time at the family beach house in Waratah Bay. Steve holds a Bachelor of Civil Engineering, a Graduate Diploma of Business and a Masters of Business Administration and has also completed the Williamson Community Leadership Program and the Australian Institute of Company Directors course.

Irene Irvine

Appointed 1st October 2012

Irene operates her own consultancy providing strategic support to the education and not for profit sectors since retiring as Pro Vice Chancellor Deakin University. Irene is a Director of Victoria, Karingal and Open Gardens Australia, a former Director and State Trustees and a past Chair of Phillip Island Nature Parks. Irene holds a Bachelor of Science (Honours), a Graduate Diploma Administration, a Doctor of Philosophy, a Diploma of Education, is a graduate of Leadership Victoria (Williamson Community Leadership Program) and has completed the Australian Institute of Company Directors course.

Director Attendance at Board and Committee Meetings

Director	Board	Audit and Risk Committee	Capital Works Committee	Corporate Governance Committee	Health Safety and Environment Committee	Executive Remuneration Committee
Joan Liley Chair of Board, Chair of Executive Remuneration Committee	9 of 10	4 of 4	6 of 6	4 of 4	4 of 4	3 of 3
Anna Kilborn Chair of Health Safety and Environment Committee	10 of 10		6 of 6		4 of 4	
Chris Badger	10 of 10		6 of 6	4 of 4		
David Schultz Chair of Corporate Governance Committee	9 of 10	4 of 4		4 of 4		
Jim Fawcett Chair of Audit and Risk Management Committee	9 of 10	2 of 4			4 of 4	3 of 3
Irene Irvine	8 of 10	2 of 4		3 of 4		
Steve Rieniets Chair of Capital Works Committee	8 of 10		6 of 6			3 of 3

The Management Team

Managing Director

Philippe du Plessis

Philippe 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

Justin's Corporate Service role encompasses Finance and Accounting, Revenue Management, Customer Services, Human Resources, Information Technology and Risk Management (including OHS). 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, direction and management of the Corporation's Capital Works Program incorporating a broad range of projects. Other functions under Rob's responsibility include Asset Management, managing 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

Board of Directors		
Board Committees including the Audit and Risk Management Committee		
Managing Director Executive Management Industry Awareness Strategic Relationships Corporate Compliance Strategic Marketing		
Manager Finance & Corporate Services	Manager Operations	Manager Technical Services
Finance and Accounting	Operations and Maintenance	Capital Works
Customer Service	Renewal and Replacement	Planning and Development
Human Resources	Water Quality	Works Design and Documentation
Information Technology	Water Sampling	Works Construction Services
Risk Management including OHS	Environment	Dam Safety
Company Secretary	Dam Safety	Asset Management



South Gippsland Water – Winner of the Best Tasting Water for Victoria - 2014

Corporate Governance

Role of the Board and Membership

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.

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

Remuneration of Directors and Executive Officers

Refer to the Notes to Accounts within the Financial Report.

Meetings, Committees & Composition of Committees

The Board generally meets on the fourth Thursday of each month and as required. In order to effectively carry out its responsibility the Board has established the following committees:

Audit and Risk Management Committee

The Audit and Risk Management Committee reviews the financial accounts, statutory responsibilities, corporate regulations, risk management and delegated Corporation policies and procedures that underpin the financial operations of South Gippsland Water. The Committee meets with the Internal and External Auditors.

As at 30 June 2015 the committee comprised of four non-executive independent Directors – Jim Fawcett [Chair], David Schultz, Irene Irvine, Joan Liley - and an independent external member Peter Moloney.

Capital Works Committee

The Capital Works Committee oversees the strategic context, asset management, planning, development and delivery of the Capital Works Plan. Good governance with respect to the delivery mechanisms undertaken to deliver Capital Works projects is also a focus of the Committee.

As at 30 June 2015 the committee comprised of four non-executive Directors, Steve Rieniets [Chair], Anna Kilborn, Chris Badger and Joan Liley.

Corporate Governance Committee

The Corporate Governance Committee identify and put in place processes to enhance Board and organisational performance.

As at 30 June 2015 the committee comprised of four non-executive Directors, David Schultz [Chair], Chris Badger, Irene Irvine and Joan Liley.

Health Safety and Environment Committee

The Health Safety and Environment Committee assists the Board to discharge its duty of care and fulfil its corporate governance responsibilities with respect to workplace health and safety, and the environment.

As at 30 June 2015 the committee comprised of three non-executive Directors, Anna Kilborn [Chair], Jim Fawcett and 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. The Committee ensures compliance with the requirements of the Government Sector Executive Remuneration Panel (GSERP).

As at 30 June 2015 the committee comprised of three non-executive Directors, Joan Liley [Chair] Jim Fawcett and Steve Rieniets.

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

Disclosure Index

An index identifying the Corporation's compliance with statutory disclosure requirements is contained in Appendix A, page 66.

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

Crowe Horwath Australasia Ltd, as an agent for the Auditor-General Victoria, undertook the external audit for 2014/15.

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 complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. The South Gippsland Water Audit and Risk Management Committee verifies this.



Joan Liley

Chair

Board of Directors

South Gippsland Water

Dated: 30th June 2015

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 2014/15 reporting period the responsible Minister for South Gippsland Region Water Corporation was the Hon Peter Walsh MLA, responsible Minister for the period 1 July 2014 to 3 December 2014. The Hon Lisa Neville MP, responsible Minister for the period 4 December 2014 to 30 June 2015.

Objectives, Functions, Powers and Duties

Under the Water Act 1989 No. 80, South Gippsland Water is responsible for a range of functions in its 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.

Waste Water

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 waste water 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.

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

No requests were received by South Gippsland Water under the FOI Act during 2014/15.

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 \$26.50 from 1st July 2015 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

On the 8 April 2015, the Minister for Environment, Climate Change and Water, the Hon Lisa Neville MP, announced a review of all 135 Victorian water corporation board director positions. Expressions of interest were invited during April and May 2015 with new boards to be in place by 1 October 2015.

Water corporations remain governed by a properly constituted board of directors and will do so following 1 October 2015 when any new appointments are due to commence.

Corporate Governance

Protected Disclosures Act 2012

Compliance with the Protected Disclosure Act 2012 (formerly the Whistleblowers Protection Act 2001)

The Protected Disclosure Act 2012 encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

South Gippsland Water does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

The Corporation will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for 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.

Reporting procedures.

Disclosures of improper conduct or detrimental action by South Gippsland Water or any of its employees and/or officers may be made to Justin Wightman, Manager Finance and Corporate Services.

Alternatively, disclosures of improper conduct or detrimental action by the Department or any of its employees and/or officers may also be made directly to the Independent Broad based Anti-corruption Commission:

Level 1, North Tower, 459 Collins Street
Melbourne, VIC 3000
Phone: 1300 735 135
Internet: www.ibac.vic.gov.au

Further information

The Protected Disclosure Policy and Procedures, which outline the system for reporting disclosures of improper conduct or detrimental action by South Gippsland Water or any of its employees and/or officers, are available on the Department's website.

Disclosures under the Protected Disclosure Act 2012

	2014-15	2013-14
	number	number
The number of disclosures made by an individual to the Department and notified to the Independent Broad based Anti corruption Commission	0	0
Assessable disclosures	0	0

Victorian Industry Participation Policy - Implementation

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

There was 1 contract awarded with a total tender cost of \$1M or more in 2014/15.

Consultancies for 2014/15 – Greater than \$10,000

Consultant	Project	Start Date	End Date	Total Approved Project Fee (Excl. GST)	Expenditure 2014/15 (Excl. GST)	Future Expenditure (Excl. GST)
Assetivity	Maintenance Strategy Plan Review	April 2015	June 2015	\$19,636	\$19,636	\$0
Cardno Lane Piper	Northern Towns Water Supply Pipeline - Value Management Review - Geotechnical Review	July 2015	June 2015	\$25,994	\$25,994	\$0
Charter Keck Cramer	Development of Facilities Strategy	June 2015	August 2015	\$35,090	\$0	\$35,090
Cobbitty Consulting	- Water & Sewer Systems Hydraulic Modelling, - Lohr Avenue SPS Upgrade Design & Commissioning, - Commercial Road, Yarram Water Main Design, - Money Lane, Leongatha Water Main Design, - Wonthaggi WWTP Inlet Pump Station Upgrade Design, - Poowong Water Supply High Level System Upgrade, - Poowong Water Supply Pressure Boosting Design	September 2013	October 2015	\$129,279	\$129,279	\$0
GHD	Northern Towns Water Supply Pipeline - Value Review Management - Detailed Design Technical Support	March 2015	June 2015	\$18,295	\$18,295	\$0
Harway - Hall	Northern Towns Water Supply Pipeline - Value Management Review - Independent Technical Review	June 2015	June 2015	\$16,470	\$16,470	\$0
KBR	Fish Creek/Dumbalk Wastewater Feasibility Study	August 2014	June 2015	\$37,907	\$36,570	\$1,337
Mott MacDonald	Leongatha WWTP Aeration Functional Description	June 2014	June 2015	\$11,363	\$11,363	\$0
Osborne Management	Northern Towns Water Supply Pipeline - Value Management Review	April 2015	June 2015	\$70,513	\$70,513	\$0
Project Support	Northern Towns Water Supply Pipeline - Value Management Review - Estimating Support	March 2015	June 2015	\$73,483	\$73,483	\$0
Jacobs SKM	Water Security Outlooks SGW Supply Systems	October 2014	June 2015	\$10,404	\$10,404	\$0
URS	Annual Dam Safety Inspections and Surveillance	November 2014	June 2015	\$45,664	\$45,664	\$0

In 2014/15 South Gippsland Water engaged five consultancies where the total fees payable to the consultants were less than \$10,000 with a combined total expenditure of \$35,475 (Excl. GST).

Disclosure of Major Contracts

There were no contracts of a value in the order of \$5M during the reporting period 2014/15.

There was one contract of a value greater than \$10M during the reporting period 2014/15.

The procurement contract arrangement with South East Water for an amount of \$16.5M. This contract arrangement was for the design, construction and commissioning of a pressure sewer system for the towns of Poowong, Loch and Nyora.

Works are in progress with major service infrastructure completed and property connections well underway.

Corporate Water Consumption 2014/15

The calculation based on the Foster Head Office and Annex, accommodating 54 full time equivalent staff (including contractors) and includes Foster Head Office and Annex consumption only.

All other depots, workshops, treatment plants (water and wastewater), pumping stations and infrastructure facilities are specifically not included.

Indicator	Target	Actual 2014/15	Variation %	Actual 2013/14	Actual 2012/13
Consumed [Kilolitre (kL) = 1,000 litres]	260kL	185kL	-28%	1,026kL*	225kL
Kilolitres consumed per full time equivalent staff member	4.8kL	3.4kL	-30%	19kL*	4.2kL

* Note: A major undetected leak (under the building slab) contributed to high water consumption in 2013/14 and has subsequently been repaired.

Water Consumed Per Unit of Office Space

Water consumed per unit of office space for 2014/15 was 166.2 litres.

Michael Fawcett (Pictured Right) – Winner of the Kwatye Water Prize 2014



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.



Bio-Dome Leongatha Wastewater Treatment Plant – For gas capture & re-use

Our People

We recognise that our staff are a major strength and will 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.



2015 Hat Day BBQ Staff Fundraiser for Mental Illness

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 summarises all formal staffing grievances such as sexual harassment and unfair dismissal complaints. There were no complaints received in 2014/15 and one received in 2013/14.

Formal Staff Grievances Disclosure Summary

Year	2014/15	2013/14
Disclosures	0	1

Workforce Data

Ongoing Employees					Fixed term & Casual Employees	
	Employees (Headcount)	Full time (Headcount)	Part time (Headcount)	FTE	FTE	
June 2015	95	84	5	87.03	4	
June 2014	96	84	5	88.15	6.2	

June 2014/15				June 2013/14		
Ongoing		Fixed term & Casual Employee		Ongoing		Fixed term & Casual Employee
	Employee (Headcount)	FTE	FTE	Employee (Headcount)	FTE	FTE
Gender						
Male	65	65.0	3.6	65	65.0	5
Female	24	22.0	0.4	24	23.1	1.2
Age						
Under 25	8	8.0	0.0	7	7.0	1.0
25-34	10	9.6	1.6	12	11.8	4.0
35-44	26	25.2	0.0	25	24.8	0.0
45-54	30	29.7	1.0	29	28.7	0.0
55-64	14	13.5	0.4	15	14.8	0.2
Over 64	1	1.0	1.0	1	1.0	1.0
Classification						
Trainee	1	1.0		2	2.0	1.0
Band 3	5	5.0		9	9.0	0.2
Band 4	16	15.7	1.2	17	16.5	
Band 5	18	17.6		19	19.0	
Band 6	16	15.1	1.2	15	14.6	
Band 7	16	15.6	1.6	10	10.0	1.0
Band 8	5	5.0		6	6.0	
SEO	8	8.0		7	7.0	
Executives	3	3.0		3	3.0	
Managing Director	1	1.0		1	1.0	
	89	87.0	4.0	89	88.1	6.2

Employee Assistance Program

The Corporation operates a voluntary Employee Assistance Program (EAP) to assist staff in times of stress and difficulties. The program provides employees with confidential counselling, coaching and support for workplace and personal issues. The Corporation changed EAP providers during 2014/15. Under the new provider, staff can access assistance for issues including; coping with change and crisis, depression, anxiety, health and nutrition, addiction, grief counselling and financial assistance and budgeting. EAP counsellors are available via phone 24 hours a day, 7 days a week.

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

Enterprise Bargaining Agreement [EBA]

South Gippsland Water's EBA agreement was approved by the Department of Treasury and Finance in July 2013. South Gippsland Water's Consultative Committee has continued to provide a conduit to understand and address staff concerns with respect to organisational changes within the Corporation.

Occupational Health and Safety Management (OH&S)

South Gippsland Water's Occupational Health and Safety unit continued its strong focus on improving OH&S risk control across the corporation by implementing new procedures and systems. This involved rectification of South Gippsland Water'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 South Gippsland Water 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, numerous systems have been created for capturing risks, assessments and actions. These systems assist employees to safely carry out their duties without impediment.

The continued favourable trends on safety indicators across all functions of the business is a positive reflection of the Corporation's Health and Safety program and its continuous focus on the systems.



Jacob Bright (Pictured Right) – Winner of the Young Operator of the Year Award

Lost Time Injury Frequency Rate

Year	Number of LTIs	Total hours Worked	LTIFR / Million Hour
2010/2011	3	158,995	18.87
2011/2012	1	187,181	5.34
2012/2013	2	200,845	9.96
2013/2014	0	202,684	0
2014/2015	0	205,694	0
		Average over five years	6.28

Medical Injury Frequency Rate

Year	Number of MTIs	Total hours Worked	MTIFR / Million Hour
2010/2011	0	158,995	0
2011/2012	1	187,181	5.34
2012/2013	1	200,845	4.98
2013/2014	0	202,684	0
2014/2015	1	205,694	4.86
		Average over five years	3.14

South Gippsland Water's internal audit process has resulted in all scheduled audits being completed within allocated timeframes and improvement in site safety and compliance. Employees continue to demonstrate a high understanding of OH&S requirements, the hazards related to their working environment and safety systems in place through the continuous improvement process.

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 2014/15 period.

South Gippsland Water & Westernport Water's Bass Coast Sustainability Festival Stand



Social Sustainability

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

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 government. The Essential Services Commission monitors South Gippsland Water's performance against many of these obligations.

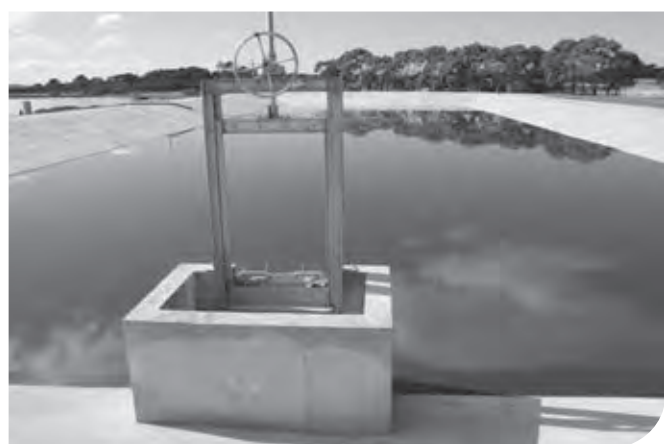
Collaboration within the water sector

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

In addition, South Gippsland Water in line with the State Government Water Rebate Initiative continue to apply savings identified in a review of capital and operational costs to customers water and sewerage accounts. Accounts were reduced by an average of \$48 from 1 July 2014.

To deliver these discounts a range of savings were identified across the organisation including:

- Partnering with South East Water to deliver the Poowong, Loch and Nyora Sewerage Scheme, which will result in capital and operational expenditure efficiency
- Reduced chemical costs through more efficient chemical use at water and wastewater treatment plants
- Lower fleet management costs due to technology and scheduling initiatives
- A review of water sampling and testing frequency across the South Gippsland Region
- The Gippsland Region Water Corporation Memorandum of Understanding - Finding Better Ways team (a collaborative approach to researching and implementing efficiencies across the Gippsland Region water corporations)



Sludge Drying Pan – Inverloch Wastewater Treatment Plant

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	2014/15 \$	2013/14 \$
Provision of concessions to pensioners	1,383,287	1,328,187
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	141,849	145,707
Utility Relief Grants Scheme payments	10,860	9,440

(33 cancelled customers did not send their information)

Water concessions on Life Support Machines - Haemodialysis	716	513
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	Unknown	Unknown

(The Corporation does not have access to this figure)

Customer Consultation

South Gippsland Water recognises that engaging, informing and consulting with its customers and stakeholders is pivotal to effectiveness of its services and a key aspect of the core business of the Corporation.

As such, South Gippsland Water utilises the International Association for Public Participation's Framework for Effective Public Participation, with all major projects having a communications and engagement plan prepared in accordance with the framework.

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 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, Business and Community Development groups, Landcare groups, etc.;
- 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:

- Pricing submission preparation;
- water supply/demand strategy consultation; and
- issue and/or project based groups regarding projects such as sewerage schemes.

During 2014/15 South Gippsland Water completed a number of customer consultation initiatives on major projects including the Poowong, Loch and Nyora Sewerage Scheme and the Alberton Sewerage Scheme.

These consultations have included;

- Community information sessions;
- Stakeholder & community workshop sessions;
- Direct mail materials;
- Advertisements and advertorials;
- Information available for download on the South Gippsland Water website;
- Letters and direct correspondence with customers and stakeholders.

Schools education programs

South Gippsland Water has continued to facilitate school education programs throughout 2014/15:-

- *School visits and excursions have been delivered to many secondary and primary schools supporting water related curriculum.*
- *Celebrating National Water Week through a schools poster competition and activities.*
- *Sponsorship and funding of customer schools to sign up to the Schools Water Efficiency Program. South Gippsland Water has some 18 customer schools participating in the program which involves monitoring and online reporting of water usage.*
- *The South Gippsland Water website includes a dedicated education section featuring teaching resources, online ebooks and games.*

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 Business and Community Development groups, local residents and land care groups, etc.

South Gippsland Water website

South Gippsland Water's website www.sgwwater.com.au provides public access to copies of published materials and invitations to comment and at certain times submit online web surveys.

Management of Social and Economic Impacts

Economic Impacts

South Gippsland Water offers a wide range of assistance to customers facing 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 options;*
- *Treat all customers sensitively and on a case by case basis;*
- *Ensure customers circumstances are kept confidential;*
- *Provide customers with information about assistance programs and government concessions, including the Utility Relief Grant Scheme;*
- *Provide assistance in negotiating installment amounts if the customers' circumstances change;*
- *Offer a range of payment options 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; and*
- *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.*



Child playing with a water wall activity at Bass Coast Sustainability Festival

During 2014/15 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

The Corporation operates a number of Bulk Entitlements - the following table sets out the entitlement for all South Gippsland Waters' water supply systems for 2014/15

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 ⁴	Entitlement transfer to ML/y	Entitlement amendment ⁵	New entitlement	Failures to comply ⁶	Difficulties & remedial action ⁷	Compliance with making allowances ⁸	Compliance with environmental obligations ⁹	Compliance with metering obligations ¹⁰
BEE049324 Leongatha	Ruby Creek	Leongatha, Koonwarra.	2,476	1,583	Res 1.	15	Nil	Nil	yes	Nil	Nil	Nil	✓	✓	✓
					Res 2	81									
					Hyland	285									
					Western	817									
	Coalition Creek	1800	N/A	N/A											
BEE049323 Devon North, Alberton, Yarram and Port Albert	Tarra River	Yarram, Alberton, Port Albert, Devon North.	853	537 ¹¹	N/A	N/A	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓
BEE049327 Fish Creek	Battery Creek	Fish Creek	251	109	Battery Creek Reservoir	109	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓
BEE049331 Korumburra	Coalition Creek	Korumburra	1,000	658	No. 1	139	Nil	146	yes	Nil	Nil	Nil	✓	✓	✓
	Ness Creek				81										
	Bellview Creek				359										
	Tarwin River				1,800	N/A	N/A	146							
BEE049325 Loch, Poowong & Nyora	Little Bass River	Poowong, Loch, Nyora.	420	246	Little Bass Reservoir	218	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓
BEE049332 Toora, Port Franklin, Welshpool and Port Welshpool Agnes River	Agnes River	Toora, Welshpool, Port Welshpool, Port Franklin.	1,617	506	Cooks Dam	59	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓
BEE049334 Wonthaggi, Inverloch	Lance Creek	Wonthaggi, Inverloch, Cape Paterson.	3,800	1,771	Lance Creek Reservoir	3,099	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓
BEE050819 Augmented Melbourne system	Melbourne Headworks System	Wonthaggi, Inverloch, Korumburra, Leongatha.	1,746 ¹²	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓
BEE049328 Foster	Deep Creek	Foster.	326	170	Deep Creek Reservoir	13	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓
BEE049329 Meeniyan	Tarwin River	Meeniyan.	200	59	N/A	N/A	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓
BEE049326 Dumbalk	Tarwin River East	Dumbalk.	100	13	N/A	N/A	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓

Notes:

- Annual amount of water taken in ML
- Storages included under each Bulk Entitlement
- Water Storage Levels (ML) as at June 30 2015
- Extraction from the Tarwin River @ the diversion point on the Tarwin River
- BEE049324 Leongatha amendment to clause 4 and clause 7, BEE049331 Korumburra amendment to clause 7.
- Any failure by the Corporation in complying with the Bulk Entitlement
- Any difficulties experienced or anticipated in complying with the Bulk Entitlement and remedial action taken or proposed
- Approval, amendment and implementation of programs and proposals for Making Allowances (tick indicates compliance has been met)
- Approval, amendment and implementation of programs and proposals for Environmental Obligations (tick demonstrates progress towards compliance with environmental obligations)
- Approval, amendment and implementation of programs and proposals for Metering Obligations (tick demonstrates compliance with metering obligations)
- 21 ML of the total amount taken for Devon North System is extracted under groundwater licence BEE051808.
- The BE for 14/15 is 1GL. This will increase to 5GL when SGW complete the water connection to Korumburra and Leongatha in the future. Reported figure of 1,746ML includes 746ML net carryover from 2013/14.

Water Services

Water Quality

During 2014/15 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 number of water sampling localities 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 Human Services and are available on South Gippsland Water's web site, or on request.



Wastewater lagoon surface aerator

Parameter	Water Quality Standard	Notes	2014-15 %
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%
Turbidity	95% upper confidence limit of the mean of drinking water samples collected in preceding 12 months must be ≤ 5.0 NTU		100%
Aluminium	Must not exceed 0.2 mg/L		100%
Trihalomethanes	Must not exceed 0.25 mg/L	1,2	94.7%
Chloroacetic Acid	Must not exceed 0.15 mg/L		100%
Dichloroacetic Acid	Must not exceed 0.1 mg/L		100%
Trichloroacetic Acid	Must not exceed 0.1 mg/L		100%

Note 1: non-compliance for trihalomethanes was due to an exceedance of the regulatory limit by 0.03 mg/L for a sample taken from the Fish Creek water supply in February 2015.

Note 2: "Trihalomethane concentrations fluctuating occasionally (for a day or two annually) up to 1 mg/L are unlikely to pose a significant health risk" (National Health and Medical Research Council and National Resource Management Ministerial Council Australian Drinking Water Guidelines) Water Consumption Report

Water Consumption

District name	Residential Customers				Non-residential customers				Total number of customers	Total potable water volume ML	Total recycled water volume ML	Total consumption ML	Average annual consumption ML	Weekly residential potable water consumption ML	Non Revenue Water			Total non-revenue water ML	Total all water sources ML
	Number	Potable water volume ML	recycled wastewater volume	recycled stormwater volume	Number	Potable water volume ML	recycled wastewater volume ML	recycled stormwater volume ML							Leakage ML	Firefighting ML	Other ML		
Alberton/Port Albert/Yarram/Devon North	1,255	145	N/A	N/A	488	207	119	N/A	1,743	352	119	471	346	7	149		33	182	653
Dumbalk	76	9	N/A	N/A	20	4	0	N/A	96	13	0	13	14	0	0		1	1	14
Fish Creek	99	12	N/A	N/A	101	89	0	N/A	200	101	0	101	78	2	4		4	8	109
Foster	616	67	N/A	N/A	175	54	0	N/A	791	121	0	121	130	2	37		5	42	163
Korumburra	1,780	245	N/A	N/A	275	350	0	N/A	2,055	595	0	595	598	11	43		16	59	654
Wonthaggi/CapePaterson/Inverloch	8,824	932	N/A	N/A	815	575	13	N/A	9,639	1,507	13	1,520	1,490	29	218		41	259	1,779
Leongatha/Koonwarra	2,462	350	N/A	N/A	547	1,072	0	N/A	3,009	1,422	0	1,422	1,453	27	77		79	156	1,578
Meenyan	198	33	N/A	N/A	47	12	11	N/A	245	45	11	56	44	1	11		2	13	69
Poowong/Loch/Nyora	533	75	N/A	N/A	138	81	0	N/A	671	156	0	156	181	3	81		9	90	246
Waratah Bay	0	0	N/A	N/A	0	0	9	N/A	0	0	9	9	0	0	0		0	0	9
Toora/Welshpool/Port Welshpool/Port Franklin	623	62	N/A	N/A	407	268	6	N/A	1,030	330	6	336	325	6	121		54	175	511
Total	16,466	1,930			3,013	2,712	158		19,479	4,642	158	4,800			741		244	985	5,785

Note: Average annual demand is calculated as a rolling 3 year average. Revenue water excludes Standpipe Sales (17 ML) and estimated sales consumption (9 ML). The Total number of customers excludes customers who have vacant land, are not connected or are un-metered premises.

Water Services

Weekly Household Water Consumption

South Gippsland Water reads meters three times per year in with billing periods as follows:

- Billing Period 1: 1 July to 31 October
- Billing Period 2: 1 November to February 28
- Billing Period 3: 1 March to June 30

Weekly Consumption (ML)						
Month	Week 1	Week 2	Week 3	Week 4	Week 5	Total
Jan	37,259	37,259	37,259	37,259		149,036
Feb	37,259	37,259	37,259	37,259		149,036
March	41,186	41,186	41,186	41,186	41,186	205,930
April	41,186	41,186	41,186	41,186		164,744
May	41,186	41,186	41,186	41,186		164,744
June	41,186	41,186	41,186	41,186		164,744
July	33,124	33,124	33,124	33,124	33,124	165,620
Aug	33,124	33,124	33,124	33,124		132,496
Sept	33,124	33,124	33,124	33,124		132,496
Oct	33,124	33,124	33,124	33,124	33,124	165,620
Nov	37,259	37,259	37,259	37,259		149,036
Dec	37,259	37,259	37,259	37,259	37,259	186,295
Total						1,929,797

Customers by volume/range for 2014/15

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

Drought Response Plan

South Gippsland Water's supply storages and river systems are relatively small relying on the region's generally high annual rain fall to replenish storages prior to the summer draw down.

No staged water restrictions were activated during the 2014/15 year. However, in the short term, South Gippsland Water faces the significant challenge of ensuring water availability to its Northern Towns in the context of major customer expansion, population growth and potential climatic volatility. As such South Gippsland Water will rely on a combination of water sources, including surface and ground water. This means utilising a temporary pump station and a network of aged pipeline and pump infrastructure to augment the supply to Korumburra (an at risk system due to recent significant major customer water usage) during late summer and autumn.

No water restrictions are planned, however, Korumburra experienced Stage Two water restrictions (2012/13) and significant temporary augmentation in 2013/14 and 2014/15, over the dry summer months.

Major Non-Residential Water Users

Name of Customer	Information as to customer participation in water conservation programs
Murray Goulburn Co-Operative Co Ltd (Leongatha)	Highly active in water conservation. Murray Goulburn re-use approximately 1 ML per day of the condensate water and treated effluent which equates to approximately 25% of Murray Goulburn's total demand.
Burra Foods Pty Ltd (Korumburra)	Processing facilities upgraded; including water conservation measures and community re-use. Burra Foods re-use approximately 0.5ML per day of the condensate water and treated effluent which equates to approximately 30% of Burra Food's total demand.

Innovative wind powered mixer installed at the Inverloch Wastewater Treatment Plant



Wastewater Services

Wastewater Management

During 2014/15, South Gippsland Water was compliant with sewerage treatment quality standards at nine of its ten wastewater systems. The details of the non-compliances to the EPA waste discharge licence are shown in the table below:

Analysis of performance against EPA Licence 74240 environmental performance conditions

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 Annual Performance Statement guidelines (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.	Yes
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 ¹²³
	DW2.8	Discharge of treated wastewater during wet weather conditions must be in accordance with specifications in "Discharge to Water" section of EPA Publication 1322 'Licence Management Guidelines'.	Yes
	DW3	The mixing zone extends as defined in the licence	Yes
	DW4	You must install and maintain signage at the discharge point showing, (a) the extent of the mixing zone, (b) your name, (c) the EPA licence number, and (d) the discharge point number.	Yes
Land discharges	DL1	You must not contaminate land or groundwater	Yes
	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

Note 1: The Leongatha WWTP breached the maximum ammonia limit on July 11 2014 due to commissioning of new digesters

Note 2: The Leongatha WWTP breached the maximum ammonia limit in January 2015 due to a mechanical fault with alum siphoning into the treatment system.

Note 3: The Baxter's Beach wastewater system exceeded its mean daily flow licence discharge rate for 2014/15. SGW will work with EPA to apply for a licence amendment to increase this limit.

Improvements in wastewater management implemented during the year included:

- A number of sewerage pumping stations have been upgraded to improve efficiency and reduce the risk of spills from occurring;
- Targeted relining of sewer pipelines has been undertaken to reduce blockages, spills and infiltration in higher risk areas, including Inverloch, Korumburra, Leongatha and Foster;
- Continued improvements to wastewater management systems have been implemented, particularly for monitoring, calibration, documentation and reporting;
- Improvements to the lagoon aeration system at the Toora Wastewater Treatment Plant with installation of a Series 3 Wind Powered Mixer to improve treated wastewater quality whilst reducing greenhouse gas emissions;
- Optimisation of treatment processes at the Leongatha and Korumburra Wastewater Treatment Plants.

Treated Effluent

Treated effluent re-use systems are in place at Tarraville, Welshpool, Toora, Inverloch, Waratah Bay, Meeniyan, Leongatha and Korumburra, and the Corporation continues to seek innovative methods for disposal of effluent for all of its sewerage treatment plants.

Bio Solids

695 tonnes from a stockpile of stored biosolids has been removed from the Biosolids Management Facility at the Leongatha Wastewater Treatment Plant, and transferred to the Soil and Organic Recycling Facility at Dutson Downs to be processed for reuse. South Gippsland Water is currently trialling biosolids composting with green waste via a local composting company.

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

South Gippsland Water’s Environment & Sustainability Policy defines its commitment to undertaking 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.

Policy Environmental Management System [EMS]

South Gippsland Water’s commitment to responsible environmental management is also reflected in the Environmental Management System which has been certified to the Australian Standard AS/NZS ISO 14001. The role of the EMS is 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; and*
- *Continual improvement*

Regional Catchment Strategies

South Gippsland Water regards itself as a key stakeholder in environment and catchment management initiatives. The Corporation continues to work with the West Gippsland Catchment Management Authority and the South Gippsland Shire Council in implementing programs to manage and protect catchment areas in the South Gippsland region.

Programs include the West Gippsland Regional Catchment Strategy (WGRCS) 2012 – 2018 and the Victorian Waterway Management Strategy. Overall objectives of the strategy relate to protecting water, biodiversity, atmosphere and climate; supporting people communities infrastructure and production.

The Corporation liaised with the South Gippsland Shire council during 2014/15 with respect to the 2012 Ministers’ guideline, *Planning Permit Applications in Potable Water Supply Catchment Areas* and recognises the close link between catchment

Catchment improvement, pine logging at Bellview Reservoir Korumburra



management and the Corporation's goals to manage and provide environmentally sound, safe, high quality drinking water to its customers.

In addition, South Gippsland Water has a number of programs in place to protect water quality and enhance the environment. These programs are managed under the Water Resources Catchment Management and Land Use and Development section of the Corporation.

Catchment and Waterway Health

South Gippsland Water extracts water from 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.

South Gippsland Water continues to manage its activities that may impact on waterways in an environmentally sustainable fashion.

A key issue in monitoring waterway health is an understanding of the condition of the waterway systems in the South Gippsland Water Supply Catchment Areas. Waterways support an enormous diversity of life. A healthy waterway is representative of a healthy catchment which is vital for the maintenance of waterway health, biodiversity and the supply of good quality potable water.

South Gippsland Water has worked with the West Gippsland Catchment Management Authority and other agencies in implementing the West Gippsland Regional Waterway Strategy and the Victorian Waterway Management Strategy. South Gippsland Water continued its river health monitoring program involving monitoring and assessment of key waterways within the Declared Water Supply Catchments in the South Gippsland Basin as well as biological monitoring of wastewater outflows into Little Ruby Creek at Leongatha and Foster Creek at Korumburra.

South Gippsland Water discharges are in accordance with Environment Protection Authority licenses and State Environment Protection Policy (Water of Victoria) guidelines

EPA Catchment Officer

South Gippsland Water has partnered with EPA Gippsland to fund a Catchment Officer position within the EPA. This was the final year of the program, and the focus of the position was to carry out dairy farm audits to improve water quality within drinking water supply catchments.

South Gippsland Shire Council

South Gippsland Water is liaising closely with South Gippsland Shire Council in preparation of a Catchment Policy for the Tarwin River Water Supply Catchment and associated Domestic Waste Water Management Plan.

Land Use and Development

South Gippsland Water continues adherence to the Planning Permit Application in Open Potable Water Supply Catchment Areas Management Ministerial Guidelines for all its water supply catchments with special considerations for the Tarwin River Water Supply Catchment.

Weed Control Program

South Gippsland Water has developed an extensive weed control program for its land. Objectives of managing environmental weeds include 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*



Tarwin River, Tarwin Lower

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 product.

A total of 145 ML of recycled water was used for irrigation, with the majority being used on agricultural land, and a small amount for recreation/sporting grounds.

Treated wastewater from South Gippsland Water's Tarrville wastewater treatment plant is piped to an adjacent property owner for pasture irrigation and a grazier in Cape Paterson uses a portion of the treated wastewater on occasion from the Inverloch wastewater system for irrigation. Treated wastewater from the Welshpool wastewater treatment plant is used for pasture irrigation by a neighboring landholder.

The Toora Football Club uses treated wastewater from the Toora system to irrigate the playing surface of the recreation oval. This re-use arrangement has effectively drought proofed this important community facility.

All treated wastewater from the Waratah wastewater treatment plant is used onsite for pasture irrigation, and occasionally by a neighbouring landholder for crop and pasture irrigation.

Environmental Sustainability cont.

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 constructed at Meeniyah has incorporated wetlands as the final treatment process, providing treated effluent that was supplied to multiple reuse sites within the area including the Stony Creek Race Club and the Meeniyah Football Oval, along with irrigation on South Gippsland Water's land surrounding the treatment plant.

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

South Gippsland Water practices are in compliance with the Use of Reclaimed Water Guidelines for Environmental Management.

Uniform Drought Response Plan

South Gippsland Water Drought Response Plan (DRP) was prepared in accordance with State Government guidelines during 2011. The DRP is a dynamic document which is periodically refined based on actual drought experience and as more supply system information becomes available.

The requirements specified in the DRP guidelines include defining the legal and institutional context, 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. The DRP is fully revised and updated every five years.

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.

The Corporation sought funds through the 2015 State Government Budget process, however was unsuccessful. Without funding, and due to financial sustainability risks and customer affordability issues, the Corporation will review other potential solutions for securing water reliability for towns in this northern region. Other potential solutions could include dam augmentation or other surface water networking options.

The Northern Towns Connection remains the Corporation's preferred option due to it being more cost effective over the longer term (50 years) and it being less susceptible to climate variability. However, in light of the process announced April 2015 to review all Victorian Water Corporation Board appointments, the various options will require a full review by the incoming Board.

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.

South Gippsland Water provides financial contributions to these groups either by annual sponsorship or on a case-by-case basis. The groups and organisations supported by South Gippsland Water during 2014/15 are listed in the table below.

Community groups, organisations and activities supported by South Gippsland Water in 2014/15

Name	Activities	Type of Support	
		Financial	In-kind
South Gippsland Landcare Network	A community-based organisation that facilitates catchment improvements such as revegetation and streamside fencing.	✓ \$10 000	✓
Bunurong Coast Education	A local environment education service for schools and the general public	✓ \$2,500	-
National Water Week (NWW)	Local Primary Schools participated in the NWW Poster Competition with all families of participating schools receiving a calendar of posters promoting water conservation and raising awareness about the many and varied water sources	-	✓ \$7,000
Schools Water Efficiency Program (SWEPE)	South Gippsland Water will fund Year 2/Year 3 program payments for 18 schools.	✓ \$2,700	-
H4O – Help For Water Efficient Organisations Grants	Community grants for water efficiency projects	✓ \$5,805	-
H2O – Hills to Oceans Grants	Landholder and community grants to improve catchment health and environment	✓ \$1,500	-
Public Water Bottle and Drinking Water Fountains	Donation of drinking water fountain to the Inverloch Hub community precinct	-	✓ \$3,000
Public Water Bottle and Drinking Water Fountains or Water Trailer	Free donation of water or loan of portable water bottle refill stations & drinking fountains, or water trailer to community events	-	✓

Biodiversity

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; and*
- *Planning scheme zones and overlays;*

Fishing platform on the Tarwin River, Tarwin Lower



Green House Gas Emissions

The following table sets out Corporate greenhouse gas emissions for the past five years.

ITEM	Emissions in Tonnes				
	2014/15	2013/14	2012/13	2011/12	2010/11
Water Treatment & Pumping	2,058	1,664	2,133	2,618	1,919
Wastewater Treatment	4,674	4,421	4,550	4,674	9,823
Waste Disposal	Not recorded	Not recorded	Not recorded	Not recorded	Not recorded
Energy Use – Non-fleet	157	135	165	198	204
Vehicle Fleet	523	652	703	664	623
Offsets Purchased	nil	nil	nil	nil	nil
Any other activities	-	-	-	-	-
Gross Tonnes CO2e	7,412	6,872	7,550	8,154	12,560
Net CO2E	7,412	6,872	7,550	8,154	12,560

Net Energy Consumption

1,093 MJ/ML potable water and 2,397 MJ/ML wastewater.

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

- *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; and*
- *Motivation of employees to be efficient with their energy use.*

Summary of Major Projects 2014/15

The following table summarises the major projects undertaken by South Gippsland Water during 2014/15, and the progress or results at the end of the financial year.

TECHNICAL SERVICES - MAJOR PROJECTS		
Reason	Project Description	Result / Progress
<p>Poowong/Loch/Nyora Sewerage Scheme</p> <p>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.</p>	<p>A pressure sewer system is being installed in each town. A main pump station in each town will transfer wastewater to Nyora and then to the existing South East Water (SEW) Lang Lang WWTP.</p> <p>Individual pumps are being installed on each property. The Transfer System has a capacity of the equivalent to 2000 residential properties.</p>	<p>A project Agreement has been signed with SEW. Construction works on the Nyora reticulation pipe work commenced in July 2014.</p> <p>Pump Stations and Transfer mains are being constructed. Around 90 house connections have been completed.</p>
<p>Water Renewals/Replacement</p> <p>To rehabilitate/replace inefficient water mains.</p>	<p>Water main replacement program based on established priorities with the Operations group.</p> <p>Works include the progressive replacement of asbestos cement (AC) pipes installed up to the 1970s.</p>	<p>Ongoing replacement of troublesome water mains within SGW's region. Approximately 2.7 km of water mains replaced over the year.</p>
<p>Reticulation Sewer Rehabilitation/Infiltration Curtailment/Relining</p> <p>To rehabilitate/reline inefficient sewer mains. Identify troublesome reticulation pipeline locations with increased groundwater infiltration and stormwater inflows.</p>	<p>Reticulation sewer rehabilitation/ replacement works including pipeline replacement/relining & manhole repairs/replacement based on established priorities with the Operations group.</p>	<p>Ongoing rehabilitation/replacement of ageing, cracked and broken reticulation sewer pipelines and manholes. Approximately 2.2 km of sewer pipelines relined and manholes rehabilitated over the year.</p> <p>Ongoing smoke testing program to identify illegal connections, entry points of groundwater infiltration and stormwater inflows.</p>
<p>Wonthaggi Sewer System Upgrades</p> <p>Implementation of overall upgrading/ augmentation strategy is required to address the existing system capacity deficiencies associated with the Wonthaggi Sewer Reticulation System and to cater for the rapid escalating current and future development within the township.</p>	<p>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 for existing system capacities.</p>	<p>Third stage of sewer upgrade works completed 2012/13. Fourth stage of sewer upgrade works completed 2013/14. Fifth stage of sewer upgrade works completed 2014/15.</p>
<p>Alberton Sewerage Scheme</p> <p>Implementation of sewerage scheme to provide an effective means of managing wastewater within the Alberton township in order to protect public health, public amenity, social, economic and township environmental values.</p>	<p>Construction of a pressure sewer system to manage the collection and transmission of wastewater from the Alberton township to the existing Tarraville WWTP.</p>	<p>All reticulation and rising sewer main completed. Pumping Station installations completed. All pump units installed.</p> <p>Final commissioning completed following power connection by electricians. All OneBox control boxes installed. Approximately 51 No. connections have been completed.</p>
<p>Northern Towns Supply Connection Works – Lance Creek to Korumburra & Korumburra to Poowong</p> <p>Connection of existing Korumburra and Little Bass water supply systems to the Melbourne Supply System Pipeline.</p>	<p>Proposed installation of water supply trunk main from Lance Creek to Korumburra and Poowong Loch Nyora.</p>	<p>Preliminary/concept design of proposed alignment completed. Preliminary investigation and studies completed. Functional and Detailed Design completed. Value Management Review of Design also completed. Preparation of Tender documentation may be completed in 2015/16 in readiness for approval of funding for construction.</p>
<p>Inverloch Sewer System Upgrades</p> <p>Implementation of overall upgrading/ augmentation strategy is required to address the existing capacity deficiencies associated with the Inverloch Sewer Reticulation System and to cater for the rapid escalating current and future development within the township.</p>	<p>A staged improvement implementation program over a 50 year horizon for augmenting the Inverloch Sewer Reticulation System based on the hydraulic model analysis, flow survey data and comparative risk assessments.</p>	<p>First, second, third and fourth stages of sewer upgrade works completed. Fifth stage of sewer upgrade works completed 2014/15.</p>

TECHNICAL SERVICES - MAJOR PROJECTS

Reason	Project Description	Result / Progress
<p>Leongatha WWTP Digester</p> <p>Existing digester is out of service and in need of upgrade to allow the Leongatha WWTP to meet required treatment processes and EPA discharge requirements.</p>	<p>Refurbishment of gas flare, heating boiler and sludge mixing system, replacement of secondary digester roof structure, electrical rewiring, SCADA integration, supernatant pit and sludge pump station.</p>	<p>Construction completed, commissioning successfully completed.</p>
<p>Leongatha WTP – Caustic Soda Dosing</p> <p>Implementing chemical consumption efficiencies with effective replacement of the soda ash treatment system with a caustic soda treatment system.</p>	<p>Upgrading and installing an alternate lower cost chemical dosing system replacing the existing soda ash system, including treatment control improvements.</p>	<p>Proposed upgrade works will result in less chemicals being required, but providing similar and unaffected water quality – at less cost. Works completed and operating successfully.</p>
<p>Meeniyan Raw Water Pump Station – Tarwin River</p> <p>Pump station structure modification and replacement of existing, ageing and failing pump unit with improvements to pump station and current operational OH&S issues.</p>	<p>Structural modification of old pump station to improve OH&S operations and replacement of ageing, failed pump unit with a more effective new pump together with installation of specifically designed and fabricated grate on the inlet structure to prevent troublesome debris inflow into the pump wet well.</p>	<p>Rehabilitating the Tarwin River Pump Station will provide for improved and more reliable pumping system. Works completed ensuring delivery of a reliable supply of raw water to the Meeniyan WTP, to meet current, short term and long term water supply demands for the growing and developing Meeniyan township.</p>
<p>Lohr Avenue Sewer Pump Station, Inverloch</p> <p>A key component of the Inverloch Sewerage System, this SPS discharges flows from the entire Inverloch Sewer System catchment. The existing two pump sets are beyond their operational life (over 30 years) and do not perform their required pumping function. Problematic pumps requiring constant maintenance.</p>	<p>Proposed upgrade works for the sewage pumping station with structural modification to form a complete wet well type pumping facility. Currently a wet well/dry well arrangement. The installation of two number submersible efficient pump sets and replacing the existing dry well pump sets. Installation of a new upgraded power and control switchboard and surge tank.</p>	<p>Structural modifications to existing pump station building completed. The two more efficient and effective larger pump sets for current and long term future use have been installed. A new upgraded power supply switchboard with advanced control/monitoring functionality installed. A new sewage “debris” muncher installed in pump station to assist and protect pump impellers.</p>
<p>Inverloch Wastewater Treatment Plant – Sludge Drying Pan</p> <p>Construction of a sludge drying pan to provide long term, best value, effective facility to dewater lagoon sludge, eliminating and obviating impractical requirement to take lagoons offline for a major treatment process interrupting desludging undertaking.</p>	<p>The construction of a new concrete lined sludge drying pan. The completed sludge drying pan will have lagoon sludge pumped from the Inverloch WWTP’s lagoons utilising the SGW specifically purpose built “Sludge Rat”. The concrete slab reinforced with the innovative cost saving fibre reinforcement in lieu of costly standard steel mesh and bars.</p>	<p>The slab utilising new innovative concrete reinforcing technique providing improved wearability, impact and abrasion resistance, enhanced durability and ductility has been successfully constructed. Lagoon desludging operations are underway with sludge “pumped” onto the slab for drying through air evaporation until achieving a “dry” consistency sufficient for ready transport to Leongatha for stockpiling and reuse.</p>
<p>Wonthaggi Wastewater Treatment Plant – Sludge Drying Pan</p> <p>Construction of a sludge drying pan to provide long term, best value, effective facility to dewater lagoon sludge, eliminating and obviating impractical requirement to take lagoons offline for a major treatment process interrupting desludging undertaking.</p>	<p>The construction of a new concrete lined sludge drying pan. The completed sludge drying pan will have lagoon sludge pumped from the Wonthaggi WWTP’s lagoons utilising the SGW specifically purpose built “Sludge Rat”. The concrete slab reinforced with the innovative cost saving fibre reinforcement in lieu of costly standard steel mesh and bars.</p>	<p>The slab utilising new innovative concrete reinforcing technique providing improved wearability, impact and abrasion resistance, enhanced durability and ductility has been successfully constructed. Lagoon desludging operations are underway with sludge “pumped” onto the slab for drying through air evaporation until achieving a “dry” consistency sufficient for ready transport to Leongatha for stockpiling and reuse.</p>

Report of Operations

Financial Performance

South Gippsland Water's net result for the year was a surplus of \$0.600 million.

Revenue was \$1.534 million higher than 2013/14 due to a combination of the following:

- Decrease in service charges (\$0.481 million) as a result of the reduction in tariffs associated with government efficiency initiative
- Increase in volumetric charges (\$0.236 million) a result of increase major customer usage compared to budget
- Increase in developer contributions (\$0.329 million) a result of increased activity in the area
- Increase in other income (\$1.349 million) a majority of which is the result of both the Alberton (\$1.081 million) and Poowong Loch Nyora (\$0.196 million) scheme contributions

Expenditure was \$0.582 million higher than 2013/14 due to a combination of the following:

- Increase in borrowing costs (\$0.210 million) due to higher borrowing levels as budgeted.
- Increase in employee costs (\$0.446 million) due to EBA increases of 3.5% along with in sourcing of a number of roles identified during the efficiency review.
- Decrease in depreciation and amortisation of (\$0.112 million) due to timing of software lifecycles.

Over \$19 million of new capital investment was undertaken, a majority of which was spent on the Poowong Loch Nyora sewerage scheme \$11 million, the remaining \$8 million spent in order to improve services to the Corporations' water and wastewater customers. This continued high level of capital expenditure has resulted in borrowings increasing \$13.5 million during the year to \$54.2 million.

2014/15 Summary of Financial Results

Financial Result	2014/15 (\$'000)	2013/14 (\$'000)	2012/13 (\$'000)	2011/12 (\$'000)	2010/11 (\$'000)
Core business revenue	26,912	26,824	27,048	25,793	23,555
Government contributions	0	0	0	483	50
Other revenue	2,376	930	870	967	1,030
Total revenue	29,288	27,754	27,918	27,243	24,635
Operating expenditure	16,848	16,366	16,601	17,267	15,175
Depreciation expenditure	9,279	9,389	9,284	8,829	6,125
Finance costs	2,561	2,351	2,326	2,267	1,953
Other expenditure	0	0	0	0	0
Total expenditure	28,688	28,106	28,211	28,363	23,253
Net result before tax	600	(352)	(293)	(1,120)	1,382
Current assets	9,253	6,321	8,181	4,500	7,242
Non-current assets	334,536	319,982	298,634	297,994	298,361
Total assets	343,789	326,303	306,815	302,494	305,603
Current liabilities	9,348	11,894	9,203	13,553	9,888
Non-current liabilities	114,175	94,712	71,960	63,976	66,508
Total liabilities	123,523	106,606	81,163	77,529	76,396
Net cash flows from operations	6,298	8,443	6,180	5,802	10,807
Payments for property, plant and equipment (including infrastructure.)	18,292	12,471	8,990	12,102	13,526

Summary of Financial Performance

Performance Indicator	2014/15	2013/14	2012/13	2011/12	2010/11
Internal Financing Ratio	38.4%	68.6%	68.7%	47.4%	81.0%
Gearing Ratio	15.8%	12.5%	12.8%	11.6%	10.8%
Interest Cover (Cash)	3.9 times	4.6 times	3.6 times	3.6 times	6.0 times
Return on Assets	0.9%	0.6%	0.7%	0.4%	1.4%
Return on Equity	0.2%	(0.1%)	0.8%	3.0%	(0.2%)
Current Ratio	1.1 times	0.6 times	- *	- *	- *

* New reportable ratio from 1 July 2013

Financial Report

For The Year Ended 30 June 2015

Table of Contents

Comprehensive Operating Statement	30
Balance Sheet	31
Statement of Changes in Equity	32
Cash Flow Statement	33
Notes to the Financial Report for the year ended 30 June 2015	
Note 1. Significant Accounting Policies	34
Note 2. Financial Risk Management Objectives and Policies	41
Note 3. Critical accounting estimates and judgements	42
Note 4. Comprehensive Operating Statement – Disclosures	42
Note 5. Income Tax	43
Note 6. Cash and Cash Equivalents	43
Note 7. Receivables	43
Note 8. Inventories	44
Note 9. Other Financial Assets	44
Note 10. Infrastructure, Property, Plant and Equipment	44
Note 11. Intangible Assets	49
Note 12. Payables	50
Note 13. Interest Bearing Liabilities	50
Note 14. Employee Benefits	51
Note 15. Deferred Taxes	51
Note 16. Superannuation	52
Note 17. Contributed Capital	53
Note 18. Reserves	53
Note 19. Accumulated Funds	54
Note 20. Reconciliation of Net Results for the period after related Income Tax to Net Cash Flows from Operating Activities	54
Note 21. Responsible persons and executive officer disclosures	54
Note 22. Dividends	56
Note 23. Commitments	56
Note 24. Contingent Assets and Contingent Liabilities	56
Note 25. Events Occurring after the Balance Sheet Date	56
Note 26. Financial Instruments	57
Statutory Certification	58

Comprehensive Operating Statement

For the Financial Year Ended 30 June 2015

		2015	2014
	Notes	\$'000	Restated \$'000
Revenue from operating activities			
Service charges	1(c),4(a)	16,631	17,112
Water usage charges	1(c)	7,947	7,711
Interest	1(c)	24	20
Developer contributions	4(a)	2,310	1,981
		<u>26,912</u>	<u>26,824</u>
Revenue from non-operating activities			
Net gain on disposal of non-financial assets	4(b)	230	133
Other income	4(a)	2,146	797
		<u>2,376</u>	<u>930</u>
Total Revenue		29,288	27,754
Expenses from operating activities			
Borrowing costs	1(d),4(c)	(2,561)	(2,351)
Depreciation	1(d),4(c),10(b)	(9,001)	(9,020)
Amortisation	1(d),4(c),11	(278)	(369)
Employee benefits	1(d), 4(c)	(8,115)	(7,669)
Repairs and maintenance expense	1(d)	(1,144)	(1,225)
Environmental contributions	1(d)	(1,101)	(1,101)
Electricity		(857)	(836)
Chemicals		(1,034)	(1,156)
Supplies and services		(4,597)	(4,379)
Total Expenses		(28,688)	(28,106)
Net result before tax		600	(352)
Income Tax (expense) / revenue	5	(164)	116
Net result for the period		436	(236)
Other comprehensive income			
Items that will not be reclassified to net results			
Gain on revaluation of buildings	10(b)	191	-
Income tax relating to components of other comprehensive income	5	(58)	-
Other comprehensive income for the year, net of income tax		<u>133</u>	<u>-</u>
Comprehensive Result		569	(236)

The corporation has a correction of an error that required a restatement of income tax expense for the prior year. The calculation of tax expense and the error is further detailed in note 5.

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

Balance Sheet

As at 30 June 2015

	Notes	2015 \$'000	2014 Restated \$'000	1 July 2013 Restated \$'000
ASSETS				
Current assets				
Cash and cash equivalents	1(e),2,6,26	4,663	2,654	4,633
Receivables	1(e),7,26	2,187	1,235	1,097
Inventories	1(e),8	418	456	386
Prepayments	1(e)	255	131	141
Other financial assets	2,9,26	1,730	1,845	1,924
Total current assets		9,253	6,321	8,181
Non-current assets				
Receivables	1(e),7,26	596	31	39
Infrastructure, property, plant and equipment	1(e),10	310,495	302,016	297,500
Intangible assets	1(e),11	4,067	893	1,095
Deferred tax assets	1(b),15	19,378	17,042	15,592
Total non-current assets		334,536	319,982	314,226
TOTAL ASSETS		343,789	326,303	322,407
LIABILITIES				
Current liabilities				
Payables	1(f),12,26	4,237	3,518	2,182
Interest bearing liabilities	1(f),2,13,26	2,899	6,299	5,000
Employee benefits	1(f),14	2,212	2,077	2,021
Total current liabilities		9,348	11,894	9,203
Non-current liabilities				
Interest bearing liabilities	1(f),2,13,26	51,400	34,500	34,400
Employee benefits	1(f),14	273	268	261
Deferred tax liabilities	1(b) 1(h),15	62,502	59,944	58,610
Total non-current liabilities		114,175	94,712	93,271
TOTAL LIABILITIES		123,523	106,606	102,474
NET ASSETS		220,266	219,697	219,933
EQUITY				
Contributed capital	1(g),17	65,333	65,333	65,333
Reserves	1(g),18	87,167	87,034	87,034
Accumulated funds	1(g),19	67,766	67,330	67,566
TOTAL EQUITY		220,266	219,697	219,933

The corporation has a correction of an error that required a restatement of deferred tax asset, deferred tax liabilities and accumulated funds. This required the restatement of prior period balances above. The consequences of this correction are also reflected in note 1a.

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

Statement of Changes in Equity

For the Financial Year Ended 30 June 2015

	Notes	Contributed Capital \$'000	Reserves \$'000	Accumulated funds \$'000	Total \$'000
Balance at 1 July 2013		65,333	87,034	73,285	225,652
Correction of prior period error	1b	-	-	(5,719)	(5,719)
Restated balance at 1 July 2013		65,333	87,034	67,566	219,933
Total comprehensive income for the year (net of tax) Reported at 30 June 2014		-	-	(352)	(352)
Correction of prior period error	5	-	-	116	116
Restated comprehensive income for the year ended 30 June 2014 (net of tax)		-	-	(236)	(236)
Transactions with the State in its capacity as owner:					
Dividends	1(m)	-	-	-	-
Contributions by owners	1(g),17	-	-	-	-
		-	-	-	-
Restated Balance at 30 June 2014		65,333	87,034	67,330	219,697
Total comprehensive income for the year (net of tax)		-	-	436	436
Revaluation of buildings (net of tax)		-	133	-	133
Total comprehensive income for the year (net of tax and revaluations)		-	133	436	569
Transactions with the State in its capacity as owner:					
Dividends	1(m)	-	-	-	-
Contributions by owners	1(g),17	-	-	-	-
		-	-	-	-
Balance at 30 June 2015		65,333	87,167	67,766	220,266

The corporation has a correction of an error that required a restatement of prior year balances being the deferred tax asset, deferred tax liabilities and accumulated funds. This also required a restatement of the prior years income tax expense. The consequences of this correction are reflected in Note 1 (a) and Note 5.

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

Cash Flow Statement

For the Financial Year Ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Cash flows from Operating Activities			
Receipts			
Service and usage charges		24,198	24,991
Interest received		22	19
GST received from the ATO		1,342	1,880
Developer contribution fees		749	361
Other receipts		1,766	790
		28,077	28,041
Payments			
Payments to suppliers and employees		(18,083)	(16,066)
Interest and other costs of finance paid		(2,516)	(2,350)
GST paid to the ATO		(79)	(81)
Environmental contribution levy paid		(1,101)	(1,101)
		(21,779)	(19,598)
Net cash inflow from Operating Activities	20	6,298	8,443
Cash flows from Investing Activities			
Payments for infrastructure, property, plant and equipment		(14,841)	(12,304)
Proceeds from sale of infrastructure, property, plant and equipment	4(a)	539	391
Payments for intangible assets	11	(3,451)	(167)
Net cash (outflow) from investing activities		(17,753)	(12,080)
Cash flows from Financing Activities			
Proceeds from borrowings		17,900	12,247
Repayments of borrowings		(4,400)	(10,848)
Net movements in contractor deposits		(36)	259
Net cash inflow from financing activities		13,464	1,658
Net (decrease)/increase in cash and cash equivalents		2,009	(1,979)
Cash and cash equivalents at the beginning of the financial year		2,654	4,633
Cash and cash equivalents at the end of the financial year	1(e),6	4,663	2,654

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 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial report includes separate financial statements for South Gippsland Region Water Corporation (the Corporation) as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements for the period ending 30 June 2015. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS'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.

Where appropriate, those AAS paragraphs applicable to not for profit entities have been applied.

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

The annual financial statements were authorised for issue by the Board on 25 September 2015.

The principal address is:

South Gippsland Regional Water Corporation
14-18 Pioneer Street
Foster VIC 3960

Accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year.

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(f) for a variation in relation to employee benefits.

Rounding

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

Figures in the financial statements may not equate due to rounding.

Historical cost convention

The financial report has been prepared under the historical cost convention, except for the revaluation of financial assets and all classes of infrastructure, property, plant and equipment.

Accounting estimates

The preparation of the financial report 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 judgements in the process of applying the Corporation's accounting policies. The most significant accounting estimates undertaken in the preparation of the the financial report relate to:

- fair value of infrastructure, property, plant and equipment;
- estimation of asset useful lives for assets reported at fair value;
- impairment of assets;
- recognition of deferred tax assets and liabilities,
- provisions for employee benefits; and
- provision for doubtful debts.

Financial statement presentation

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

Change in estimate of tax depreciation rates

South Gippsland Water has adopted a change in the estimate of tax depreciation rates used for infrastructure assets in 2014/15 and beyond. Prior to 30 June 2015 Private Tax Ruling MMW 1-18 was used to determine tax depreciation rates and a flat rate of 7% was adopted. For 2014/15 ATO ruling 2014/4 was adopted which results in various tax prescribed tax depreciation rates being used. This has resulted in the following impact in the 2014/15 financial statements:

Non-current assets	Adoption of new Tax rates
Deferred tax assets	409
Deferred tax liabilities	(409)

Correction of prior year error

South Gippsland Water has adopted a change in the disclosures relating to AASB 112 Income tax Expenses. Prior to 30 June 2015 Deferred Tax Asset and Liabilities were only recognised for differences on revaluation of non-current physical assets as the corporation considered it was not probable that these would be recovered due to the extent of carried forward tax losses. For the year ended 30 June 2015 the interpretation of AASB112 has changed, whereby the corporation now recognise full Tax Effect Accounting in accordance with AASB 112. This has resulted in the correction of prior period errors as disclosed below:

Balance sheet extract for 2014 restated amounts

Non-current assets	1/7/2013 as reported	Tax Effect accounting adjustment	1/7/2013 Restated
Deferred tax assets	-	15,592	15,592
Deferred tax liabilities	37,299	21,311	58,610
Accumulated funds	73,285	5,719	67,566
Non-current assets	1/7/2013 as restated	Tax Effect accounting adjustment	30/6/2014 Restated
Deferred tax assets	15,592	1,450	17,042
Deferred tax liabilities	58,610	1,334	59,944
Accumulated funds	67,566	(236)	67,330
Total comprehensive result (net of tax)	(352)	116	(236)
Income Tax expense	-	116	116

(b) Changes in accounting policies

Subsequent to the 2013 14 reporting period, the following new Standards are applicable to not for profit entities and have been adopted in the current period:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities

All of these new standards have been assessed and have no financial or disclosure impact on South Gippsland Water.

(c) Revenue

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

Interest

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

Lease or rental income

Income from operating leases (i.e. rentals) is recognised in income on a straight-line basis over the lease term. Income is recognised in the comprehensive operating statement and form part of "other income".

(d) Expenses

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.

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(h).

Major useful lives within each asset class are consistent with the previous year and fall within the following ranges:

	Useful Life
Corporate	
Buildings	50 years
Furniture & Equipment	10 years
Plant & Machinery	7 -10 years
Motor Vehicle	2 - 4 Years
Intangible Assets	3 & 7 years
Water Infrastructure	
Storages	350 years
Mains and Reticulation	50 years
Pump Stations	44 years
Treatment Plants	33 years
Water Meters	15 years
Wastewater Infrastructure	
Mains and Reticulation	50 years
Treatment Plants	40 years
Pump Stations	50 years

Employee Benefits

These expenses include all costs related to employment including wages and salaries, bonuses, fringe benefits tax, leave entitlements, redundancy payments, work cover premiums and payroll tax.

Superannuation

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

Repairs and maintenance

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

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 authorities. The Act establishes an obligation for authorities 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 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 Corporation has a statutory authority to pay an environmental contribution to the Department of Environment, Land, Water and Planning. This contribution is recognised as an expense during the reporting period as incurred.

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.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Other expenses

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

Ex Gratia Payments

South Gippsland Water did not incur any ex gratia payments greater than \$5,000 for the year ended 30 June 2015 (\$0 2013/14)

(e) Assets

Cash and deposits

Cash and deposits recognised on the Balance Sheet comprise cash on hand and cash at bank, deposits at call and those highly liquid investments (with an original maturity of three months or less), which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and readily convertible to known amounts of cash with an insignificant risk of changes in value.

Receivables

Receivables consist of:

- *contractual receivables, such as debtors in relation to goods and services and accrued investment income; and*
- *statutory receivables and Goods and Services Tax (GST) input tax credits recoverable.*

Contractual receivables are classified as financial instruments and categorised receivables.

Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

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

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

Inventories

Inventories comprise stores and materials used in the construction of new works and for the repair and maintenance of existing assets. All inventories held for distribution are measured at the lower of cost and net realisable value. 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.

Inventories also include goods held for distribution at no or nominal cost. Inventories held for distribution are measured at cost, adjusted for any loss of service potential. Bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

Prepayments

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Infrastructure, property, plant and equipment

Recognition of Non-current Physical Assets

Property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage and drainage infrastructure, plant, equipment and motor vehicles, used by the Corporation in its operations. Items with a cost or value in excess of \$1,000 (\$1,000 2013/14) 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.

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) 103F *Non-Financial Physical Assets*.

Revaluations are conducted in accordance with FRD 103F. 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 land and building assets.

Plant, equipment and motor vehicles are measured at fair value based on depreciated replacement cost.

Water infrastructure assets, are measured at fair value less accumulated depreciation and impairment in accordance with FRD 103F. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and drainage systems.

The initial fair value assessment for water infrastructure occurred as at 30 June 2011 and 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 asset revaluation reserve surplus/(deficit), 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 asset revaluation reserve in respect of the same class of assets, they are debited to the asset revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class of infrastructure, property, plant and equipment are offset against one another within that class

but are not offset in respect of assets in different classes
Revaluation reserves are not transferred to accumulated surplus/ (deficit) 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.

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.

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:

	Water Share Entitlements	Access Rights	Software Costs
Useful lives	Indefinite	Finite	Finite
Amortisation method used	Not amortised or revalued	25 years straight line	3 and 7 years – straight line (2013/14: 3 and 7 years straight line)
Internally generated / acquired	Acquired	Acquired	Internally generated / Acquired
Impairment test / Recoverable amount testing	Tested annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end / Reviewed annually for indicators of impairment	Amortisation method reviewed at each financial year-end / Reviewed annually for indicators of impairment

Permanent Water Entitlements

Permanent water entitlements purchased after 1 July 2011 are treated as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109 Intangible Assets), and will not be subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent

entitles purchased after 1 July 2011 will be tested annually for impairment. Bulk permanent water entitlements prior to 1 July 2011 are not recorded on the Balance Sheet as an intangible asset, as they cannot be reliably measured.

(f) Liabilities

Payables

Payables consist of:

- contractual payables, such as accounts payable and unearned income. Accounts payable represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid, and arise when the Corporation becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

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

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

Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities 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 interest bearing liabilities, using the effective interest method.

Interest bearing liabilities 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.

South Gippsland Water has classified borrowings which mature within 12 months as non-current liabilities on the basis that the entity will and has discretion to refinance or rollover these loans with the Treasury Corporation of Victoria, pursuant to section 8 of the *Borrowings and Investment Powers Act 1987*. Borrowings known as 11am debt are classified as current borrowings.

Provisions

Provisions are recognised when the Corporation has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rate that reflects the time value of money and risks specific to the provision.

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

Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

i. Wages and salaries, annual leave and rostered days off

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

ii. Long Service Leave (LSL)

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

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the Corporation does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

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

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

iii. Termination benefits

Termination benefits are payable when employment is terminated by the Corporation before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The Corporation recognises termination benefits at the earlier of the following dates: (a) when South Gippsland Water can no longer withdraw the offer of those benefits; and (b) when South Gippsland Water recognises costs for a restructuring that is within the scope of AASB 137 Provisions, *Contingent Liabilities and Contingent Assets* and involves the payment of terminations benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

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.

(g) Equity

Contributions by owners

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

Asset revaluation reserve

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

(h) Financial Assets

Recognition

Financial instruments are initially measured at fair value, plus in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or the issue of the financial

asset or liability. Subsequent to initial recognition, the financial instruments are measured as set out:

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 and other receivables in the balance sheet. Loans and receivables are recorded at amortised cost less impairment.

Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Comprehensive Operating Statement where required. No such losses exist in 2014/15 (\$0 2013/14).

(i) Fair Value

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

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

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

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

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

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

The Corporation, in conjunction with VGV, monitors changes in the fair value of each asset through relevant data sources to determine whether revaluation is required.

Valuation Policies and Processes

Plant & Equipment

Plant & Equipment assets are recorded at depreciated replacement cost. This asset class is usually immaterial, and written down replacement cost is considered to be reflective of market value.

For South Gippsland Water, it is determined that plant, equipment and vehicles possess such characteristics, and there is no evidence that a reliable market-based fair value (or other relevant fair value indicators) exists (or any such evidence does not indicate a fair value significantly different from depreciated cost). Therefore depreciated cost generally represents a reasonable approximation of fair value. As such, these assets do not need to undergo an annual fair value assessment.

Land and Buildings

South Gippsland Water currently records Land & Buildings in its accounts at fair value. In June 2011 the Valuer General Victoria (VGV) contracted Egan Valuers to perform an independent valuation of the Corporations land and buildings to determine fair value.

Assessments for land and buildings are carried out using compounded movement in indicators provided by the Victorian Valuer General (VGV). South Gippsland Water has carried out a fair value assessment which resulted in a compounded movement of 12% for Buildings & 5% for Land since the last revaluation.

In line with FRD103F, the Chief Finance and Accounting Officer (CRO) has considered the fair value assessment and that the compounded movement by asset class utilising VGV indices results in a greater than 10% movement for the asset class buildings.

Based on the above, the CRO has determined as at 30 June 2015 that the carrying value of the Buildings asset class did not materially represent the fair value and therefore, has performed a managerial revaluation using the indicators provided by VGV resulting in a 12% increase in building values. The resultant revaluation has been booked in the accounts and impacts both Building Fair Value, the Asset Revaluation reserve and the Deferred Tax Liability. All other classes of assets represented fair value and did not require a revaluation.

Infrastructure Assets

Infrastructure Assets comprise South Gippsland Water's largest asset class. South Gippsland Water currently records Infrastructure Assets in its accounts at fair value. In June 2011 the Valuer General Victoria (VGV) contracted AECOM to perform an independent valuation of the Corporations Infrastructure Assets to determine fair value.

During 2012/13 Vic Water engaged AECOM to develop a new methodology to perform interim valuations of infrastructure assets. This methodology was agreed with DTF, and South Gippsland Water uses the single indexation factor – Stage of Production – Final Domestic Capital (Australia).

The index for 2015 has had a compounded movement of 4.87% since the last valuation.

In line with FRD103F, the Chief Finance and Accounting Officer (CRO) has considered the fair value assessment and the compounded movement results in a less than 10% movement.

Based on the above, the CRO has determined that the carrying value of this asset class still materially represents the fair value and therefore, no change to carrying amounts (or a managerial revaluation) is required.

Other factors South Gippsland Water considered as part of providing fair value information for Whole of Government reporting were asset condition and optimisation.

Condition assessment forms part of the Corporation's day to day asset management processes. Asset condition (including water and sewerage reticulation networks) is continually assessed to determine priority for asset replacement programs. Condition of water reticulation networks is assessed at the time of breaks and by monitoring frequency of breaks. Infiltration information and CCTV data is used to assess the condition of sewer reticulation assets. Asset registers can then reflect current condition and remaining service life information.

Optimisation of assets was performed as part of previous valuations. Excess capacity is taken into account as part of optimisation, and assets abandoned or disposed of are removed from asset registers and financial records as part of day to day asset management processes. Officers are requested to provide further information on any asset impairment issues on an annual basis.

(j) Taxation

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

The income tax expense or revenue for the period is the tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities

attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences 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.

A deferred tax liability has been recognised for revalued assets, as future depreciation on revalued assets will not be deductible for tax purposes.

(k) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 23) at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(l) Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 24) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(m) Dividend Policy

The Corporation is required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the *Public Authorities (Dividend) Act 1983*, based on a prescribed percentage of the previous year's adjusted net profit. An obligation to pay a dividend only arises after consultation with the portfolio Minister for Environment, Climate Change and Water and the Treasurer and a formal determination is made by the Treasurer. The Corporation's preliminary estimate for the reporting period is zero (\$0 2013/14).

(n) Goods and Services Tax

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

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period. As at 30 June 2015, the applicable standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2015. The Corporation has not and does not intend to adopt these standards early and has listed only standards "applicable" to South Gippsland Water.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 Financial Instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. .	1 Jan 2018	The assessment has indicated that there is no expected impact on the corporation.
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2017 (Exposure Draft 263 – potential deferral to 1 Jan 2018)	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.
AASB 2014 1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014 4 Amendments to Australian	Amends AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to: <ul style="list-style-type: none"> • establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; • prohibit the use of revenue based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset. 	1 Jan 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
Accounting Standards – Clarification of	The Amendments extend the scope of AASB 124 Related Party Disclosures to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on the corporation's responsible persons, and the related party transactions.

In addition to the new standard above, the AASB has issued a list of applicable amending standards that are not effective for the 2014-15 reporting period (as listed below). In general, these amending standards include editorial and reference changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)
- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) –Application of AASB9 (December 2009) and AASB 9 (December 2010)
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative Amendments to AASB 101 (AASB 7, AASB 134 & AASB 1049)
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
- AASB Interpretation 21 Levies. This Standard or Amendment may not be relevant to Victorian not-for-profit entities when operative

NOTE 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation's activities expose it to a variety of financial risks: i.e. market risk, credit risk and liquidity 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 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 using Treasury Management Guidelines, set by the Audit and Risk Committee and approved by the Board.

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.

	Carrying amount \$'000	Interest rate risk			
		1%		+1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
30 June 2015					
Financial Assets					
Cash and Cash Equivalents (Note 6)	4,663	(47)	(47)	47	47
Financial Liabilities					
Interest Bearing Liabilities (Note 13)					
- Variable	2,899	29	29	(29)	(29)
- Fixed	51,400	-	-	-	-
Total increase/(decrease)		(18)	(18)	18	18

	Carrying amount \$'000	Interest rate risk			
		1%		+1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
30 June 2014					
Financial Assets					
Cash and Cash Equivalents (Note 6)	2,654	(27)	(27)	27	27
Financial Liabilities					
Interest Bearing Liabilities (Note 13)					
- Variable	1,899	19	19	(19)	(19)
- Fixed	38,900	-	-	-	-
Total increase/(decrease)		(8)	(8)	8	8

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.

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.

Refer to note 1a for a list of the most significant accounting estimates used in preparing the financial report.

NOTE 4. COMPREHENSIVE OPERATING STATEMENT – DISCLOSURES

	Note	2015 \$'000	2014 \$'000
(a) Significant Revenues			
Service Charges			
Water service charges		6,057	6,497
Sewerage charges		8,097	8,218
Trade waste charges		2,477	2,397
		<u>16,631</u>	<u>17,112</u>
Developer contributions			
Fees paid by developers		749	491
Assets received from developers		1,561	1,490
		<u>2,310</u>	<u>1,981</u>
Other Income			
Schemes Income		1,277	-
Other Income		869	797
		<u>2,146</u>	<u>797</u>
(b) Net gains and expenses			
The surplus/(deficit) from operating activities includes the following specific net gains and expenses:			
Proceeds from disposal of plant and equipment		539	391
Written down amount of plant and equipment		(309)	(258)
Net Gain on disposal		<u>230</u>	<u>133</u>
(c) Significant Expenses			
Depreciation:	10		
Buildings		80	74
Water infrastructure		4,382	4,537
Wastewater infrastructure		3,745	3,617
Plant, equipment and motor vehicles		794	792
Total depreciation		<u>9,001</u>	<u>9,020</u>
Amortisation			
Intangible assets	11	278	369
Total amortisation		<u>278</u>	<u>369</u>
Asset write-offs (included in supplies and services)		19	73
Employee Benefits			
Salaries and wages		6,124	5,883
Annual leave		564	529
Long service leave		310	195
Superannuation contributions		589	526
Other		528	536
Total employee benefit costs		<u>8,115</u>	<u>7,669</u>
Borrowing costs		2,561	2,351
Bad and doubtful debts		58	47
Rental expense - operating lease		7	9
Auditors' remuneration			
Victorian Auditor Generals Office for audit of financial statements		33	32
Internal audit (RSM Bird Cameron - to 31 January 2015)		20	44
Internal audit (DMG Financial - from 1 February 2015)		21	-
		<u>74</u>	<u>76</u>

NOTE 5. INCOME TAX

	2015 \$'000	2014 \$'000
Income tax expense for the financial year differs from the amount calculated on the net result. The differences are reconciled as follows:		
(a) Income tax expense		
Current tax payable	-	-
Deferred tax relating to temporary differences	164	(116)
	<u>164</u>	<u>(116)</u>
Deferred income tax(revenue) expense included in income tax expense comprises:		
(Increase) in deferred tax assets	(2,336)	(1,451)
Increase in deferred tax liabilities	2,558	1,335
	<u>222</u>	<u>(116)</u>
(b) Reconciliation of income tax to prima facie tax payable		
Result before income tax expense	600	(352)
Tax at Australian tax rate of 30% (2014 30%)	180	(106)
Tax effect amounts which are not deductible (taxable in calculating taxable income):		
- Sundry items	16	(10)
Income tax as reported in the Comprehensive Operating Statement	<u>164</u>	<u>(116)</u>
(c) Tax (expense) in Other Comprehensive Income		
Impact of revaluation of buildings	(58)	-
Deferred tax relating to permanent differences	<u>(58)</u>	<u>-</u>

The corporation has a correction of an error that required a restatement of prior year balances being the deferred tax asset, deferred tax liabilities and accumulated funds. This also required a restatement of the prior years income tax expense. The consequences of this correction are reflected in Note 1 (a) and all prior period tax figures in this note have been restated.

NOTE 6. CASH AND CASH EQUIVALENTS

Cash at bank	226	154
Deposits at call	4,437	2,500
	<u>4,663</u>	<u>2,654</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	4,663	2,654
Balance as per Cash Flow Statement	<u>4,663</u>	<u>2,654</u>
(b) Deposits at call		
The deposits are bearing floating interest rates between 0.10% and 2.17% (0.10% to 2.45% in 2013/14). All Deposits are held with Treasury Corporation Victoria.	4,663	2,654

NOTE 7. RECEIVABLES

Current		
<i>Contractual</i>		
Trade receivables	1,300	1,280
Provision for impaired receivables	(53)	(45)
Schemes receivables	171	-
<i>Statutory</i>		
GST Receivable	769	-
	<u>2,187</u>	<u>1,235</u>
Non Current		
<i>Contractual</i>		
Schemes receivables	596	31
Total receivables	<u>2,783</u>	<u>1,266</u>

(a) Provision for impaired receivables

As at the 30 June 2015, current receivables of the Corporation with a nominal value of \$148,625 (2014 \$158,522) were impaired. The amount of the provision was \$52,683 (2014 \$45,000). For 2015 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 the provision is as follows:

3 to 6 months	-	-
Over 6 months	53	45
Total	53	45

NOTE 7. RECEIVABLES (CONT'D)

	2015 \$'000	2014 \$'000
Movements in the provision for impaired receivable are as follows:		
At 1 July	45	45
Provision for impairment recognised during the year	66	45
Receivable written off during the year as uncollectable	(58)	(45)
Unused amount reversed	-	-
At 30 June	53	45

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 2015, trade receivables of \$199,000 (2014 \$194,000) 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	22	127
Over 6 months	177	67
Total	<u>199</u>	<u>194</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	418	456
Total current inventories	<u>418</u>	<u>456</u>

NOTE 9. OTHER FINANCIAL ASSETS

Current		
Accrued revenue	1,730	1,845
Total current other financial assets	<u>1,730</u>	<u>1,845</u>

NOTE 10. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT
(a) Classes of infrastructure, property, plant and equipment

Land		
At Fair Value	10,274	10,258
	<u>10,274</u>	<u>10,258</u>
Buildings		
At Fair Value	1,882	1,825
Less: Accumulated Depreciation	-	(217)
	<u>1,882</u>	<u>1,608</u>
Water infrastructure		
At Fair Value	170,810	168,188
Less: Accumulated Depreciation	(17,652)	(13,271)
	<u>153,158</u>	<u>154,917</u>

	2015 \$'000	2014 \$'000
Wastewater infrastructure		
At Fair Value	140,152	130,705
Less: Accumulated Depreciation	(14,139)	(10,394)
	<u>126,013</u>	<u>120,311</u>
Plant and equipment		
At Fair Value	8,834	8,077
Less: Accumulated Depreciation	(5,510)	(5,372)
	<u>3,324</u>	<u>2,705</u>
Capital works in progress		
At Cost	15,844	12,216
	<u>15,844</u>	<u>12,216</u>
Total Infrastructure, Property, Plant & Equipment	<u>310,495</u>	<u>302,015</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 for buildings.

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(i) in relation to valuation of the above non-current assets.

(b) Movements during the reporting period

	2014 / 2015						
	Opening WDV at 1 July 2014	Additions	Disposals	Revaluations	Transfers between categories	Depreciation	Closing WDV at 30 June 2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	10,258	16	-	-	-	-	10,274
Building	1,608	162	-	191	-	(80)	1,882
Water Infrastructure	154,917	-	-	-	2,623	(4,382)	153,158
Waste Water Infrastructure	120,311	-	(75)	-	9,522	(3,745)	126,013
Equipment & motor vehicles	2,705	1,647	(234)	-	-	(794)	3,324
Under construction	12,216	15,773	-	-	(12,145)	-	15,844
Total infrastructure, property, plant & equipment	302,015	17,598	(309)	191	-	(9,001)	310,495

	2013 / 2014						
	Opening WDV at 1 July 2013	Additions	Disposals	Revaluations	Transfers between categories	Depreciation	Closing WDV at 30 June 2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	10,258	-	-	-	-	-	10,258
Building	1,627	-	-	-	55	(74)	1,608
Water Infrastructure	157,635	399	-	-	1,420	(4,537)	154,917
Waste Water Infrastructure	120,346	1,091	-	-	2,491	(3,617)	120,311
Equipment & motor vehicles	2,720	-	(258)	-	1,035	(792)	2,705
Under construction	4,914	12,303	-	-	(5,001)	-	12,216
Total infrastructure, property, plant & equipment	297,500	13,793	(258)	-	-	(9,020)	302,015

NOTE 10. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (CONT'D)
Fair value measurement hierarchy for assets as at 30 June 2015

	Carrying amount as at 30 June 2015 \$(000)	Fair value measurement at end of reporting period using:		
		Level 1 \$(000)	Level 2 \$(000)	Level 3 \$(000)
Land at fair value				
Nonspecialised land	3,564	-	3,564	-
Specialised land	6,710	-	-	6,710
Total of land at fair value	10,274	-	3,564	6,710
Buildings at fair value				
Nonspecialised buildings	1,164	-	1,164	-
Specialised buildings	718	-	-	718
Total of buildings at fair value	1,882	-	1,164	718
Plant, equipment and vehicles at fair value				
Vehicles	1,737	-	-	1,737
Plant and equipment	1,587	-	-	1,587
Total of plant, equipment and vehicles at fair value	3,324	-	-	3,324
Water infrastructure at fair value				
Water infrastructure	153,158	-	-	153,158
Total of water infrastructure at fair value	153,158	-	-	153,158
Wastewater infrastructure at fair value				
Wastewater infrastructure	126,013	-	-	126,013
Total of wastewater infrastructure at fair value	126,013	-	-	126,013

Fair value measurement hierarchy for assets as at 30 June 2014

	Carrying amount as at 30 June 2014 \$(000)	Fair value measurement at end of reporting period using:		
		Level 1 \$(000)	Level 2 \$(000)	Level 3 \$(000)
Land at fair value				
Nonspecialised land	3,548	-	3,548	-
Specialised land	6,710	-	-	6,710
Total of land at fair value	10,258	-	3,548	6,710
Buildings at fair value				
Nonspecialised buildings	1,019	-	1,019	-
Specialised buildings	589	-	-	589
Total of buildings at fair value	1,608	-	1,019	589
Plant, equipment and vehicles at fair value				
Vehicles	1,495	-	-	1,495
Plant and equipment	1,210	-	-	1,210
Total of plant, equipment and vehicles at fair value	2,705	-	-	2,705
Water infrastructure at fair value				
Water infrastructure	154,917	-	-	154,917
Total of water infrastructure at fair value	154,917	-	-	154,917
Wastewater infrastructure at fair value				
Wastewater infrastructure	120,311	-	-	120,311
Total of wastewater infrastructure at fair value	120,311	-	-	120,311

Non specialised land and buildings

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

To the extent that non specialised land and buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach. Refer to note 1(i) for fair value assessment.

Specialised land and buildings

The market value method is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

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

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

An independent valuation of the Corporations' specialised land and specialised buildings was performed by the Valuer General Victoria. The effective date of the valuation is 30 June 2011. Refer note 1(i) for fair value assessment.

Water and wastewater infrastructure

Water and wastewater infrastructure are valued using the depreciated replacement cost method. This cost represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction including structure services and finishes as applicable.

An independent valuation of the Corporations water and wastewater infrastructure was performed by the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2011. Refer note 1(i) for fair value assessment.

These assets are classified as level 3 fair value as the lowest level input, the absence of an active market, has a significant impact on the fair value which is unobservable. The corporation conducted an assessment at 30 June 2015 with no material movement identified since the 2011 valuation.

Vehicles

Vehicles are valued using the depreciated replacement cost method. The corporation acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by an experienced fleet manager in the corporation. Management sets relevant depreciation rates to reflect utilisation of the vehicles. As the assumption is considered a significant unobservable input, vehicles are classified as a Level 3 fair value measurement.

Plant and equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method. As this assumption is considered a significant unobservable input, plant and equipment, and office equipment is classified as a Level 3 fair value measurement.

There were no changes in valuation techniques throughout the period to 30 June 2015.

For all assets measured at fair value, the current use is considered the highest and best use.

Reconciliation of Level 3 fair value

2015	Specialised land	Specialised buildings	Plant and equipment	Vehicles	Water Infrastructure	Wastewater Infrastructure
Opening balance	6,710	589	1,210	1,495	154,917	120,311
Purchases (sales)	-	84	636	1,009	2,623	9,522
Transfers in (out) of Level 3	-	-	-	-	-	-
Gains or losses recognised in net result	-	-	-	(233)	-	(75)
Depreciation	-	(30)	(259)	(534)	(4,382)	(3,745)
Impairment loss	-	-	-	-	-	-
Subtotal	6,710	643	1,587	1,737	153,158	126,013
Revaluation	-	75	-	-	-	-
Subtotal	-	-	-	-	-	-
Closing balance	6,710	718	1,587	1,737	153,158	126,013
Unrealised gains/ (losses) on nonfinancial assets	-	-	-	-	-	-

2014	Specialised land	Specialised buildings	Plant and equipment	Vehicles	Water Infrastructure	Wastewater Infrastructure
Opening balance	6,710	615	1,183	1,537	157,635	120,346
Purchases (sales)	-	-	279	756	1,819	3,582
Transfers in (out) of Level 3	-	-	-	-	-	-
Gains or losses recognised in net result	-	-	-	(258)	-	-
Depreciation	-	(26)	(252)	(540)	(4,537)	(3,617)
Impairment loss	-	-	-	-	-	-
Subtotal	6,710	589	1,210	1,495	154,917	120,311
Revaluation	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Closing balance	6,710	589	1,210	1,495	154,917	120,311
Unrealised gains/ (losses) on nonfinancial assets	-	-	-	-	-	-

NOTE 10. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (CONT'D)
Description of significant unobservable inputs to Level 3 valuations

Asset Class	Valuation technique (i)	Significant unobservable inputs (i)	Range (weighted average cost per unit) (i)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Specialised land	Market approach	Community Service Obligation (CSO) adjustment VGV provided to Egan Nations Valuers (Vic)	\$900 –\$1,470,000 (\$101,000) CSO 30%	A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value.
Specialised buildings	Depreciated replacement cost	Cost per unit	\$900–\$241,000 per unit (\$27,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of specialised buildings	4–50 years (21 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Plant and equipment	Depreciated replacement cost	Cost per unit	\$50 –\$90,000 per unit (\$6,500 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of plant and equipment	5–25 years (9 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Vehicles	Depreciated replacement cost	Cost per unit	\$4 000–\$54 000 per unit (\$19 000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of vehicles	2–10years (3 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

The significant unobservable inputs remain unchanged from 30 June 2014

Asset Class	Valuation technique	Significant unobservable inputs	Range (average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Water Infrastructure				
Storage	Depreciated replacement cost	Cost per unit	\$103,000 –\$15,000,000 per unit (\$2,385,000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	15 to 350 years (51 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Treatment Plants	Depreciated replacement cost	Cost per unit	\$680,000 – \$5,600,000 per unit (\$1,800,000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	10 to 120 years (33 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Mains & Reticulation	Depreciated replacement cost	Cost per metre	\$10 – \$4,900 per metre (\$105 per metre)	A significant increase or decrease in cost per metre would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	40 to 110 years (72 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Pump Stations	Depreciated replacement cost	Cost per unit	\$1,500 –\$60,000 per unit (\$79,000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	15 to 70 years (54 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

The significant unobservable inputs remain unchanged from 30 June 2014

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

Asset Class	Valuation technique	Significant unobservable inputs	Range (average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Waste Water Infrastructure				
Treatment Plants	Depreciated replacement cost	Cost per unit	\$245,000 - \$6,900,000 per unit (\$2,205,000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	10 to 150 years (33 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Mains & Reticulation	Depreciated replacement cost	Cost per metre	\$10 – \$7,100 per metre (\$125 per metre)	A significant increase or decrease in cost per metre would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	50 to 140 years (88 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Pump Stations	Depreciated replacement cost	Cost per unit	\$1,500 – \$1,100,000 per unit (\$50,000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	15 to 80 years (42 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

The significant unobservable inputs remain unchanged from 30 June 2014

NOTE 11. INTANGIBLE ASSETS

	Software Costs	Access Rights	Water Entitlements	Total
Movements during the period	\$'000	\$'000	\$'000	\$'000
At 1 July 2014, net of accumulated amortisation	330	-	563	893
Additions	251	3,200	-	3,451
Impairment	-	-	-	-
Amortisation	(192)	(85)	-	(278)
At 30 June 2015, net of accumulated amortisation	389	3,115	563	4,067
At 1 July 2013, net of accumulated amortisation	532	-	563	1,095
Additions	167	-	-	167
Impairment	-	-	-	-
Amortisation	(369)	-	-	(369)
At 30 June 2014, net of accumulated amortisation	330	-	563	893

NOTE 12. PAYABLES

	2015 \$'000	2014 \$'000
Current		
Contractual	1,436	2,296
Trade creditors		
Accrued expenses	2,405	696
Contractor deposits/retentions	360	526
Statutory		
GST Payable	3	-
FBT Payable	33	-
Total current payables	<u>4,237</u>	<u>3,518</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

	2015 \$'000	2014 \$'000
Current		
Secured		
Loans - Treasury Corporation of Victoria (TCV)	<u>2,899</u>	<u>6,299</u>
Total current interest bearing liabilities	<u>2,899</u>	<u>6,299</u>
Non-Current		
Secured		
Loans - Treasury Corporation of Victoria (TCV)	<u>51,400</u>	<u>34,500</u>
Total non-current interest bearing liabilities	<u>51,400</u>	<u>34,500</u>
Total interest bearing liabilities	<u>54,299</u>	<u>40,799</u>
Assets pledged as security	Nil	Nil

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

Loan facilities - TCV

Total facilities	54,299	42,900
Used at balance date	<u>54,299</u>	<u>40,799</u>
Unused at balance date	<u>-</u>	<u>2,101</u>

For the year ending 30 June 2015 the Corporation had approved financial accommodation of \$54.3 million and utilised \$54.3 million. Any unused portion does not carry forward.

Fair Value

Non traded financial liabilities comprise borrowings with the Treasury Corporation of Victoria (TCV). The fair value of these borrowings was \$57.4M (2014: \$43.2M).

The fair value of borrowings are based on cash flows discounted using borrowing rates varying from 1.95% to 6.71% (2014: 2.67% to 6.71%).

Foreign exchange risk

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

Interest rate risk

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

TCV borrowings - fixed	51,400	38,900
TCV borrowings - variable	<u>2,899</u>	<u>1,899</u>
	<u>54,299</u>	<u>40,799</u>

NOTE 14. EMPLOYEE BENEFITS

	2015 \$'000	2014 \$'000
Current		
All rostered days off, annual leave and unconditional long service leave entitlements representing 7+ years of continuous service:		
Rostered days off	66	70
Annual Leave		
Unconditional and expected to settle within 12 months	700	709
Unconditional and expected to settle after 12 months	68	13
Long Service Leave		
Unconditional and expected to settle within 12 months	149	112
Unconditional and expected to settle after 12 months	1,229	1,173
Total Current	<u>2,212</u>	<u>2,077</u>
Non-current		
Conditional long service leave measured at present value	<u>273</u>	<u>268</u>
Total Non-Current	<u>273</u>	<u>268</u>
Total employee benefits	2,485	2,345
<i>The following assumptions were adopted in measuring the present value of long service leave entitlements:</i>		
Weighted average increase in employee costs	4.438%	4.438%
Weighted average discount rates	3.028%	3.571%
Weighted average settlement period	12 yrs	12 yrs

NOTE 15. DEFERRED TAXES**Deferred tax assets**

The balance comprises temporary differences attributable to:

Amounts recognised in Comprehensive Operating Statement

Doubtful debts	16	13
Employee Benefits	644	683
Accrued expenses	10	10
Tax losses	18,708	16,336
Total deferred tax assets	19,378	17,042

Movements

Opening balance at 1 July	17,042	15,592
Credited / (debited) to other comprehensive income	2,336	1,450
Closing balance at 30 June	<u>19,378</u>	<u>17,042</u>
Deferred tax asset to be recovered after more than 12 months	19,378	17,042

Deferred tax liabilities

The balance comprises temporary differences attributable to:

Amounts recognised in Comprehensive Operating Statement

Depreciation	25,144	22,644
Amounts recognised directly in equity		
Revaluation of infrastructure, land & buildings.	<u>37,358</u>	<u>37,300</u>
Total deferred tax liabilities	62,502	59,944

Movements

Opening balance at 1 July	59,944	58,609
Credited / (debited) to other comprehensive income	2,558	1,335
Closing balance at 30 June	<u>62,502</u>	<u>59,944</u>
Deferred tax liability to be recovered after more than 12 months	62,502	59,944

Refer to note 1a for details of prior period errors which existed in the deferred tax balances.

NOTE 16. SUPERANNUATION

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

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2015, this was 9.5% required under Superannuation Guarantee legislation (for 2013/14, this was 9.25%).

Defined Benefit

South Gippsland Water does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of South Gippsland Water in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

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.

The Fund's latest actuarial investigation was held as at 30 June 2014 and it was determined that the Vested Benefit Indexed (VBI) of the defined benefit category of which South Gippsland Water is a contributing employer was 103.4%. To determine the VBI, the fund Actuary used the following long term assumptions:

Net investment returns	7.50% pa
Salary information	4.25% pa
Price inflation (CPI)	2.75% pa

Vision Super has advised that the VBI at 30 June 2015 was 103.4%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the actuarial investigation determined the defined benefit category was in a satisfactory financial position and that no change was necessary to the defined benefit category's funding arrangement from prior years.

Employer Contributions

Regular Contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 30 June 2014, South Gippsland Water makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee, on the advice of the Fund's Actuary. For the year ended 30 June 2015, this rate was 9.5% of members' salaries. This rate increased from 9.25% for year ended 30 June 2014 and will increase in line with the required Superannuation Guarantee contribution rate.

In addition, South Gippsland Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding Calls

If the defined benefit category is in an unsatisfactory financial position at actuarial investigation or the defined benefit category's VBI is below the shortfall limit at any time other than the date of the actuarial investigation, the defined benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including South Gippsland Water) are required to make an employer contribution to cover the shortfall.

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

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

Latest actuarial investigation surplus amounts

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

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

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

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

South Gippsland Water was notified of the results of the actuarial investigation during January 2015.

Superannuation Contributions

Contributions by South Gippsland Water (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2015 are detailed below:

Scheme	Type of Scheme	Rate 2015 (2014)	2015 \$'000	2014 \$'000
Vision Super	Defined Benefits	9.5% (9.25%)	43	56
Vision Super	Accumulation Plan	9.5% (9.25%)	375	332
Various Employee Choice Funds	Accumulation Plan	9.5% (9.25%)	171	138

In addition to the above contributions, South Gippsland Water has paid unfunded liability payments to Vision Super totalling \$0 during 2014/15 (\$0 2013/14)

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2015. (2014 Nil)

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2016 is \$34,000. (2015 \$35,000)

NOTE 17. CONTRIBUTED CAPITAL

	2015 \$'000	2014 \$'000
Opening balance at 1 July	65,333	65,333
Capital transactions with the State in its capacity as owner arising from:		
Capital contributions	-	-
Closing balance at 30 June	<u>65,333</u>	<u>65,333</u>

NOTE 18. RESERVES

Composition of reserves

Asset revaluation reserve surplus		
Land	3,323	3,323
Buildings	775	642
Infrastructure	83,069	83,069
Total Reserves	<u>87,167</u>	<u>87,034</u>

Movement in reserves

Asset Revaluation reserve		
Opening balance at 1 July	<u>87,034</u>	<u>87,034</u>
Revaluation increment on non-current assets:		
Land	-	-
Buildings (net of tax)	133	-
Infrastructure	-	-
Closing balance at 30 June	<u>87,167</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	67,330	67,566
Net surplus/(deficit)	436	(236)
Closing balance at 30 June	<u>67,766</u>	<u>67,330</u>

Refer to note 1a for details of prior period errors which existed in the accumulated funds balances.

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

	2015 \$'000	2014 \$'000
Net result for the period after income tax	600	(352)
Add/(less) non-cash flows in Net Result		
Income Tax	164	(116)
(Profit)/Loss on disposal of non-current assets	(230)	(133)
Depreciation and amortisation	9,276	9,389
Provision for impaired receivables	35	-
Developer contributions	(1,561)	(1,490)
Changes in Assets and Liabilities		
Decrease/(Increase) in trade receivables	(1,517)	(130)
(Increase)/Decrease in inventories	38	(70)
(Increase)/Decrease in prepayments	(124)	10
(Increase)/Decrease in other assets	115	79
(Decrease)/Increase in payables	(990)	1,153
(Decrease)/Increase in employee benefits liabilities	140	63
(Decrease)/Increase in accrued expenses	516	(76)
Net cash inflows from Operating Activities	<u>6,298</u>	<u>8,443</u>
Non cash activities		
Income for Capital Purposes – Gifted development assets	1,561	1,490

Income for capital purposes includes the value of gifted developer assets received, where the corporation gains control of these assets. They represent "non-cash" activities.

NOTE 21. RESPONSIBLE PERSONS AND EXECUTIVE OFFICER DISCLOSURES

(a) Responsible persons

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

The Hon. Peter Walsh MLA, responsible Minister for the period 1 July 2014 to 3 December 2014

The Hon. Lisa Neville MLA, Minister for Environment, Climate Change and Water – 4 December 2014 to 30 June 2015

The names of Board Members of South Gippsland Water for the Year to 30 June 2015 were:

Name	Position	Dates
J Liley	Chair	1 July 2014 to 30 June 2015
J Fawcett	Deputy Chair	1 July 2014 to 30 June 2015
C Badger	Director	1 July 2014 to 30 June 2015
A Kilborn	Director	1 July 2014 to 30 June 2015
D Schultz	Director	1 July 2014 to 30 June 2015
I Irvine	Director	1 July 2014 to 30 June 2015
S Rieniets	Director	1 July 2014 to 30 June 2015

The Accountable Officer of South Gippsland Water for the year to 30 June 2015 was:

Philippe du Plessis 1 July 2014 to 30 June 2015

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):

	2015	2014
	\$'000	\$'000
	445	429

Remuneration received, or due and receivable from the Corporation in connection with the management of any related party entity is nil (2014 nil).

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

Income band (\$)	2015 No.	2014 No.
20,000 - 29,999	6	6
40,000 - 49,999	1	1
240,000 - 249,999	-	1
260,000 - 269,999	1	-
Total Numbers	8	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:

	2015	2014
	\$'000	\$'000
	35	33

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. (Nil 2013/14)

There were no other transactions between the Corporation and responsible persons and their related parties during the financial year. (Nil 2013/14)

There were no contractors with significant management responsibility 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.

Income band \$	Total Remuneration		Base Remuneration		
	2015	2014	2015	2014	
160,000 - 169,999	-	-	-	1	
170,000 - 179,999	-	-	-	-	
180,000 - 189,999	-	1	3	2	
190,000 - 199,999	3	2	-	-	
	Total Amount	\$587,000	\$568,000	\$556,000	\$535,000
	Total Numbers	3	3	3	3
	Total annualised employee equivalent (AEE) (a)	3.0	3.0	3.0	3.0

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 2014/15 dividend has not yet been completed at the reporting date. The Board's preliminary dividend estimate for this period is \$0 (\$0 2013/14)

NOTE 23. COMMITMENTS

	2015 \$'000	2014 \$'000
--	----------------	----------------

The following commitments are inclusive of GST.

(a) Finance lease commitments

At 30 June 2015 the Corporation had no finance lease commitments.
(2014 Nil)

(b) Capital commitments

At 30 June 2015, the Corporation had the following significant capital commitments:

Poowong/Loch/Nyora sewerage scheme – completion

Lohr Avenue Pump Station Muncher

Water system relining - Foster

Sewer system relining – Wonthaggi

Outstanding capital commitments are to be paid as follows:

within one year

one to five years

6,934	15,255
-	3,100
<u>6,934</u>	<u>18,355</u>

(c) Operating lease commitments

At 30 June 2015, the Corporation had the following operating lease commitments:

Photocopier

Office Accommodation

Storage site rental

Outstanding lease commitments are to be paid as follows:

within one year

one to five years

11	9
13	15
<u>24</u>	<u>24</u>

(d) Environmental Contribution commitments

At 30 June 2015, the Corporation had outstanding environmental contribution commitments to be paid as follows:

within one year

one to five years

1,101	1,101
-	1,101
<u>1,101</u>	<u>2,202</u>

NOTE 24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

At 30 June 2015 South Gippsland Water was not aware of any Contingent Assets or Contingent Liabilities relating to the Corporation.
(Nil 2013/14)

NOTE 25. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On the 8 April 2015, the Minister for Environment, Climate Change and Water, the Hon Lisa Neville MP, announced a review of all 135 Victorian water corporation board director positions. Expressions of interest were invited during April and May 2015 with new boards to be in place by 1 October 2015.

Water corporations remain governed by a properly constituted board of directors and will do so following 1 October 2015 when any new appointments are due to commence.

NOTE 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.

	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	
2015										
Financial assets										
Cash	-	-	4,663	-	-	-	-	-	-	4,663
Receivables	2,187	-	-	-	-	-	-	-	-	2,187
Other financial assets	1,730	-	-	-	-	-	-	-	-	1,730
Total financial assets	3,917	-	4,663	-	-	-	-	-	-	8,580
Financial liabilities										
Payables	4,237	-	-	-	-	-	-	-	-	-
Interest bearing liabilities	-	51,400	2,899	5,899	4,980	4,500	6,000	7,900	25,020	54,299
Total financial liabilities	4,237	51,400	2,899	5,899	4,980	4,500	6,000	7,900	25,020	58,536
Net financial assets/ (liabilities)	(320)	(51,400)	1,764	(5,899)	(4,980)	(4,500)	(6,000)	(7,900)	(25,020)	(49,956)
Weighted average interest rate		4.40%	2.17%	3.14%	4.29%	6.13%	4.52%	4.15%	4.20%	4.28%

	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	
2014										
Financial assets										
Cash	-	-	2,654	-	-	-	-	-	-	2,654
Receivables	3,080	-	-	-	-	-	-	-	-	3,080
Total financial assets	3,080	-	2,654	-	-	-	-	-	-	5,734
Financial liabilities										
Payables	3,518	-	-	-	-	-	-	-	-	-
Interest bearing liabilities	-	38,900	1,899	6,299	3,000	4,980	4,500	3,000	19,020	40,799
Total financial liabilities	3,518	38,900	1,899	6,299	3,000	4,980	4,500	3,000	19,020	44,317
Net financial assets/ (liabilities)	(438)	(38,900)	755	(6,299)	(3,000)	(4,980)	(4,500)	(3,000)	(19,020)	(38,583)
Weighted average interest rate		5.01%	2.66%	4.67%	4.07%	4.29%	6.13%	6.54%	4.72%	4.90%

26.2 Fair Value

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

	2015		2014	
	Carrying Amount \$'000	Carrying Amount \$'000	Carrying Amount \$'000	Fair Value \$'000
Payables	4,237	4,237	3,518	3,518
Interest Bearing Liabilities	54,299	57,391	40,799	43,202
Total Financial Liabilities	58,536	61,628	44,317	46,720

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 2015

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

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the Financial Statements, presents fairly the financial transactions during the year ended 30 June 2015 and the financial position of the Corporation as at 30 June 2015

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

We authorise the attached financial statements for issue on 25th September 2015.

Handwritten signature of Joan Liley in cursive script.

Joan Liley
Chair

Handwritten signature of Philippe du Plessis in cursive script.

Philippe du Plessis
Managing Director

Handwritten signature of Justin Wightman in cursive script.

Justin Wightman
Chief Finance & Accounting Officer



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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 2015 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 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 2015 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
28 September 2015



Dr Peter Frost
Acting Auditor-General

Performance Report

For the year ended 30 June 2015

TABLE 1 - FINANCIAL PERFORMANCE INDICATORS								
Key Performance indicator		2013/14 Result	2014/15 Result	2014/15 Target	Variance to prior year %	Notes	Variance to Target %	Notes
F1	Cash Interest Cover Net operating cash flows before net interest and tax payments / Net interest payments	4.6	3.9	3.4	(15.2%)	1a	14.7%	1b
F2	Gearing Ratio Total debt (including finance leases) / Total assets x 100	12.5%*	15.8%	17.4%	26.4%	1c	(9.2%)	1d
F3	Internal Financing Ratio Net operating cash flow less dividends / Capital expenditure x 100	68.6%	38.4%	37.1%	(44.0%)	1e	3.5%	
F4	Current Ratio Current Assets / Current Liabilities (excluding long term employee provisions and revenue in advance)	0.59 times	1.14 times	0.83 times	93.2%	1f	37.3%	1g
F5	Return on Assets (ROA) Earnings before net interest and tax / Average Assets x 100	0.6%*	0.9%	0.6%	50.0%	1h	50.0%	1i
F6	Return on Equity (ROE) Net profit after tax / Average total equity x 100	(0.1%)*	0.2%	(0.5%)	(300.0%)	1j	(140.0%)	1k
F7	EBITDA Margin Earnings before interest, tax, depreciation and amortisation / Total revenue x 100	41.1%	42.5%	42.4%	3.4%		0.2%	

* 2013/14 Ratios have been restated as a result of a prior period adjustment in the statutory financial accounts which impacted on the deferred tax asset, deferred tax liability, retained earnings and tax expense. Gearing Ratio was 13.2% now 12.5%, Return on Assets was 0.9% now 0.6% and Return on Equity was (0.2%) now (0.1%).

Notes:

- 1a – The unfavorable movement in cash interest cover compared to the prior year is a combination of the result of a reduction in income as a result of government water rebate tariff reductions combined with an increase in interest costs as a result of a budgeted increase in borrowing levels of \$13.5M used mainly to fund the Poowong Loch Nyora sewerage scheme. The unfavourable movement in cash interest cover is in line with budget expectations, which was for a \$13.5M increase in borrowings for 2014/15. No actions required to rectify.
- 1b – The favorable movement in cash interest cover compared to target is a result of a reduction in interest costs compared to budget of some \$0.6M due to a combination of the prevailing interest rate environment and the timing of borrowings.
- 1c – The gearing ratio is unfavorable to the prior year due to a budgeted increase in borrowing levels of \$13.5M used mainly to fund the Poowong Loch Nyora sewerage scheme. The unfavourable movement in the gearing ratio is in line with budget expectations. No actions required to rectify.
- 1d – The gearing ratio is favorable compared to target as a result of the change in accounting estimates on adoption is AAS 112 and the recognition of a Deferred Tax Asset for the first time in 2015.
- 1e – The internal financing ratio is unfavorable compared to the prior year as a result of significantly increased capital program in 2014/15 compared to 2013/14. The majority of this is the Poowong Loch and Nyora sewerage scheme with \$11.9M spent during 2014/15. The unfavourable movement in the internal financing ratio is in line with budget expectations as SGW borrowed to finance a majority of its 2014/15 capital program as was planned. No actions required to rectify.
- 1f – The current ratio is favorable compared to the prior year as a result of both an increase in cash held at year end (\$2.1M) and the reclassification of fixed term borrowings (\$3.0M) which expire in the next 12 months, where the intention is, to roll these over and Treasury approval has also been received to do so. As a result these loans are now considered long term in accordance with applicable accounting standards.
- 1g – The current ratio is favorable compared to target as a result of both an increase in cash held at year end and the reclassification of fixed term borrowings which expire in the next 12 months, where the intention is, to roll these over and Treasury approval has also been received to do so. As a result these loans are now considered long term in accordance with applicable accounting standards.
- 1h – The return on assets is favorable compared to the prior year as a result of achieving a surplus in 2014/15 compared to a deficit in 2013/14.
- 1i – The return on assets is favorable compared to the target as a result of an increase in revenue from sewer scheme projects and reduced expenditure levels compared with budget, as a result of operational efficiency initiatives.
- 1j – The return on equity is favorable compared to the prior year as a result of achieving a surplus in 2014/15 compared to a deficit in 2013/14.
- 1k – The return on equity is favorable compared to target as a result of making a surplus in 2014/15 compared to a budgeted deficit of \$1.6M. This is a result of reduced expenditure levels compared to budget in the areas of interest (\$0.5M), depreciation (\$0.8M) and other operational expenditure (\$0.5M).

Performance Report

For the year ended 30 June 2015

TABLE 2 – WATER AND SEWERAGE SERVICE PERFORMANCE INDICATORS

Key Performance indicator		2013/14 Result	2014/15 Result	2014/15 Target	Variance to prior year %	Notes	Variance to Target %	Notes
WS1	Unplanned water supply Interruptions Number of customers receiving more than 5 unplanned interruptions in the year / Total number of water customers (domestic and non-domestic) customers X 100	0.0%	0.0%	0.0%	0.0%		0.0%	
WS2	Interruption time Average duration of unplanned water supply interruptions	138 minutes	160 minutes	100 minutes	15.9%	2a	60.0%	2b
WS3	Restoration of unplanned water supply Unplanned water supply interruptions restored within 5 hours / Total unplanned water supply interruptions X 100	98.7%	99.2%	99.0%	0.5%		0.2%	
SS1	Containment of sewer spillages Sewer spills from reticulation and branch sewers contained within 5 hours / Total sewer spills from reticulation and branch sewers X 100	98.0%	100.0%	100.0%	2.0%		0.0%	
SS2	Sewer spills interruptions No of residential sewerage customers affected by sewerage interruptions not restored within 5 hours	0.0%	0.0%	0.0%	0.0%		0.0%	

Notes:

- 2a – The average duration of unplanned water supply interruptions was unfavorable compared to the prior year as a result of two incidents in 2014/15, one which involved a break of a valve on a township trunk main and the other a break on a major trunk main. These incidents resulted in significant average time off water due to the complexity of the works and the large number of customers affected. The unfavourable movement to prior year was as a result of the two large main breaks, which did not occur in the prior year. No actions required to rectify.
- 2b – The average duration of unplanned water supply interruptions was unfavorable compared to target as a result of two incidents in 2014/15, one which involved a break of a valve on a township trunk main and the other a break on a major trunk main. These incidents resulted in significant average time off water due to the complexity of the works and the large number of customers affected. The unfavourable movement to target was as a result of the two large mains breaks none of which were budgeted. No actions required to rectify.

TABLE 3 – CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS

Key Performance indicator		2013/14 Result	2014/15 Result	2014/15 Target	Variance to prior year	Notes	Variance to Target	Notes
CR1	Water Quality complaints No of complaints per 100 customers for:	0.4	0.2	0.8	(50.0%)	3a	(75.0%)	3b
CR2	Sewerage service quality complaints No. of complaints per 100 customers	0.0	0.0	0.0	0.0%		0.0%	
CR3	Sewage odour complaints No. of complaints per 100 customers	0.0	0.0	0.0	0.0%		0.0%	
CR4	Billing complaints No. of complaints per 100 customers	0.1	0.1	0.2	0.0%		(50.0%)	3c

Notes:

- 3a – The favorable result compared to the prior year is a result of a large algal bloom in 2013/14 due to the prevailing weather conditions, which did not occur in 2014/15.
- 3b – The favorable result compared to the target is a result of lower level of algal blooms in 2014/15 than expected due to the prevailing weather conditions.
- 3c – The favorable billing complaints (14) compared to target (30) is due to a reduction in tariffs as a result of the government water rebate.

TABLE 4 - ENVIRONMENTAL PERFORMANCE INDICATORS

Key Performance indicator		2013/14 Result	2014/15 Result	2014/15 Target	Variance to prior year	Notes	Variance to Target	Notes
E1	Effluent re-use volume (end use)	3.6%	4.0%	2.0%	11.1%	4a	100.0%	4b
E2	Total Net CO2 emissions Net tonnes CO2 equivalent	6,872	7,410	8,416	7.8%	4c	(11.9%)	4d

Notes:

- 4a – The favorable result compared to the prior year is due to the mild conditions of summer and autumn in 2014/15 compared to conditions in 2013/14, which increased re-use water purchased by customers.
- 4b – The favorable result compared to target is a result of the target of 2.0% being developed using average weather conditions. The summers and autumns of 2013/14 and 2014/15 have been milder than average, hence the achievement of results favorable to the target, as increased re-use water was purchased by customers.
- 4c – The CO2 emissions were unfavourable to prior year by 7.8%. On analysis this is the combined result of increased pumping from the Tarwin River to sustain the Korumburra emergency supply, the increased usage as the Leongatha digester was commissioned and the increased usage to supply the additional demand of re-use water to customers.
- 4d – The CO2 emissions were favorable to the target due to a combination of the concerted effort to reduce power usage and reduced fleet emissions as a result of more efficient fleet choices.



Statutory Certification

South Gippsland Region Water Corporation

Certification of Performance Report for 2014/15

We certify that the accompanying Performance Report of South Gippsland Region Water Corporation in respect of the 2014/15 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The report outlines the relevant performance indicators for the financial year as determined by the Minister for Water, Environment and Climate Change and as set out in the 2014/15 Corporate Plan, 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 and /or between the actual results in the current year and previous year.

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 black ink, appearing to read "Joan C Liley".

Joan Liley
Chair

A handwritten signature in black ink, appearing to read "Philippe du Plessis".

Philippe du Plessis
Managing Director

A handwritten signature in black ink, appearing to read "Justin Wightman".

Justin Wightman
Chief Finance and Accounting Officer

Dated this 25th day of September 2015

VAGO

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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 2015 of the South Gippsland Region Water Corporation which comprises the performance report, the related notes and the certification of performance report has been audited.

The Board Members' Responsibility for the Performance Report

The board members of the South Gippsland Region Water Corporation are responsible for the preparation and fair presentation of the performance report and for such internal control as the board members determine is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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 performance report of the South Gippsland Region Water Corporation in respect of the 30 June 2015 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

MELBOURNE
28 September 2015



Dr Peter Frost
Acting Auditor-General

Appendix A – Disclosure index

The 2014/15 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.

Direction	Requirement	Page Reference
Ministerial Reporting Directions		
MRD 1	Performance Reporting	28, 61 & 62
MRD 2	Reporting on Water Consumption & Drought Response	20
MRD 3	Environmental & Social Sustainability Reporting	16 & 17, 22 & 23
MRD 4	Bulk Entitlements	18
MRD 5	Annual Reporting – Major Non-residential Water Users	20
Financial Reporting Directions		
Report of Operations		
<i>Charter and purpose</i>		
FRD 22E	Manner of establishment and the relevant Ministers	11
FRD 22E	Objectives, functions, powers and duties	11
FRD 22E	Nature and range of services provided	6
<i>Management and structure</i>		
FRD 22E	Organisational structure	9
FRD 22E	Names of Board Members Major Committees	8
<i>Financial and other information</i>		
FRD 22E	Statement of workforce data	14
FRD 22E	Employment and conduct principles	14
FRD 22E	Summary of financial results [5 year]	28
FRD 22E	Significant changes in financial position during the year	28
FRD 22E	Operational & budgetary objectives and performance against objectives	28
FRD 22E	Major changes or factors affecting performance	28
FRD 22E	Subsequent events	11
FRD 22C	Details of consultancies >\$10,000	12
FRD 22C	Details of consultancies – total No. and cost <\$10,000	13
FRD 12A	Disclosure of major contracts	13
FRD 22E	Application and operation of Freedom of Information Act 1982	11
FDR 22E	Compliance with the Protected Disclosures Act 2012	12
FRD 22E	Compliance with building and maintenance provisions of Building Act 1993	11
FRD 22E	Statement on National Competition Policy	13
FRD 22E	Occupational Health and Safety Policy	15
FRD 22E	Environmental Reporting [Office]	22-24
FRD 25	Victorian Industry Participation Policy disclosures	12
FRD 10	Disclosure index	66
FRD 22E	Statement of availability of other information	10
FRD 121	Infrastructure Assets (Water/Rail)	-
FRD 27B	Presentation & reporting of performance information	28
Financial Statements		
<i>Financial statements required under Part 7 of the Financial Management Act 1994</i>		
SD 4.2(b)	Operating Statement	30
SD 4.2(b)	Balance Sheet	31
SD 4.2(b)	Statement of Changes in Equity	32
SD 4.2(b)	Cash Flow Statement	33
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	34-40
SD 4.2(c)	Compliance with Ministerial Directions	63
SD 4.2(d)	Rounding of amounts	34
SD 4.2(c)	Accountable officer's declaration	7
SD 4.2(g)	General information requirements	6
SD 4.2(j)	Sign-off requirements	7
SD 4.5.5	Risk Management Compliance Attestation	11
<i>Other disclosures in notes to the financial statements</i>		
FRD 9A	Departmental Disclosure of Administered Assets and Liabilities	None
FRD 11	Disclosure of ex-gratia payments	None
FRD 13	Disclosure of Parliamentary Appropriations	None
FRD 21B	Disclosure of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities)	54
FRD 102	Inventories	44
FRD 103F	Non-financial current Physical Assets	36
FRD 106	Impairment of Assets	36
FRD 109	Intangible Assets	37
FRD 110	Cash Flow Statements	33
FRD 112C	Defined Benefit Superannuation Obligations	51
FRD 114A	Financial Instruments	57
FRD 119	Contributions by Owners	38
Legislation		
	Freedom of Information Act 1982	11
	Building Act 1983	11
	Financial Management Act 1994	58-60, 63-65
	Audit Act 1994	58-60, 63-65
	Victorian Industry Participation Policy Act 2003	12
	Multicultural Victoria Act 2004	15
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The Hon Peter Walsh MLA and
The Hon Lisa Neville MP

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28 Bair Street
LEONGATHA VIC 3953

AUDITORS

Auditor General, Victoria
By Agent Crowe Horwath Australasia Ltd

INSURERS

Marsh Insurance Brokers

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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