



ANNUAL REPORT
2010 - 2011



VISION

Our future ideal is.....

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

MISSION

Our core purpose is.....

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

CORE VALUES

Integrity – earning and sustaining public trust

Freedom from conflicts of interest

Using powers responsibly

Honesty and transparency

Reporting improper conduct

Respect for others

Freedom from discrimination, harassment and bullying

Accountability – accepting responsibility for decisions and actions

Working to objectives

Acting in a transparent manner

Achieving best use of resources

Being open to appropriate scrutiny

Impartiality – acting objectively

Without bias or self interest

Based on merit, facts and fair criteria

Implementing policies and programs equitably

Service - providing the best standards of service

To our customers

To the government

To our local and regional community

To Board Members and Corporation Staff

To the broader water industry

Operational responsibility – the way we run our business

Operating our business in a sustainable manner

Behaving as a good corporate citizen

Striving to minimise the environmental impact of our operations

Commitment to safety in the workplace

The highest standards of public health will be our priority

Table of Contents

Vision	Inside front Cover	Social Sustainability	12
Mission	Inside front Cover	Community Service Obligations - Financial Assistance	
Core Values	Inside front Cover	To Eligible Customers & Pensioners	12
Our Region	2	Customer Consultation	12
South Gippsland – The Region.....	2	Customer Reference Groups and Committees.....	12
Nature and Range of Services Provided	2	Building Community Capacity - Community and Schools education programs – sustainability and demand reduction	12
Statement by the Managing Director and Chairman	3	Meetings with local community and special interest groups	12
Introduction	3	South Gippsland Water Website.....	12
Accountable Officers Attestation.....	3	Management of Social and Economic Impacts	12
The Board	4	Bulk Entitlement Reporting	13
Meetings Attended	5	Bulk Entitlement Reporting	13
Our Management Team	5	Water Services	14
Organisation Structure	5	Water Quality.....	14
Corporate Governance	6	Consumption & Drought Response	14
Role of the Board.....	6	Water Consumption Report	14
Board Membership.....	6	Drought Response Plan	15
Remuneration of Directors.....	6	Major Non-Residential Water Users	15
Meetings, Committees & Composition of Committees	6	WaterMaps	15
Remuneration Committee	6	Water Map Customers & Sustainability initiatives.....	15
Statement of Availability of Other Information	7	Wastewater Services	15
Disclosure Index.....	7	Wastewater Management	15
Declaration of Pecuniary Interest	7	South Gippsland Water's waste discharge licence compliance 2009/10	15
External Auditors	7	Treated Effluent.....	15
Risk Management & Chairman's Statement.....	7	Biosolids.....	15
Manner of Establishment & the Relevant Minister	7	Environmental Sustainability	16
Objectives, Functions, Powers and Duties.....	7	Corporate Sustainability Strategy.....	16
Water Supply.....	7	Environment & Sustainability Policy Environmental Management System [EMS]	16
Sewerage	7	Regional Catchment Strategy	16
Employment and Conduct Principles.....	8	Sustainable Water Use	16
Workforce data.....	8	Water Supply Demand Strategy	17
Executive Officers' Remuneration	8	Community Partners in Environment and Sustainability	17
Freedom of Information (Fol)	8	Community groups, organisations and activities supported by South Gippsland Water in 2010/11	17
Contact for Requests.....	8	River Health	18
Compliance with the Building Act 1993	8	Victorian Biodiversity Strategy	18
Events Subsequent to Balance Date.....	8	Green House Gas Emissions	18
Whistleblowers Protection Act 2001 No 36	9	Major Projects	19
Victorian Industry Participation Policy - Implementation.....	9	Summary of Major Projects 2010/11	19
Contracts Completed to which VIPP applied	9	Financial Performance	20
Consultancies for 2010/11	9	Recognition and Measurement of Infrastructure Assets	20
Consultancies less than \$100,000	9	Report of Operations	20
Disclosure of Major Contracts	9	2010-11 Summary of Financial Results	20
Corporate Water Consumption 2010/11	10	Summary of Financial Performance	20
Water Consumed Per Unit of Office Space.....	10	Financial Report	21
Corporate Co2 Emissions 2010/11.....	10	Table of Contents	21
National Competition Policy	10	Statement of Comprehensive Income	22
Goods and Service Tax (GST)	10	Balance Sheet	23
Our People	11	Statement of Changes in Equity	24
Employee Assistance Program.....	11	Cash Flow Statement	25
Enterprise Bargaining Agreement [EBA].....	11	Notes to the Financial Report	26
Occupational Health and Safety Management (OH&S)	11	Performance Report	51
Vehicle Incidents per 100,000km travelled 2009/10-2010/11	11	Appendix A – Disclosure index	56
Equal Opportunity.....	11		

Our Region

South Gippsland – The Region

South Gippsland is located about 2 hours drive from Melbourne and is a popular tourist destination, well known for its coastal resorts, such as Inverloch, Cape Paterson, Venus Bay, Sandy Point and Port Albert. The region 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 2010/11 comprised:

Water Supply

- 19,739 water assessments [accounts] over 21 rural centres
- 13 reservoirs and 18 service storages
- 4,595 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
- 689 km of water mains
- 17 water pump stations

Wastewater Services

- 16,712 wastewater assessments [accounts] over 11 rural centres
- 3,998 ML of wastewater collected
- 11 conventional wastewater systems
- 1 vacuum wastewater system
- 11 wastewater treatment plants
- 415 km of wastewater mains
- 45 wastewater pump stations

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

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

South Gippsland Water & Wastewater Service Localities 30th June 2011

Centre	Population Served (Permanent) [See note 1]	Water		Sewerage
		Customers Billed	Supplied from	Customers Billed
Port Franklin	127	107	Agnes River	Not Serviced
Port Welshpool	206	270	Agnes River	252
Toora	707	515	Agnes River	281
Welshpool	153	203	Agnes River	120
Fish Creek	181	209	Battery Creek	Not Serviced
Korumburra	3299	2070	Coalition Creek storage network	1761
Foster	1090	822	Deep Creek / Foster Dam	730
Inverloch	4645	4320	Lance Creek	4281
Cape Paterson	756	1119	Lance Creek	1103
Wonthaggi	7324	4166	Lance Creek Reservoir	3917
Loch	191	147	Little Bass	Not Serviced
Nyora	568	342	Little Bass	Not Serviced
Poowong	300	207	Little Bass	Not Serviced
Koonwarra	150 (estimate)	80	Ruby Creek storage network	Not serviced
Leongatha	4692	2970	Ruby Creek storage network	2774
Alberton	167	146	Tarra River	Not Serviced
Devon North	79 (estimate)	124	Tarra River	Not Serviced
Port Albert	258	389	Tarra River	323
Yarram	1795	1170	Tarra River	1056
Dumbalk	170	103	Tarwin River – East Branch	Not Serviced
Meeniyan	445	260	Tarwin River – West Branch	Construction of Scheme Underway
Waratah Bay – See note 2.	150 (estimate)	Not Serviced	N/A	108

Notes:

1. Population Served based on ABS 2006 Census* updated with local government growth factor from "Victorian Population Bulletin 2011, Annual Edition. Also note ABS method of calculation of population has changed, from enumerated persons, [population figure taken on where people are located on the census night], to a person's usual place of residence, regardless of where they are on Census night.
2. The Waratah Bay figures are an estimate only – it is not possible to isolate them from the ABS Fish Creek collection district, which also includes Sandy Point as well as the township of Fish Creek.

Statement by the Managing Director and Chairman

Introduction

The 2010-11 financial year in South Gippsland Water's service area has been characterised by rainfall significantly higher than the old long term average and generally cooler conditions than the region has experienced over the last 8 to 10 years.

At the time of writing, these conditions have been a mixed blessing. On one hand all our reservoirs are either close to capacity or overflowing and on the other, delays to capital works have been caused by water logged construction sites where it was impossible for heavy machinery to operate. However, despite the extremely wet year the Corporation has been able to achieve 90% of a challenging \$15M Capital Works Budget and include unique projects such as the removal of the Venus Bay outfall structure, and the closure of the Port Welshpool outfall. These are examples of infrastructure works that will ensure South Gippsland Water can operate effectively and be able to continue to improve delivery of service to our customers.

The major achievement of the 2010-11 year was really about the long term legacy of the Corporation for the South Gippsland community - the 50 year forward looking "Water Supply Demand Strategy" [WSDS] which came to full fruition at the end of the year. The WSDS has moved into the broader consultation stage following on from the extensive time, effort and commitment that went into its development.

It was very pleasing to see full certification of South Gippsland Water's Occupational Health and Safety [OH&S] system during the 2010-11 financial year. OH&S has been, and always will be, a high priority for the Corporation. Staff are to be congratulated on their proactive culture and commitment to health and safety across the organisation.

South Gippsland Water employs 87 staff and serves a permanent population of about 28,000 increasing by tens of thousands over summer and during major holiday periods. We are proud of the years achievements and would like to thank all our staff for their continued dedication and professionalism, this has been highlighted by our annual customer satisfaction survey, which found 97% of our customers were satisfied or very satisfied with the Corporations overall performance in 2010.

We would like to thank our Board of Directors for their outstanding commitment and leadership, especially in the development of the Corporate Long Term, Water Supply Demand Strategy and also for their overall prudent guidance of the Corporation.

South Gippsland Water looks forward to the future as the Corporation implements the programs foreshadowed in the Water Supply Demand Strategy, and we see the tangible benefits drawn from these works for all our customers.

Acknowledgements

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

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

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.



Steve Evans
Managing Director

South Gippsland Water
Dated: 30th June 2011



Llew Vale
Chairman



Steve Evans
Managing Director

The Board

During 2010/2011 the Board consisted of:

Llew Vale OAM

(Chair) Appointed 1st January 1995.

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

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

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

Llew is now Chair of Goulburn Murray Water since March 2011.

Joan Liley

B.Com (Melb), Dip.Ed. (Monash), GAICD

(Deputy Chair) Appointed 1st of July 2004.

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

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

Noel Maud

Appointed 1st of July 2005

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

John Anderson

Cert EDP, MACS, MAICD

Appointed 1st of October 2007.

John was appointed to the Board of Directors in October 2007. John brings over 30 years experience in the Information Technology industry to the organisation. In partnership with his wife, he also operates a Dairy farm in West Gippsland.

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

Jim Fawcett

CPA

Appointed 1st of October 2007.

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

John Rundell

BE, BEc, MBA, LLM, DiplCarb,

CA, FCPA, FHKICPA, FIAMA, FCIArb, GAICD

Appointed 1st October 2007.

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

John is also the Chair of the Risk and Audit Committee of Department of Sustainability and Environment.

Kim McGrath

LLB, BA, GAICD

Appointed 1st of July 2010

Kim McGrath joined the South Gippsland Water Board in July 2010. She has over 20 years experience in public policy development and implementation in a range of portfolio areas including governance, sustainability and the water industry. She is currently engaged by the United Nations Development Program to assist Mr Steve Bracks AC on his Timor Leste Governance Project.

Meetings Attended

Director		Date of Commencement on Board	Board Meetings	OH&S Committee	Audit & Risk Management Committee	Corporate Governance Committee	Environment Committee	Executive Remuneration Committee
Llew Vale	[Chair of Board] (Chair of Remuneration Committee) (All Committees)	1st of July 1995	11 of 12	3 of 4	4 of 5	4 of 4	3 of 4	3 of 3
Joan Liley	[Deputy Chair of Board] (Chair of Corporate Governance Committee) (OH&S Committee)	1st of July 2004	11 of 12	4 of 4	n/a	4 of 4	n/a	n/a
Noel Maud	(Environment & OH&S Committees)	1st of July 2005	10 of 12	2 of 3	n/a	n/a	3 of 4	n/a
John Anderson	(Environment & Remuneration Committees)	1st of October 2007	11 of 12	n/a	n/a	n/a	3 of 4	3 of 3
Jim Fawcett	(Chair of OH&S Committee) (Remuneration Committee)	1st of October 2007	10 of 12	4 of 4	n/a	n/a	n/a	2 of 3
John Rundell	(Chair of Audit and Risk Management Committee) (Corporate Governance Committee)	1st of October 2007	11 of 12	n/a	5 of 5	4 of 4	n/a	n/a
Kim McGrath	(Chair of Environment Committee) (Audit & Risk Committee)	22nd of July 2010	12 of 12	n/a	3 of 3	n/a	4 of 4	n/a
Number of Meetings Held			12	4	5	4	4	3

Our Management Team

Steve Evans – Managing Director

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

Philippe du Plessis – Manager Finance & Corporate Services

(Deputy MD)

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

Rob McKaige – Manager Technical Services

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

Ravi Raveendran – Manager Operations

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

Organisation Structure



Corporate Governance

Role of the Board

The Board of Directors, who are appointed by the Minister for Water, operate under the provisions of the Water Act 1989 and have responsibility for the governance of the Corporation, to provide strategic direction and accountability for the performance of South Gippsland Water. Responsibility for the ongoing operation and implementation of strategy is delegated to the Managing Director and Management Team.

Board Membership

The Board comprises a non-executive Chair, the Managing Director and six non-executive Directors. The Minister for Water, appoints the Directors under the Water Act 1989.

Remuneration of Directors

Refer to the Notes to Accounts within the Financial Report.

Meetings, Committees & Composition of Committees

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

Occupational Health and Safety Board Committee

The Occupational Health and Safety Board Committee met 4 times in 2010/11. The committee assists the Board to discharge its duty of care and fulfil its corporate governance responsibilities with respect to workplace health and safety.

Period of operation 1/7/10 – 30/6/11

Jim Fawcett (Chair)

Llew Vale

Joan Lilley

Noel Maud

Audit and Risk Management Committee

The Audit and Risk Management Committee met 5 times in 2010/11. The committee reviews the financial accounts, statutory responsibilities, corporate regulations, risk management and delegated Corporation policies and procedures that underpin the operations of South Gippsland Water.

Period of operation 1/7/10 – 30/6/11

John Rundell* (Chair)

Llew Vale

Kim McGrath*

Peter Moloney**

(*Independent Members)

(**Independent External Member)

Corporate Governance Committee

The Corporate Governance Committee met 4 times in 2010/2011, to identify and put in place processes to enhance Board and organisational performance.

Period of operation 1/7/10 – 30/6/11

Joan Liley (Chair)

Llew Vale

John Rundell

Environment Committee

The Environment Committee met 4 times in 2010/11. Its objectives include, assisting in establishing environmental management policy, monitoring organisational environmental awareness and performance and advice on environmental issues to the Board.

Period of operation 1/7/10 – 30/6/11

Kim McGrath (Chair)

Llew Vale

John Anderson

Noel Maud

Remuneration Committee

The Remuneration Committee meets when required and reviews the performance and remuneration of senior executives and the terms of employment of all South Gippsland Water employees. It met 3 times in 2010/2011. The committee ensures compliance with the requirements of the Government Sector Executive Remuneration Panel (GSERP).

Period of operation 1/7/10 – 30/6/11

Llew Vale (Chair)

John Anderson

Jim Fawcett

Statement of Availability of Other Information

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

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

Disclosure Index

An index identifying the Corporation's compliance with statutory disclosure requirements is contained in Appendix A, page 56.

Declaration of Pecuniary Interest

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

External Auditors

WHK Audit (Vic), as an agent for the Auditor-General Victoria, undertook the external audit for 2010/11.

Risk Management & Chairman's Statement

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

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

I, Llew Vale, certify that South Gippsland Water has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard AS/NZS ISO 31000:2009 and an internal control system is in place that enables the Executive to understand, manage and satisfactorily control risk exposures. The Audit and Risk Management Committee verifies this assurance and that the risk profile of South Gippsland Water has been critically reviewed within the last 12 months.



Llew Vale
Chairman
Board of Directors
South Gippsland Water
Dated: 30th June 2011

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.

The Ministers who were the responsible Ministers during the financial year 2010/11 were:

- The Hon. Tim Holding MP, Minister for Water (1 July 2010 to 2 December 2010)
- Peter Walsh MP, Minister for Water (2 December 2010 to 30 June 2011)

Objectives, Functions, Powers and Duties

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

Water Supply

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

Sewerage

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

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

Corporate Governance

Employment and Conduct Principles

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

South Gippsland Water is committed to applying merit and equity to recruitment and in all its dealings with staff. The table below summarizes all formal staffing grievances such as sexual harassment and unfair dismissal complaints. There was one complaint in 2010-11.

Formal Staff Grievances Disclosure Summary

Year	2010-11	2009-10
Disclosures	1	Nil

Workforce data

2011	2010	2009	2008	2007
87	87	84	81	75

June 2010 – June 2011

	Ongoing Employees				Fixed term & casual employees
	Employees (headcount)	Full time (headcount)	Part time (headcount)	FTE	FTE
June 2011	87	76	6	80.5	4.2
June 2010	87	74	5	79	8

	2010-11				2009-10			
	Ongoing		Fixed term & casual employees		Ongoing		Fixed term & casual employees	
	Employees (headcount)	FTE	Employees (headcount)	FTE	Employees (headcount)	FTE	Employees (headcount)	FTE
Gender								
Male	62	61.9	2	2	63	62.6	2	2
Female	20	18.9	3	2.2	16	15.5	6	4
Total	82	80.5	5	4.2	79	77.9	8	6
Total Classification								
Band 3	11	11			10	10	1	1
Band 4	19	18.45	4	4.2	18	17.8	6	4
Band 5	15	15			16	16	-	-
Band 6	15	14.45			16	15.5	1	1
Band 7	7	6.8			5	4.8	-	-
Band 8	4	4			2	2	-	-
SEO	7	6.8	1		8	7.8	-	-
Executive	3	3			3	3	-	-
M/g Director	1	1			1	1	-	-
Total	82	80.5	5	4.2	79	77.9	8	6

Executive Officers' Remuneration

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

	Total Remuneration		Base Remuneration	
Income band				
\$	2011	2010	2011	2010
130,000 - 139,999	-	-	-	-
140,000 - 149,999	-	-	-	2
150,000 - 159,999	-	2	2	1
160,000 - 169,999	2	1	1	-
170,000 - 179,999	1	-	-	-
Total Amount	\$505,000	\$483,000	\$477,00	\$454,000
Total Numbers	3	3	3	3

Freedom of Information (Fol)

Operation

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

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

Applications

During 2010-11 South Gippsland Water received no requests under the Fol Act for access to information.

Contact for Requests

Requests under the *Freedom of Information Act 1982*, describing the documents requested, must be made, in writing. A Freedom of Information (Fol) application fee of \$24.40 from 1st July 2011 is payable. Depending on the circumstances, further charges may also be payable. Fol fees and charges are not subject to GST.

Requests should be addressed to:-

The Fol Contact Officer

Phone: (03) 5682 0444

At: 14-18 Pioneer Street, Foster, Vic

By mail: PO Box 102, Foster, Vic 3960

By Fax: (03) 5682 1199

By Email: sgwater@sgwater.com.au

Compliance with the Building Act 1993

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

Events Subsequent to Balance Date

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

Whistleblowers Protection Act 2001 No 36

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

The Protected Disclosure Coordinator for the Department of Sustainability and Environment (DSE) acts as an agent for South Gippsland Water to receive disclosures under the *Whistleblowers Protection Act 2001*, and applies departmental procedures in managing disclosures, including taking all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

Disclosures may also be made directly to the Ombudsman. The contact details for the Protected Disclosure Coordinator and Ombudsman are:

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

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

Disclosure Summary

Year	2010-11	2009-10
Disclosures	Nil	Nil

Victorian Industry Participation Policy - Implementation

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

Contracts commenced to which the VIPP applied:

- During 2010/11 South Gippsland Water commenced 2 contracts totalling \$2.44 million in value to which the VIPP applied. These contracts were not completed in 2010/11.
- The contracts are in regional Victoria.
- The commitment by the contractor includes:
 - An overall level of local content between 90% and 100% of the total value of each contract.
 - A total of 77 full time equivalent jobs.
- The following benefit to the Victorian economy occurred, in terms of skills and technology transfer:
 - Civil, electrical and mechanical works.
 - Concreting, steel reinforcing, painting and pipework.

Contracts Completed to which VIPP applied

- During 2010/11 one contract, worth \$1.02 million, to which the VIPP applied was completed.
- The commitment by the contractor under VIPP included and achieved:
 - An overall level of local content of 100% of the total value of the contract.
 - 6 full time equivalent jobs.

Consultancies for 2010/11

Greater than \$100,000

Consultant	Project	Total Approved Project Fee (Excl. GST)	Expenditure 2010/11 (Excl. GST)	Future Expenditure (Excl. GST)
Beveridge Williams	Poowong, Loch & Nyora Sewer Reticulation Design	\$315,480.00	\$76,160.00	\$20,420.00
CEE	Ocean Outfall Monitoring	\$191,600.00	\$44,030.00	\$84,046.00
GHD	Poowong, Loch & Nyora Sewerage Waste Water Treatment Plant Design	\$104,545.50	\$6,840.00	\$92,081.82
Marsden Jacob Associates	Connection to Melbourne Grid Business Case	\$241,506.66	\$95,111.91	Est: \$50,000.0
SKM	Groundwater Hydrological Services for Leongatha	\$181,685.4	\$1,102.50	N/A
KBR	Korumburra & Leongatha Waste Water Treatment Plant – Sludge Dewatering	\$169,907.45	\$24,375.00	\$63,938.14
KBR	Wonthaggi Sewer System Upgrades – Design Documentation	\$182,660.62	\$154,849.46	\$27,811.16
SKM	SGW Water Supply Demand Strategy Update	\$178,660.62	\$117,967.04	N/A

Consultancies less than \$100,000

In addition a further 35 consultancies where the total fees payable to the consultant was less than \$100,000 were engaged during the financial year at a total cost of \$657,557.00 (Excl. GST).

Disclosure of Major Contracts

There were no contracts of a value in the order of \$5M during the reporting period 2010/11. There were no contracts of a value greater than \$10M during the reporting period 2010/11.

Corporate Governance

Corporate Water Consumption 2010/11

Calculation based on the Foster Head Office and Annex, accommodating 39 full time equivalent staff [including contractors].

The calculation includes Foster Head Office and Annex consumption only.

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

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

Indicator	Target	Actual 2010/11	Variation %	Actual 2009/10	Actual 2008/9
Consumed [Kilolitre (KL) = 1,000 litres]	250kL	241kL	-3.6%	232kL	233kL
Kilolitres consumed per full time equivalent staff member	6.4kL	6.2kL	-3.1%	5.9kL	5.3kL

Water Consumed Per Unit of Office Space

Water consumed per square metre of office space for 2010/11 was 242.7 litres.

Corporate Co2 Emissions 2010/11

The following table sets out Corporate greenhouse gas emissions for 2010/11 [and the two preceding years].

ITEM	2010/11 [Emissions in Tonnes]	2009/10 [Emissions in Tonnes]	2008/09 [Emissions in Tonnes]
Water Treatment & Pumping	2,142.4 ¹	2,040.4	2,168.1
Wastewater Treatment	10,865.7 ¹	10,348.3	9,173.3
Waste Disposal	Not recorded	N/r	N/r
Energy Use – Non-fleet	209.5 ¹	190.4 [office]	171.4 [office]
Vehicle Fleet	623	620.5	726.8
Offsets Purchased	nil	nil	788.1
Any other activities	-	-	-
Gross Tonnes CO2e	-	13,208.7	12,246.2
Net CO2E	13,840.6 ²	13,208.7	11,458.1

Note 1: Estimated 5% increase on 2009/10 figures due to absence of 2010/11 data at time of reporting.

Note 2: This figure will change when actual data available as per note 1.

National Competition Policy

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

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

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

Goods and Service Tax (GST)

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

Our People

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

Employee Assistance Program

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

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

Enterprise Bargaining Agreement [EBA]

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

The required EBA Key Performance Indicators were achieved by staff during the 2010/2011 year, resulting in payment of the corresponding salary increases provided for under the agreement. The current EBA applies until September 2012.

Occupational Health and Safety Management (OH&S)

South Gippsland Water Occupational Health and Safety unit strongly focused on improving OHS risk control across the corporation by implementing new procedures and systems. This also involved accreditation of SGW's Occupational Health and Safety Management System to the highest safety management system standard available - AS 4801:2001.

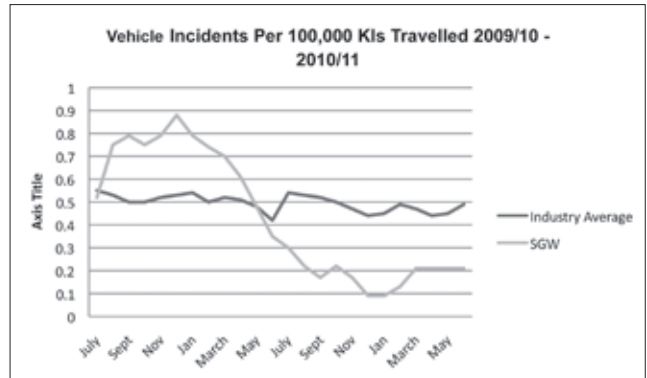
Accreditation and compliance to this standard ensures SGW are addressing the critical and key criteria of both state and national OHS legislation. In gaining accreditation of its OHS Management System the OHS department have created numerous systems for capturing risks, assessments and actions. These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

During the 2010/2011 financial year South Gippsland Waters OH&S Department continued to vigorously inspect and audit worksites to ensure compliance with policy and procedure. This is highlighted in the target inspection data which shows a 100% completion record for OHS site inspections and assessments.

The OH&S department have also been diligent in looking further at reducing injury rates across the corporation. For the 2010/2011 financial year an identical injury rate to the previous financial was achieved. Whilst this rate is pleasingly low the department continues to aim for zero harm. South Gippsland Water has continued to track below the industry average for lost time injuries which is again positive and further effort will be placed into reducing the rate further in the coming period.

SGW has focused heavily on reducing vehicle related incidents throughout the fleet to reduce the associated OHS and financial risks. The attached graph shows the incident rate over the past two financial years has greatly declined in part due to the training regime and procedural awareness of corporation employees.

Vehicle Incidents per 100,000km travelled 2009/10-2010/11



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 2010/11 period.

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 the Government. The Essential Services Commission monitors South Gippsland Water's performance against these obligations.

Community Service Obligations - Financial Assistance To Eligible Customers & Pensioners

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

Value of Community Service Obligation Provided	2009-10 \$	2010-11 \$
Provision of concessions to pensioners	950,112	1,095,792
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	128,287	131,006
Utility Relief Grants Scheme payments	6,739	7,638
Water concessions on Life Support Machines - Haemodialysis	Nil	Nil
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	Nil	Nil

Customer Consultation

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

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

- an annual customer satisfaction survey;
- meetings with local community and special interest groups, i.e. Lions, Rotary, Chambers of Commerce, LandCare groups, etc.;
- via the South Gippsland Water website; and
- participation at local events such as environment and water related shows.

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

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

Customer Reference Groups and Committees

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

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

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

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

South Gippsland Water has continued to facilitate school education programs

throughout 2010/11:-

- "Water Aware" is a dynamic school leadership program offering students insight into the whole water picture in their particular area. Water Aware is an investigative program delivered in partnership with local water related businesses and delivered with assistance from the Smart Water fund.
- A number of activities are delivered around key days throughout the year including a student expo to celebrate World Environment Day and National Water Week poster competition and activities.
- School visits and excursions have been delivered to both secondary and primary schools supporting water related curriculum.
- South Gippsland Water provides and supports the State resource Water Learn it Live it.

Meetings with local community and special interest groups

The Corporation seeks meetings of this type and is keen to provide speakers to address special interest groups on common interest topics, e.g. Shire Councils, Lions, Rotary, various Chambers of Commerce, local residents and land care groups, etc.

South Gippsland Water Website

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

Management of Social and Economic Impacts

Economic Impacts

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

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

During 2010-11 the Corporation participated in the "Water Wise" program. The program aimed to assist eligible customers to reduce their water usage. The program provided a free water audit and retrofit, plus advice on sustainable water use and current fixtures, fittings and tips in regard to water conservation. This program finished on the 3rd of May 2011 and has now been replaced by the broader based Living Victoria Water Rebate Program. The new extended program now encompasses Home and Garden Rebates and Small Business Rebates.

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

Bulk Entitlement Reporting

Bulk Entitlement Reporting

The Corporation operates a number of Bulk Entitlements - the following table sets out the entitlement for all South Gippsland Waters' water supply systems for 2010/2011.

System & reference number of relevant Bulk Entitlement	Water Supply	Towns Serviced	Bulk Entitlement ML/year	Amount Taken ML/y ¹	Storages ²	Water Storages ML ³	Entitlement transfer from	Entitlement transfer to ML/y	Entitlement amendment ⁴	New Entitlement	Failures to Comply ⁵	Difficulties & Remedial action ⁶	Compliance with Making Allowances ⁷	Compliance with Environmental Obligations ⁸	Compliance with Metering Obligations ⁹
BEE049324 Leongatha	Ruby Creek	Leongatha Koonwarra	2476	1650	Res 1	18.9	nil	nil	see note 4	nil	nil	nil	✓	✓	✓
					Res 2	83.6									
					Hyland	671.1									
					Western	1137.0									
BEE049323 Devon North, Alberton, Yarram and Port Albert	Tarra River	Yarram Alberton Port Albert Devon North	853	473	nil	nil	nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE049327 Fish Creek	Battery Creek	Fish Creek	251	90	Battery Creek Reservoir	123.0	nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE049331 Korumburra	Coalition Creek	Korumburra	1000	741	No. 1	146.6	nil	nil	see note 4	nil	nil	nil	✓	✓	✓
	Ness Creek				No. 2	73.5									
	Bellview Creek				No. 3	359.2									
BEE049325 Loch, Poowong & Nyora	Little Bass River	Poowong Loch Nyora	420	164	Little Bass reservoir	218.5	nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE049332 Toora, Port Franklin, Welshpool and Port Welshpool Agnes River	Agnes River	Toora Welshpool Port Welshpool Port Franklin	1617	526	Cooks Dam	58.7	nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE049334 Wonthaggi, Inverloch	Lance Creek Powlett River	Wonthaggi Inverloch Cape Paterson	3800	1611	Lance Creek Reservoir	4279.0	nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE049328 Foster	Deep Creek	Foster	326	165	Deep Creek Reservoir	15.2	nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE049329 Meeniyan	Tarwin River	Meeniyan	200	50	nil	nil	nil	nil	nil	nil	nil	nil	✓	✓	✓
BEE049326 Dumbalk	Tarwin River East	Dumbalk	100	21	nil	nil	nil	nil	nil	nil	nil	nil	✓	✓	✓

Notes:

1. Annual amount of water taken in ML
2. Storages included under each Bulk Entitlement
3. Water Storage Levels (ML) as at June 30 2011
4. Bulk Entitlement Amendments made to Leongatha and Korumburra in October 2010 to:
 - a. pump a volume of up to 1,800 ML per year from the Tarwin River
 - b. Increase the capacity of the system storages by 200ML.
5. Any failure by the Corporation to comply with the Bulk Entitlement.
6. Any difficulties experienced or anticipated in complying with the Bulk Entitlement and remedial action taken or proposed.
7. Approval, amendment and implementation of programs and proposals for Making Allowances (✓ indicates compliance has been met)
8. Approval, amendment and implementation of programs and proposals for Environmental Obligations (✓ demonstrates progress towards compliance with environmental obligations).
9. Approval, amendment and implementation of programs and proposals for metering obligations (✓ demonstrates progress towards compliance with metering obligations).

Water Services

Water Quality

During 2010/2011, South Gippsland Water maintained its water quality monitoring program consistent with the requirements of the Safe Drinking Water Regulations 2005.

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

Parameter	Notes	2010/2011 %
E.coli (<1 E.coli in 98% of samples taken)		100.0
Turbidity (95% upper confidence limit of the mean <=5 NTU)		100.0
Aluminium (<=0.2 mg/L)	1	99.6
Trihalomethanes (<=250ug/L)		100.0
Chloroacetic Acid (<=150ug/L)		100.0
Dichloroacetic Acid (<=100ug/L)		100.0
Trichloroacetic Acid (<=100ug/L)		100.0

Note 1. In the course of optimising treatment, following a change in water quality and growth of algae in the Devon North raw water basin, high aluminium levels in treated water were recorded. A non-conformance for a regulatory sample collected from Alberton occurred on 3rd November 2010. Aluminium levels in the system have continued to be compliant since the breach in November.

Consumption & Drought Response

Water Consumption Report

Water District	Actual Annual Consumption (ML) and Number of Assessments (No.) 2010-2011											
	Retail Urban Residential		Retail Urban Non-Residential Include Majors		Concessional		Retail Stock & Domestic		Total Annual Consumption		Ave Annual Demand	Actual Annual Cons/ Ave Annual Demand
	ML	No.	ML	No.	ML	No.	ML	No.	ML	No.	ML	%
Alberton/Port Albert Yarram/Devon Nth	145	1219	124	324	24	74	68	130	361	1747	379	-4.75
Dumbalk	9	75	2	10	1	6	1	5	13	96	13	0.00
Fish Creek	11	98	4	24	2	13	48	63	65	198	82	-20.73
Foster	69	577	40	119	14	38	7	15	130	749	134	-2.99
Korumburra	236	1635	283	234	23	67	9	12	551	1948	443	24.38
Wonthaggi/Cape Paterson/Inverloch	830	8369	325	471	73	139	177	138	1405	9117	1400	0.36
Leongatha/Koonwarra	323	2341	1111	422	40	131	15	24	1489	2918	1526	-2.42
Meeniyah	28	194	3	34	2	9	6	12	39	249	44	-11.36
Poowong/Loch/Nyora	62	499	29	66	7	31	45	45	143	641	170	-15.88
Toora/Welshpool/Port Welshpool/Port Franklin	63	589	237	311	11	37	72	71	383	1008	387	-1.03
Total	1776	15596	2158	2015	197	545	448	515	4579	18671	4576	0.07

Average annual demand is calculated as a rolling 3 year average. This excludes real system water losses of **8.65%** and estimated non-metered consumption of **896ML's**. It also excludes Standpipe Sales, (**87ML**), and South Gippsland Water's metered properties, (**68ML**).

Drought Response Plan

No staged restrictions were imposed in South Gippsland Water's area of responsibility in 2010-11. Consequently no drought response plans were invoked. However, as mentioned in the relevant sections of this report the major focus for the year was the revision and updating of the Corporation's Water Supply Demand Strategy.

Major Non-Residential Water Users

Customers by volume/range for 2010/11

Volumetric Range ML per year	Number of Customers
Equal to or greater than 200ML and less than 300ML	1
Equal to or greater than 300ML and less than 400ML	0
Equal to or greater than 400ML and less than 500ML	0
Equal to or greater than 500ML and less than 750ML	0
Equal to or greater than 750ML and less than 1000ML	1
Greater than 1,000ML	0
Total Number of Customers	2

WaterMaps

The WaterMaps program aims to help secure the State's water supplies through consultation with high volume industrial customers.

Non residential water customers with a water usage above 10ML in 2010-11 were asked to;

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

Water Map Customers & Sustainability initiatives

Business type	Participation in Water Conservation Program
Murray Goulburn Coop Ltd. Leongatha	Participate in the EREP program, includes both energy and water. Highly active in water conservation.
Towang No 1 Pty Ltd. Burra Foods. Korumburra	Processing facilities upgraded; including water conservation measures and community re-use.

Wastewater Management

During 2010/2011, South Gippsland Water was compliant with sewerage treatment standards at seven systems.

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

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

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

Improvements in wastewater management implemented during the year included:-

- Sewerage pumping stations have been upgraded to improve efficiency and reduce the risk of spills from occurring;
- Relining of sewer pipelines to reduce blockages and spills in higher risk areas such as Inverloch and Korumburra;
- Continued improvements to wastewater management systems have been implemented, particularly for monitoring, calibration, documentation and reporting;
- Improved groundwater monitoring adjacent to wastewater lagoons has been implemented, to ensure the integrity of the lagoons;
- Improvements to the lagoon aeration system at Wonthaggi including an additional aerator and Probiotic Low Energy Aeration System to improve treated water quality;
- Improvements to the Foster lagoons with Probiotic dosing and a chlorine dosing system.

Treated Effluent

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

Biosolids

With the upgrade of the Leongatha wastewater treatment plant South Gippsland Water commissioned a biosolids management facility for processing biosolids for suitable re-use, via land application. Potential biosolids re-use is being investigated.

Environmental Sustainability

Corporate Sustainability Strategy

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

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

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

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

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

Environment & Sustainability Policy Environmental Management System (EMS)

South Gippsland Water's Environment & Sustainability Policy defines our commitment to undertaking our activities in an environmentally responsible manner, taking into account resource availability, environmental values, legislative obligations, community expectations and “Best Practice” protocols. It forms the basis upon which the Corporation sets its objectives and targets and reflects its commitment to comply with the relevant legal requirements.

South Gippsland Water's commitment to responsible environmental management is also reflected in our Environmental Management System which has been certified to the Australian Standard ISO 14001. The role of the EMS is to enable us to identify, manage and reduce the impacts to the environment from our activities.

Some of the key areas of the EMS include:

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

Regional Catchment Strategy

South Gippsland Water continues to work with the West Gippsland Catchment Management Authority and other agencies in implementing the West Gippsland Regional Catchment Strategy (WGRCS). The strategy's overall objectives relate to protecting water, biodiversity, atmosphere and climate; supporting people and communities, infrastructure and production.

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

EPA Catchment Officer

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

Battery Creek Catchment

Battery Creek supplies drinking water to the township of Fish Creek and surrounds. Over the past 10 years, South Gippsland Water has worked to revegetate around 40 hectares of land within the catchment. The Corporation has purchased a further 88 hectares of land within the Battery Creek catchment and we are progressively implementing a revegetation plan for the land this will see it planted entirely with native vegetation and will reinstate natural habitat to the area.

Weed Control Program

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

Maintain indigenous biodiversity, particularly ecosystems of high conservation value;

- Maintain the viability of threatened species and communities;
- Promote ecological sustainability and the provision of ecosystem services; and
- Prevent adverse social or economic impacts by taking an integrated approach to management

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

Sustainable Water Use

South Gippsland Water recognises that with appropriate management, by-products of wastewater treatment (e.g. treated effluent) can be a resource rather than a waste, and we are endeavouring to reuse where possible.

The use of reclaimed water in the South Gippsland Region for various applications decreased during 2010/11 due largely to increased rainfall events throughout the year.

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

However, 100% of the treated wastewater from South Gippsland Water's Tarraville wastewater treatment plant is piped to an adjacent property owner for pasture irrigation and a grazier in Cape Paterson uses a portion of the treated wastewater from our Inverloch wastewater system for irrigation. Arrangements have also been put in place for re-use, when required, at Welshpool wastewater treatment plant

The Toora Football Club used treated wastewater from our Toora system during 2010/11 on occasions to irrigate the playing surface of the oval. This re-use arrangement has effectively drought proofed this important community facility.

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

The Small Towns sewerage scheme under construction at Meeniyan will incorporate wetlands as the final treatment process, providing treated effluent that will be available for multiple reuse options within the area.

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

Water Supply Demand Strategy

Work continued on the Corporation's long term Water Supply Demand Strategy [WSDS] in 2010-11. The detailed strategy document and the economic modelling in the business case were approved by the Board of Directors and submitted to the Minister, receiving his endorsement in June 2011.

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 community feedback phase of the Corporation's long term Water Supply Demand Strategy [WSDS] has just commenced [late June 2011].

Community Partners in Environment and Sustainability

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

SGW provides financial contributions to community groups either by annual sponsorship or on a case-by-case basis. In many cases, South Gippsland Water also provides in-kind support through use of office facilities, technical advice and committee membership. In 2010/11 the groups and organisations supported by South Gippsland Water are listed in the table below.

Community groups, organisations and activities supported by South Gippsland Water in 2010/11.

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

Environmental Sustainability

River Health

South Gippsland Water extracts water from a number of rivers and small streams to provide high quality drinking water to its customers. The Corporation takes less than 1% of the total historical surface water flows in the region to service the communities and businesses of South Gippsland.

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

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

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

SGW river health program involves rolling surveys sampling the rivers below once every two years. The specific programs are:-

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

Victorian Biodiversity Strategy

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

Accordingly South Gippsland Water will:

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

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

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

Green House Gas Emissions

The following table sets out Corporate greenhouse gas emissions for 2010/11 [and the two preceding years].

ITEM	2010/11 [Emissions in Tonnes]	2009/10 [Emissions in Tonnes]	2008/09 [Emissions in Tonnes]
Water Treatment & Pumping	2,142.4 ¹	2,040.4	2,168.1
Wastewater Treatment	10,865.7 ¹	10,348.3	9,173.3
Waste Disposal	Not recorded	N/r	N/r
Energy Use – Non-fleet	209.5 ¹	190.4 [office]	171.4 [office]
Vehicle Fleet	623	620.5	726.8
Offsets Purchased	nil	nil	788.1
Any other activities	-	-	-
Gross Tonnes CO2e	-	13,208.7	12,246.2
Net CO2E	13,840.6 ²	13,208.7	11,458.1

Note 1: Estimated 5% increase on 2009/10 figures due to absence of 2010/11 data at time of reporting.

Note 2: This figure will change when actual data available as per note 1..

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

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

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

Major Projects

Summary of Major Projects 2010/11

The following table summarizes the major projects undertaken by South Gippsland Water during 2010/11, and the progress or results at the end of the financial year

TECHNICAL SERVICES - MAJOR PROJECTS		
Reason	Project Description	Result / Progress
Poowong/Loch/Nyora Sewerage Scheme SGW's region has a number of small towns without adequate wastewater management facilities. Unsuitable soil types and smaller size allotments mean that current septic systems are unable to retain effluent on these individual allotments. In many locations, grey water finds its way directly to the street drainage system with resultant health, environment and amenity issues.	Domestic wastewater will be delivered via a trunk main from the reticulation network within each town to a centrally located wastewater treatment plant. The new treatment facility will have sufficient capacity to ensure compliance with relevant discharge licence limits and a capability to accommodate growing population levels.	Detail design of the reticulation system and rising mains is continuing. Construction is to commence in 2012/13 which will include reticulated sewerage system for each town, trunk sewer rising mains and a common wastewater treatment plant facility. Land purchased, planning and rezoning process commenced.
Meeniyan Sewerage Scheme SGW's region has a number of small towns without adequate wastewater management facilities. Unsuitable soil types and smaller size allotments mean that current septic systems are unable to retain effluent on these individual allotments. In many locations, grey water finds its way directly to the street drainage system with resultant health, environment and amenity issues.	Domestic wastewater will be delivered via a trunk main from the reticulation network in the town to the wastewater treatment plant and environmental wetlands. The new treatment facility that will have sufficient capacity to ensure compliance with relevant discharge licence limits and a capability to accommodate growing population levels.	Rising main completed. Town reticulation sewers completed. Pump station completed. WWTP construction works have been severely delayed due to continuing significant rain, wet periods. WWTP now scheduled for completion in summer of 2011/12.
Toora Clear Water Storage Construction of a 4 million litre treated water storage tank adjacent to the Hackwills Road Water Treatment Plant. The tank will improve the reliability of supply avoiding the need to use an old uncovered basin, as well as providing additional buffering for seasonal river flow and water quality variations.	The tank was constructed in concrete. In all 440 cubic metres of concrete was used. The tank is 33 metres in diameter and 5.8 metres high overall. The Hackwills Road Water Treatment Plant supplies drinking water to Toora, Welshpool, Port Welshpool, Hedley, Agnes and Port Franklin.	Project 90% complete in June 2011, roofing and final connections will see the project completed in September 2011.
Korumburra and Leongatha Sludge Dewatering The works are to replace existing "geobag" sludge dewatering facilities with suitable mechanical sludge dewatering systems at both the Korumburra and Leongatha Wastewater Treatment Plants. Provides improved sludge material handling and environmental requirements.	The "geobag" sludge dewatering processes at both plants are to be replaced with a mechanical sludge dewatering facility, incorporating a gravity drainage deck and a belt filter press housed within a new dedicated building.	Major equipment components installed. Testing and commissioning under way.
Water Renewals/Replacement To rehabilitate/replace inefficient water mains.	Water main replacement program based on established priorities with the Operations group. Works include the progressive replacement of asbestos cement (AC) pipes installed up to the 1970s.	Ongoing replacement of troublesome water mains within SGW's region. Approximately 25 km of water mains replaced over the year.
Wonthaggi Wastewater Strategy Works The Wonthaggi WWTP requires upgrading to provide additional treatment capacity for effluent to meet Class C irrigation quality standard and control development of odour.	Improvement to treatment process to meet effluent standards required to achieve a viable wastewater reuse system within a balanced water resource cycle.	Works include additional treatment for reuse, de-sludging of existing lagoons and obtaining nearby land for reuse as irrigation/wet lands. Completion targeted for 2012/13.
Agnes River Augmentation - Construction of Off Stream Raw Water Storage The existing Agnes River water supply system, due to significant river flow fluctuations, does not provide for the current level of service requirements. A new 250 ML raw water storage reservoir is required to prevent ongoing and regular water restrictions and to provide for growth and development within the Toora/Welshpool area.	Construction of new off stream raw water storage, transfer pipelines and pump station.	Construction of 250ML off stream storage to ensure adequate supply for current and growth demand. Currently on hold pending completion of business case investigation as part of Long Term Water Supply Strategy.
Reticulation Sewer Replacement/Rehabilitation To rehabilitate/replace inefficient water mains.	Reticulation sewer rehabilitation/replacement works including pipeline replacement/relining & manhole repairs/replacement based on established priorities with the Operations group.	Ongoing rehabilitation/replacement of ageing, cracked and broken reticulation sewer pipelines and manholes. Approximately 3 km of sewer pipelines relined and manholes rehabilitated over the year
Wonthaggi Tank Refurbishment Need for recoating and refurbishment of steel tank protective coatings and repairs to external tank surface and fittings at the Wonthaggi clear water storage tank.	Full assessment of inside and outside of steel tank surfaces – repairs and refurbishment undertaken. Structure, fittings and coatings inspected and documented.	Project completed in June 2011 and certificate of practical completion issued in July 2011.
Foster Wastewater Treatment Plant Upgrade (Wetlands) The Foster WWTP discharges into Corner Inlet but does not comply with EPA licence requirements for water quality.	Additional lagoons are required to be installed including a wetland treatment system to achieve reuse on land. Ocean outfall to be closed by 2017.	Additional land with preferred site determined. Purchase of land being finalised. Design of additional treatment lagoons and rising main to now commence.

Financial Performance

Recognition and Measurement of Infrastructure Assets

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

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

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

In the prior period, *FRD 121 Infrastructure Assets (Water/Rail)* provided a temporary exemption for the fair value measurement of water infrastructure assets controlled by water entities, at the entity reporting level. This exemption no longer applies for the current period. Water infrastructure assets, at both the entity reporting level and whole of government reporting level, are therefore measured at fair value less accumulated depreciation and impairment in accordance with *FRD 103D*. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage systems.

The initial fair value assessment for water infrastructure in the current period 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.

The asset classes of land and buildings were valued at 30 June 2011 by Egan Nations Valuers (Vic) (previous valuation date 30 June 2006) in accordance with the *Financial Management Act 1994* to comply with the Victorian Auditor General's Office (VAGO) requirements in conformity with Australian Accounting Standards, Victorian Government Policies and valuation guidelines. The valuation was performed on a fair value basis using market evidence and where this approach was not suitable, using the depreciated replacement cost method.

Infrastructure assets were independently valued at 30 June 2011 by the Valuer General of Victoria, using AECOM valuers (previous valuation date 30 June 2002). 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 2010. 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.

Report of Operations

2010-11 Summary of Financial Results

Financial Result	2006-07 (\$'000)	2007-08 (\$'000)	2008-09 (\$'000)	2009-10 (\$'000)	2010-11 (\$'000)
Core business revenue	16930	17888	20047	26342	23555
Government contributions	1105	450	23	0	50
Other revenue	597	715	572	1458	1030
Total revenue	18632	19053	20642	27800	24635
Operating expenditure	12256	12929	13827	15979	15175
Depreciation expenditure	8624	5504	5730	5991	6125
Finance costs	631	1098	1373	1698	1953
Other expenditure	0	0	0	0	0
Total expenditure	21511	19531	20930	23668	23253
Net result before tax	(2879)	(478)	(288)	4132	1382
Current assets	3674	3953	2159	7012	7242
Non-current assets	148984	152799	158566	165059	298361
Total assets	152658	156752	160725	172071	305603
Current liabilities	5924	7471	9136	11754	9888
Non-current liabilities	12964	15414	16390	20051	66508
Total liabilities	18888	22885	25526	31805	76396
Net cash flows from operations	10807	7485	2396	3678	3495
Payments for property, plant and equipment (including infrastructure.)	13336	14067	9086	8037	12069

Summary of Financial Performance

Performance Indicator	2006-07	2007-08	2008-09	2009-10	2010-11
Internal Financing Ratio	29.0%	44.4%	26.2%	64.1%	81.0%
Gearing Ratio	10.0%	12.1%	13.1%	16.0%	10.8%
Interest Cover (EBIT)	(3.7) times	(0.6) times	0.8 times	3.4 times	1.7 times
Interest Cover (Cash)	6.9 times	3.9 times	3.4 times	4.3 times	6.0 times
Return on Assets	(1.5)%	0.4%	0.7%	3.5%	1.4%
Return on Equity	(2.1)%	(0.4)%	(0.2)%	3.0%	0.8%

Financial Report

For the year ended 30 June 2011

Table of Contents

Statement of Comprehensive Income	22
Balance Sheet	23
Statement of Changes in Equity	24
Cash Flow Statement	25
Notes to the Financial Report for the year ended 30 June 2011	26
Note 1. Significant Accounting Policies	26
Note 2. Financial Risk Management Objectives and Policies	33
Note 3. Critical accounting estimates and judgements	34
Note 4. Statement of Comprehensive Income – Disclosures	35
Note 5. Income Tax	36
Note 6. Cash and Cash Equivalents	36
Note 7. Receivables	37
Note 8. Inventories	37
Note 9. Other Financial Assets	37
Note 10. Infrastructure, Property, Plant and Equipment	38
Note 11. Intangible Assets	40
Note 12. Payables	40
Note 13. Interest Bearing Liabilities	41
Note 14. Employee Benefits	42
Note 15. Deferred Tax Liabilities	42
Note 16. Superannuation	43
Note 17. Contributed Capital	44
Note 18. Reserves	44
Note 19. Accumulated Funds	44
Note 20. Reconciliation of New Results for the period after related Income Tax to Net Cash Flows from Operating Activities	44
Note 21. Responsible persons and executive officer disclosures	45
Note 22. Dividends	46
Note 23. Commitments	46
Note 24. Contingent Assets and Contingent Liabilities	46
Note 25. Events Occurring after the Balance Sheet Date	46
Note 26. Financial Instruments	47

Statement of Comprehensive Income

For the Reporting Period Ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Revenue from operating activities			
Service charges	1(d), 4(a)	15,209	13,588
Water usage charges	1(d)	6,450	6,030
Government grants and contributions	1(d), 4(a)	50	-
Interest	1(d)	85	10
Developer contributions	1(d), 4(a)	1,811	6,714
		<u>23,605</u>	<u>26,342</u>
Revenue from non-operating activities			
Profit on sale of assets	1(f), 4(b)	236	-
Other income		794	1,458
		<u>1,030</u>	<u>1,458</u>
Total Revenue		24,635	27,800
Expenses from operating activities			
Borrowing costs	1(e), 4(c)	(1,953)	(1,698)
Depreciation	1(g), 4(c), 10(b)	(5,710)	(5,584)
Amortisation	1(g), 4(c), 11	(415)	(407)
Employee benefits	1(p), 4(c)	(6,409)	(6,041)
Repairs and maintenance expense	1(f)	(1,264)	(1,007)
Loss on sale of assets	1(f), 4(b)	-	(338)
Environmental contributions	1(r)	(754)	(754)
Inventories distributed	1(k)	(63)	(64)
Supplies and services		(6,685)	(7,775)
Total Expenses		(23,253)	(23,668)
Net result before tax		1,382	4,132
Income Tax expense / (revenue)	1(s), 5	-	-
Net result for the period		1,382	4,132
Other comprehensive income			
Gain/(loss) on revaluation of infrastructure, property, plant and equipment	1(f), 10(b)	120,736	-
Income tax relating to components of other comprehensive income	1(s), 5	(37,299)	-
Other comprehensive income for the year, net of income tax		<u>83,437</u>	<u>-</u>
Total comprehensive income for the year		84,819	4,132

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

Balance Sheet

As at 30 June 2011

	Notes	2011 \$'000	2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	1(i),2,6,26	3,837	1,033
Receivables	1(j),2,7,26	1,584	2,615
Inventories	1(k),8	329	315
Prepayments		129	196
Other financial assets	2,9	1,363	2,853
Total current assets		7,242	7,012
Non-current assets			
Receivables	1(j),2,7,26	10	14
Infrastructure, property, plant and equipment	1(f),1(g),10	292,775	163,705
Intangible assets	1(l),11	1,115	1,340
Total non-current assets		293,900	165,059
TOTAL ASSETS		301,142	172,071
LIABILITIES			
Current liabilities			
Payables	1(m),2,12,26	3,545	2,560
Interest bearing liabilities	1(n),2,13,26	4,810	7,700
Employee benefits	1(p),14	1,533	1,494
Total current liabilities		9,888	11,754
Non-current liabilities			
Interest bearing liabilities	1(n),2,13,26	27,700	19,900
Employee benefits	1(p),14	170	151
Deferred Tax liabilities	1(s), 15	37,299	-
Total non-current liabilities		65,169	20,051
TOTAL LIABILITIES		75,057	31,805
NET ASSETS		226,085	140,266
EQUITY			
Contributed capital	1(q),17	64,353	63,353
Reserves	1(f),18	87,034	3,597
Accumulated funds	19	74,698	73,316
TOTAL EQUITY		226,085	140,266

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

Statement of Changes in Equity

For the Reporting Period Ended 30 June 2011

	Notes	Contributions by owners \$'000	Reserves \$'000	Accumulated funds \$'000	Total \$'000
Balance at 1 July 2009		63,353	3,597	69,184	136,134
Total comprehensive income for the year				4,132	4,132
Transactions with the State in its capacity as owner:					
Dividends	1(t)	-	-	-	-
Contributions by owners	1(q), 17	-	-	-	-
		-	-	4,132	4,132
Balance at 30 June 2010		63,353	3,597	73,316	140,266
Total comprehensive income for the year			83,437	1,382	84,819
Transactions with the State in its capacity as owner:					
Dividends	1(t)	-	-	-	-
Contributions by owners	1(q), 17	1,000	-	-	1,000
		1,000	-	-	1,000
Balance at 30 June 2011		64,353	87,034	74,698	226,085

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

Cash Flow Statement

For the Reporting Period Ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Cash flows from Operating Activities			
Receipts			
Service and usage charges		23,108	19,037
Interest received		84	11
GST received from the ATO		1,828	1,987
Developers' contributions		3,118	3,527
Other receipts		800	1,458
Receipts from government		50	-
		28,988	26,020
Payments			
Payments to suppliers and employees		(15,251)	(15,639)
Interest and other costs of finance paid		(1,873)	(1,740)
GST paid to the ATO		(303)	(402)
Environmental contributions		(754)	(754)
		(18,181)	(18,535)
Net cash inflow from Operating Activities	20	10,807	7,485
Cash flows from Investing Activities			
Payments for infrastructure, property, plant and equipment		(13,336)	(14,067)
Proceeds from sale of infrastructure, property, plant and equipment		514	439
Proceeds from sale of investments		-	-
Payments for intangible assets		(190)	(33)
Grants received for capital purposes		-	-
Net cash (outflow) from investing activities		(13,012)	(13,661)
Cash flows from Financing Activities			
Proceeds from borrowings		7,800	6,600
Repayments of borrowings		(2,890)	-
Proceeds from contributions by owners		-	-
Net movements in contractor deposits		99	(104)
Net cash inflow from financing activities		5,009	6,496
Net (decrease)/increase in cash and cash equivalents		2,804	320
Cash and cash equivalents at the beginning of the financial year		1,033	713
Cash and cash equivalents at the end of the financial year	1(i),6	3,837	1,033
Financing arrangements	1		

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

Notes to the Financial Report

for the year ended 30 June 2010

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

General

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

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

This financial report has been prepared on an accrual and going concern basis.

The annual financial statements were authorised for issue by the Chief Finance Officer on 31st August 2011.

Accounting policies

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

Rounding

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

Historical cost convention

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

Critical accounting estimates

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

Financial statement presentation

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

(b) Changes in Accounting Policy

Nature of change in Accounting Policy

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

(c) Comparative Amounts

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

(d) Revenue Recognition

Service and usage charges

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

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

Water usage charges by measure are recognised as revenue when the water is provided. Meter readings are undertaken progressively during the year. An estimation, calculated by multiplying the number of days since the last reading by each customer's average service usage, is made at the end of each accounting period in respect of meters which have not been read at balance date.

Developer contributions / Fees paid by developers

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

Government grants and contributions

Government grants and contributions are recognised as operating revenue on receipt or when the entity obtains control of the contribution and meets certain other criteria as outlined by AASB 1004, whichever is the sooner, and disclosed in the Statement of Comprehensive Income as government contributions. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity – Contributions by Owners.

Interest

Interest income is recognised using the effective interest rate method.

Lease or rental income

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

(e) Borrowing Costs

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

(f) Recognition and Measurement of Assets

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

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

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

Repairs and maintenance

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

Measurement of Non-Current Physical Assets

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

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

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

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

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

In the prior period, FRD 121 Infrastructure Assets (Water/Rail) provided a temporary exemption for the fair value measurement of water infrastructure assets controlled by water entities, at the entity reporting level. This exemption no longer applies for the current period. Water infrastructure assets, at both the entity reporting level and whole of government reporting level, are therefore measured at fair value less accumulated depreciation and impairment in accordance with FRD 103D. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage systems.

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

Revaluation of non-current physical assets

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

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

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

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

Impairment of Assets

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

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

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

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

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

(g) Depreciation and Amortisation of Non-current Assets

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

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

	Periods	
	2011	2010
Corporate		
<i>Buildings</i>	33 years	33 years
Plant & Machinery	7-10 years	7-10 years
Motor Vehicle	2-4 Years	2-4 Years
Intangible Assets	3 & 7 years	3 & 7 years
Furniture & Equipment	10 years	10 years
Infrastructure		
<i>Water</i>		
Fencing	12.5 years	12.5 years
Headworks/Storages	150 years	150 years
Distribution Networks	50 years	50 years
Pump Stations	44 years	44 years
Water Storage	50 years	50 years
Reticulation Network	50 years	50 years
Water Meters	15 years	15 years
Treatment Plants	33 years	33 years
<i>Wastewater</i>		
Fencing	12.5 years	12.5 years
Outfalls	50 years	50 years
Trunk Sewers	50 years	50 years
Pump Stations	50 years	50 years
Distribution Network	40 years	40 years
Treatment Plants	40 years	40 years

(h) Leased Assets***Operating Leases***

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

(i) Cash and Cash Equivalents

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

(j) Receivables

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

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

(k) Inventories

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

(l) Intangibles

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

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

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

(m) Payables

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

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

(n) Interest Bearing Liabilities

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

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

(o) Financial Instruments

Financial instruments are initially measured at fair value, plus in the case of a financial asset or financial liability not at fair value, through profit and loss transaction costs that are directly attributable to the acquisition or the issue of the financial asset or liability. Subsequent to initial recognition, the financial instruments are measured as set out below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet. Loans and receivables are recorded at amortised cost less impairment.

Fair value

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

Impairment of financial assets

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

(p) Employee Benefits

Wages and salaries, annual leave and rostered days off

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

Long Service Leave (LSL)

Current Liability – unconditional LSL (representing 7* or more years of continuous service) is disclosed as a current liability even where the Corporation does not expect to settle the liability within 12 months because it does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

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

Non-Current Liability – conditional LSL (representing less than 7* years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional LSL is required to be measured at present value.

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

Superannuation

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

Employee Benefit On-Costs

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

Performance payments

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

(q) Contributions by Owners

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

* As per the South Gippsland Region Water Corporation Enterprise Agreement No.4, 2009.

(r) Environmental Contributions

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

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

The environmental contributions are disclosed separately within expenses.

(s) Taxation

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

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

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

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

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

(t) Dividend Policy

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

(u) 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.

(v) 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 2011 reporting period. As at 30 June 2011, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2011. The Corporation has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	AASB 9 <i>Financial Instruments</i> addresses the classification and measurement of financial assets and is likely to affect the entity's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.	1 January 2013	The entity is yet to assess its full impact. However, initial indications are that it may affect the entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards	In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party.	1 January 2011	The entity does not expect that any adjustments will be necessary as a result of applying the revised rules.
AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement	In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.	1 January 2011	The entity does not make any such prepayments. The amendment is therefore not expected to have any impact on the entity's financial statements.
AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.	1 July 2013	The impact of this standard will depend on instructions provided by DTF on its applicability to the entity. The entity will assess its impact once DTF has provided guidance on this standard.
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project.	1 January 2011	These amendments are not expected to have any significant impact on the entity's disclosures.
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	In November 2010, the AASB made amendments to AASB 7 Financial Instruments: Disclosures which introduces additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.	1 July 2011	These amendments are not expected to have any significant impact on the entity's disclosures.
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale.	1 January 2012	The entity will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.
AASB 2010-9 Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] and AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	AASB 1 First-time Adoption of Australian Accounting Standards was amended in December 2010 by eliminating references to fixed dates for one exemption and one exception dealing with financial assets and liabilities. The AASB also introduced a new exemption for entities that resume presenting their financial statements in accordance with Australian Accounting Standards after having been subject to severe hyperinflation.	1 January 2011/ 1 January 2013	Neither of these amendments are expected to have any impact on the entity's disclosures.

NOTE 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Corporation's Board has the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Corporation. The Corporation uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, ageing analysis for credit and beta analysis in respect of investment portfolios to determine market risk.

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

(a) Risk Exposures

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

(i) Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Corporation's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk, there is no exposure to foreign exchange risk and insignificant exposure to other price risks.

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

Interest Rate Risk

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

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

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

Foreign Exchange Risk

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

Other Price Risk

The Corporation has no significant exposure to other price risks.

Market Risk Sensitivity Analysis

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

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

30 June 2010	Carrying amount	Interest rate risk			
		-1%		+1%	
	\$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Financial Assets					
Cash and Cash Equivalents	1,033	(10)	(10)	10	10
Financial Liabilities					
Interest Bearing Liabilities (Note 13)					
- Variable	5,600	56	56	(56)	(56)
- Fixed	22,000	-	-	-	-
Total increase/(decrease)		46	46	(46)	(46)

(ii) Credit Risk

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

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

An analysis of the ageing of the Corporation's receivables at reporting date has been provided in Note 7.

(iii) Liquidity Risk

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

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. The Corporation's financial liability maturities have been disclosed in Note 26.1.

(b) Fair Value Estimation

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

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables and payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial assets. The carrying amounts and aggregate net fair values of financial assets and financial liabilities at balance date have been provided in Note 26.2.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

NOTE 4. STATEMENT OF COMPREHENSIVE INCOME – DISCLOSURES

	Note	2011 \$'000	2010 \$'000
(a) Significant Revenues			
Service Charges			
Water service charges		5,850	5,217
Sewerage charges		6,996	6,538
Trade waste charges		2,363	1,833
		<u>15,209</u>	<u>13,588</u>
Government contributions			
Operating		50	-
		<u>50</u>	<u>-</u>
Developer contributions			
Fees paid by developers		744	683
Assets received from developers		1,067	6,031
		<u>1,811</u>	<u>6,714</u>
(b) Net gains and expenses			
The surplus/(deficit) from operating activities includes the following specific net gains and expenses:			
Net loss on disposal of infrastructure, property, plant and equipment :			
Proceeds from disposal of motor vehicles		514	439
Written down amount of motor vehicles disposed		(278)	(305)
		<u>236</u>	<u>134</u>
Written down amount of other assets disposed		-	(472)
		<u>236</u>	<u>(338)</u>
(c) Significant Expenses			
Depreciation:			
Buildings		70	71
Water infrastructure		2,735	2,673
Wastewater infrastructure		2,165	2,074
Plant, equipment and motor vehicles		740	766
Total depreciation		<u>5,710</u>	<u>5,584</u>
Amortisation			
Intangible assets	11	415	407
Total amortisation		<u>415</u>	<u>407</u>
Asset write-offs (included in supplies and services)		81	1,842
Employee Benefits			
Salaries and wages		4,805	4,531
Annual leave		371	327
Long service leave		203	301
Superannuation contributions		446	475
Unfunded Superannuation		198	-
Other		386	407
Total employee benefit costs		<u>6,409</u>	<u>6,041</u>
Borrowing costs		1,953	1,698
Bad and doubtful debts		17	40
Rental expense - operating lease		17	11
Auditors' remuneration			
Auditor-General for audit of financial statements		29	29
Internal audit (RSM Bird Cameron)		32	30
		<u>61</u>	<u>59</u>

NOTE 5. INCOME TAX

The Corporation made a \$5.311 million tax loss during the financial year (\$3.244 million tax loss in 2009/2010).

Reconciliation of income tax to prima facie tax payable	2011 \$'000	2010 \$'000
Net result before income tax expense	1,382	4,132
Tax at Australian tax rate of 30% (2010:30%)	415	1,239
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
• Income tax not assessable for income tax purposes	8	25
• Expenditure not allowable for income tax purposes	1,837	1,798
• Expenditure allowable for income tax purposes	(3,853)	(4,035)
• Benefit of tax losses not brought to account	1593	973
Income tax as reported in the Statement of Comprehensive Income	-	-

NOTE 6. CASH AND CASH EQUIVALENTS

	2011 \$'000	2010 \$'000
Deposits at call	3,837	1,033
	<u>3,837</u>	<u>1,033</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	3,837	1,033
Balance as per Cash Flow Statement	<u>3,837</u>	<u>1,033</u>
(b) Deposits at call		
The deposits are bearing floating interest rates between 0.10% and 4.65% (0.10% to 4.51% in 2009/10)	3,837	1,033

NOTE 7. RECEIVABLES

	2011 \$'000	2010 \$'000
Current		
Trade receivables	1,601	2,631
Provision for impaired receivables	(17)	(16)
	<u>1,584</u>	<u>2,615</u>
Non Current		
Other receivables	10	14
Total receivables	<u>1,594</u>	<u>2,629</u>

(a) Provision for impaired receivables

As at the 30 June 2011, current receivables of the Corporation with a nominal value of \$16,000 (2010 \$13,000) were impaired. The amount of the provision was \$17,000 (2010 \$16,000). For 2011 the individual impaired receivables mainly relate to tenants, whom are in difficult economic situations. It was assessed that a portion of these impaired receivables are expected to be recovered. The ageing of these receivables is as follows:

3 to 6 months	17	16
Over 6 months	-	-
Total	<u>17</u>	<u>16</u>

Movements in the provision for impaired receivable are as follows:

At 1 July	16	15
Provision for impairment recognised during the year	17	14
Receivable written off during the year as uncollectable	(16)	(13)
Unused amount reversed	-	-
At 30 June	<u>17</u>	<u>16</u>

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

(b) Past due but not impaired trade receivables

As at the 30 June 2011, trade receivables of \$56,000 (2010 \$48,000) 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	23	29
Over 6 months	33	19
Total	<u>56</u>	<u>48</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	329	315
Total current inventories	<u>329</u>	<u>315</u>

NOTE 9. OTHER FINANCIAL ASSETS

Current		
Accrued revenue	1,363	2,853
Total current other financial assets	<u>1,363</u>	<u>2,853</u>

NOTE 10. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

	2011	2010
	\$'000	\$'000
(a) Classes of Infrastructure property, plant and equipment		
Land		
At Fair Value (as at 30 June 2011)	8,297	5,586
	<u>8,297</u>	<u>5,586</u>
Buildings		
At Fair Value (as at 30 June 2011)	1,490	1,155
Less: Accumulated Depreciation	-	(215)
	<u>1490</u>	<u>940</u>
Water infrastructure		
At Cost	-	150,716
At Fair Value (as at 30 June 2011)	158,542	-
Less: Accumulated Depreciation	(45)	(82,821)
	<u>158,497</u>	<u>67,895</u>
Wastewater infrastructure		
At Cost	-	116,406
At Fair Value (as at 30 June 2011)	109,757	-
Less: Accumulated Depreciation	(22)	(37,053)
	<u>109,735</u>	<u>79,353</u>
Plant and equipment		
At Fair Value	6,906	6,505
Less: Accumulated Depreciation	(4,493)	(4,265)
	<u>2,413</u>	<u>2,240</u>
Under construction		
At Cost	12,343	7,691
	<u>12,343</u>	<u>7,691</u>
Total Infrastructure, Property, Plant & Equipment	<u>292,775</u>	<u>163,705</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* to comply with the Victorian Auditor General's Office (VAGO) requirements in conformity with Australian Accounting Standards, Victorian Government Policies and valuation guidelines. The valuation was performed on a fair value basis using market evidence and where this approach was not suitable, using the depreciated replacement cost method.

Infrastructure assets were independently valued at 30 June 2011 by the Valuer General of Victoria, using AECOM valuers (previous valuation date 30 June 2002). 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 2010. 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(f) in relation to valuation of the above non-current assets.

NOTE 10. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (CONT'D)**(b) Movements during the reporting period**

	2010 / 2011						
	Opening WDV at 1 July 2010 \$'000	Additions \$'000	Disposals \$'000	Revaluations \$'000	Transfers between categories \$'000	Depreciation \$'000	Closing WDV at 30 June 2011 \$'000
<i>Land</i>							
At fair value	5,586	-	-	1,454	1,257	-	8,297
<i>Building</i>							
At fair value	940	-	-	613	7	(70)	1,490
<i>Water Infrastructure</i>							
At fair value	67,895	283	-	89,502	3,552	(2,735)	158,497
<i>Wastewater Infrastructure</i>							
At fair value	79,353	785	-	29,167	2,595	(2,165)	109,735
<i>Equipment & motor vehicles</i>							
At fair value	2,240	-	(278)	-	1,191	(740)	2,413
<i>Under construction</i>							
At cost	7,691	13,335	-	-	(8,683)	-	12,343
Total infrastructure property, plant & equipment	163,705	14,403	(278)	120,736	*(81)	(5,710)	292,775
<i>*Refer Note 4(c)</i>							

	2009 / 2010						
	Opening WDV at 1 July 2009 \$'000	Additions \$'000	Disposals \$'000	Revaluations \$'000	Transfers between categories \$'000	Depreciation \$'000	Closing WDV at 30 June 2010 \$'000
<i>Land</i>							
At fair value	5,586	-	-	-	-	-	5,586
<i>Building</i>							
At fair value	1,011	-	-	-	-	(71)	940
<i>Water Infrastructure</i>							
At fair value	62,336	328	-	-	7,904	(2,673)	67,895
<i>Wastewater Infrastructure</i>							
At fair value	77,705	702	(472)	-	3,492	(2,074)	79,353
<i>Equipment and motor vehicles</i>							
At fair value	1,867	-	(305)	-	1,444	(766)	2,240
<i>Under construction</i>							
At cost	8,306	14,067	-	-	(14,682)	-	7,691
Total infrastructure property, plant & equipment	156,811	15,097	(777)	-	*(1,842)	(5,584)	163,705
<i>*Refer Note 4(c)</i>							

NOTE 11. INTANGIBLE ASSETS

Movements during the period	Development Costs \$'000	Patent & licences \$'000	Total \$'000
At 1 July 2010, net of accumulated amortisation	1,340	-	1,340
Additions	147	43	190
Impairment	-	-	-
Amortisation	(415)	-	(415)
At 30 June 2011, net of accumulated amortisation	<u>1,072</u>	<u>43</u>	<u>1,115</u>
At 1 July 2009, net of accumulated amortisation	1,714	-	1,714
Additions	33	-	33
Impairment	-	-	-
Amortisation	(407)	-	(407)
At 30 June 2010, net of accumulated amortisation	<u>1,340</u>	<u>-</u>	<u>1,340</u>

NOTE 12. PAYABLES

	2011 \$'000	2010 \$'000
Current		
Trade creditors	2,525	1,725
Accrued expenses	539	453
Contractor deposits/retentions	481	382
Total current payables	<u>3,545</u>	<u>2,560</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

	2011	2010
	\$'000	\$'000
Current		
<i>Secured</i>		
Loans - Treasury Corporation of Victoria (TCV)	4,810	7,700
Total current interest bearing liabilities	<u>4,810</u>	<u>7,700</u>
Non-Current		
<i>Secured</i>		
Loans - Treasury Corporation of Victoria (TCV)	27,700	19,900
Total non-current interest bearing liabilities	<u>27,700</u>	<u>19,900</u>
Total interest bearing liabilities	<u>32,510</u>	<u>27,600</u>
Assets pledged as security	nil	nil
<p>The borrowings are secured by a guarantee signed by the Treasurer of Victoria in favour of TCV as lender in respect to financial accommodation obtained by the Corporation under Section 8 of the <i>Borrowings & Investment Powers Act 1987</i>.</p>		
Loan facilities - TCV		
Total facilities	37,300	29,600
Used at balance date	32,510	27,600
Unused at balance date	<u>4,790</u>	<u>2,000</u>
<p>For the year ending 30 June 2011 the Corporation had approved financial accommodation of \$37.3 million and utilised \$32.5 million. The unused portion does not carry forward.</p>		
Fair Value		
<p>Non traded financial liabilities comprise borrowings with the Treasury Corporation of Victoria (TCV). The fair value of these borrowings was \$33,081M (2010: \$28.342M).</p>		
<p>The fair value of borrowings are based on cash flows discounted using borrowing rates varying from 4.92% to 7.44% (2010: 4.85% to 5.71%).</p>		
Foreign exchange risk		
<p>The borrowings are in Australian dollars. There are no foreign currency denominated amounts or foreign currency exposures.</p>		
Interest rate risk		
<p>Exposures arise, predominately from liabilities bearing variable interest rates as the Corporation intend to hold fixed borrowings to maturity.</p>		
TCV borrowings - fixed	29,100	22,000
TCV borrowings - variable	3,410	5,600
	<u>32,510</u>	<u>27,600</u>

NOTE 14. EMPLOYEE BENEFITS

	2011 \$'000	2010 \$'000
Current		
All rostered days off, annual leave and unconditional long service leave entitlements representing 7+ years of continuous service:		
Employee benefits expected to be settled within 12 months after the end of the period, measured at nominal value	621	613
Employee benefits expected to be settled after 12 months measured at present value	912	881
Total Current	1,533	1,494
Non-current		
Conditional long service leave measured at present value	170	151
Total Non-Current	170	151
Total employee benefits	1,703	1,645
<i>The following assumptions were adopted in measuring the present value of long service leave entitlements:</i>		
Weighted average increase in employee costs	4.600%	4.475%
Weighted average discount rates	5.278%	5.822%
Weighted average settlement period	12 yrs	12 yrs

NOTE 15. DEFERRED TAX LIABILITIES

	2011 \$'000	2010 \$'000
(a) Amounts recognised directly in equity		
Revaluation of infrastructure, property, plant & equipment:		
Land	1,424	-
Buildings	275	-
Infrastructure	35,600	-
	37,299	-
Movements:		
Opening balance at 1 July	-	-
Credited / (Debited) to other comprehensive income	37,299	-
Closing balance at 30 June	37,299	-
Deferred tax liabilities to be recovered after more than 12 months	37,299	-

NOTE 16. SUPERANNUATION**Post-employment Benefit****(a) Superannuation Payments - Local Authorities Superannuation Fund**

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

(i) Vision Super Saver Members

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

During 2010/2011, South Gippsland Water's superannuation contribution relating to "Vision Super Saver" members was \$355,439 (\$341,011 in 2009/10).

(ii) Defined Benefit Members

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

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

- 9.25% of members' salaries (same as previous year)
- the difference between resignation and retrenchment benefits paid to any retrenched employees, plus contributions tax (same as previous year)

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in the Corporation's financial statements. AAS 25 requires that the present value of the defined benefit liability to be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

Following an actuarial review conducted by the Trustee in late 2010, as at 31 December 2008, a funding shortfall of \$71 million for the Fund was determined. A call to Employers for additional contributions was made for the financial year 30 June 2011 with commitment from Employers from 1 July 2011. An amount of \$198,176 was paid this financial year by the corporation with respect to the call. A further actuarial review will be undertaken as at 31 December 2011 by mid 2012. Based on the result of this review, a detailed funding plan will be developed and implemented to achieve the target of full funding by 31 December 2013. The Corporation will be notified of any additional required contributions by late 2012.

Accounting Standard Disclosure

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

	31-Dec-08
	\$'000
Net Market Value of Assets	3,630,432
Accrued Benefits	3,616,422
Difference between Assets and Accrued Benefits	14,010
Vested Benefits (Minimum sum which must be paid to members when they leave the fund)	3,561,588

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

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

During 2010/11 the Corporation's superannuation contributions relating to that year's defined benefit members' service was \$271,568 (\$82,838 in 2009/10) which included \$198,176 to meet its share of the shortfall of the Fund.

(b) Total Superannuation Payments

South Gippsland Water also made superannuation payments to various managed funds during the reporting period, under Super Choice legislation. The total amount of superannuation contributions paid by the Corporation during the reporting period, for all funds, was \$692,218 (\$473,371 in 2009/10) which included \$198,176 to meet its share of the shortfall of the Fund.

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

NOTE 17. CONTRIBUTED CAPITAL

	2011 \$'000	2010 \$'000
Opening balance at 1 July	63,353	63,353
Capital transactions with the State in its capacity as owner arising from:		
Capital contributions	1,000	-
Closing balance at 30 June	64,353	63,353

NOTE 18. RESERVES

Composition of reserves		
Asset revaluation reserve surplus/(deficit)		
Land	3,323	3,292
Buildings	642	305
Infrastructure	83,069	-
	87,034	3,597
Total Reserves	87,034	3,597
Movement in reserves		
Asset Revaluation reserve		
Opening balance at 1 July	3,597	3,597
Revaluation increment / decrement on non-current assets:		
Land	31	-
Buildings	337	-
Infrastructure	83,069	-
Closing balance at 30 June	87,034	3,597

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	73,316	69,184
Net surplus/(deficit)	1,382	4,132
Closing balance at 30 June	74,698	73,316

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

Net result for the period after income tax	1,382	4,132
Add/(less) non-cash flows in Net Result		
(Profit)/Loss on disposal of non-current assets	(236)	338
Depreciation and amortisation	6,125	5,991
Provision for impaired receivables	1	1
Developer contributions	(1,067)	(1,031)
Asset Write-offs	81	1,842
Changes in Assets and Liabilities		
Decrease/(Increase) in trade receivables	2,035	(2,050)
(Increase) in inventories	(14)	(20)
(Increase)/Decrease in prepayments	67	(196)
(Increase)/Decrease in accrued revenue	1,490	(1,304)
(Decrease)/Increase in payables	800	62
(Decrease)/Increase in employee benefits liabilities	57	289
(Decrease)/Increase in accrued expenses	86	(569)
Net cash inflows from Operating Activities	10,807	7,485

NOTE 21. RESPONSIBLE PERSONS AND EXECUTIVE OFFICER DISCLOSURES**(a) Responsible persons**

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

The Hon. Tim Holding MP, Minister for Water (1 July 2010 to 1 December 2010)

The Hon. Peter Walsh MP, Minister for Water (2 December 2010 to 30 June 2011)

The names of Board Members of South Gippsland Water for the Year to 30 June 2011 were:

L Vale (Chairperson)	(1 July 2010 to 30 June 2011)
J Liley (Deputy Chairperson)	(1 July 2010 to 30 June 2011)
J Anderson (Director)	(1 July 2010 to 30 June 2011)
J Fawcett (Director)	(1 July 2010 to 30 June 2011)
N Maud (Director)	(1 July 2010 to 30 June 2011)
K McGrath (Director)	(1 July 2010 to 30 June 2011)
J Rundell (Director)	(1 July 2010 to 30 June 2011)

The Accountable Officer of South Gippsland Water for the year to 30 June 2011 was Steve Evans.

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):

	2011	2010
	\$'000	\$'000
	384	376

Remuneration received, or due and receivable from the Corporation in connection with the management of any related party entity is nil (2010 nil).

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

Income band (\$)	2011 No.	2010 No.
10,000 - 19,999	1	1
20,000 - 29,999	5	5
40,000 - 49,999	1	1
200,000 - 209,999	-	1
210,000 - 219,999	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:

	2011	2010
	\$'000	\$'000
	34	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.

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

(b) Executive officers' remuneration

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

Income band \$	Total Remuneration		Base Remuneration	
	2011	2010	2011	2010
130,000 - 139,999	-	-	-	-
140,000 - 149,999	-	-	-	2
150,000 - 159,999	-	2	2	1
160,000 - 169,999	2	1	1	-
170,000 - 179,999	1	-	-	-
Total Amount	\$505,000	\$483,000	\$477,000	\$454,000
Total Numbers	3	3	3	3

NOTE 22. DIVIDENDS

The process to determine the 2010/11 dividend has not yet been completed at the reporting date. The Board's preliminary dividend estimate for this period is zero.

NOTE 23. COMMITMENTS

	2011 \$'000	2010 \$'000
--	----------------	----------------

The following commitments are exclusive of GST.

(a) Finance lease commitments

At 30 June 2011 the Corporation had no finance lease commitments.

(b) Capital commitments

At 30 June 2011, the Corporation had the following significant capital commitments:

Meeniyen sewerage scheme – treatment plant & wetlands construction
 Meeniyen sewerage scheme – wetlands planting
 Powlett River to Lance Creek pipeline burial
 Toora clear Water storage tank construction
 Wonthaggi sewer reticulation upgrades
 Poowong/Loch/Nyora sewerage scheme – treatment plant design
 Leongatha wastewater bio-solids management facility
 Korumburra & Leongatha mechanical sludge dewatering construction

Outstanding capital commitments are to be paid as follows:

within one year	3,788	2,293
	<u>3,788</u>	<u>2,293</u>

(c) Operating lease commitments

At 30 June 2011, the Corporation had the following operating lease commitments:

Photocopier
 Office Accommodation

Outstanding lease commitments are to be paid as follows:

within one year	8	19
one to five years	21	15
	<u>29</u>	<u>34</u>

(d) Environmental Contribution commitments

At 30 June 2011, the Corporation had outstanding environmental contribution commitments to be paid as follows:

within one year	754	754
one to five years	-	754
	<u>754</u>	<u>1,508</u>

NOTE 24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

At 30 June 2011 South Gippsland Water was not aware of any Contingent Assets or Contingent Liabilities relating to the Corporation.

NOTE 25. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

NOTE 26. FINANCIAL INSTRUMENTS**26.1 Interest rate risk exposures**

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

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

2010	Non- interest bearing \$'000	Fixed interest rate \$'000	Floating interest rate \$'000	Contractual repricing or maturity periods						
				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	Total \$'000
<i>Financial assets</i>										
Cash	-	-	1,033	-	-	-	-	-	-	1,033
Receivables	5,482	-	-	-	-	-	-	-	-	5,482
Total financial assets	5,482	-	1,033	-	-	-	-	-	-	6,515
<i>Financial liabilities</i>										
Payables	2,560	-	-	-	-	-	-	-	-	2,560
Interest bearing liabilities	-	22,000	5,600	2,100	3,400	1,800	2,200	1,400	11,100	27,600
Total financial liabilities	2,560	22,000	5,600	2,100	3,400	1,800	2,200	1,400	11,100	30,160
<i>Net financial liabilities</i>	2,922	(22,000)	(4,567)	(2,100)	(3,400)	(1,800)	(2,200)	(1,400)	(11,100)	(23,645)
Weighted average interest rate	-	6.23%	4.67%	6.59%	6.91%	5.05%	6.12%	6.03%	6.20%	5.92%

26.2 Fair Value

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

	2011		2010	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Payables	3,545	3,545	2,560	2,560
Interest Bearing Liabilities	32,510	33,081	27,600	28,342
Total Financial Liabilities	36,055	36,626	30,160	30,902

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 2011

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

We further state that, in our opinion, the information set out in the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the Financial Statements, presents fairly the financial transactions during the year ended 30 June 2011 and the financial position of the Corporation as at 30 June 2011.

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

A handwritten signature in dark ink, appearing to read 'L. Vale', written over a horizontal dotted line.

Llew Vale
Chairperson

A handwritten signature in dark ink, appearing to read 'S. Evans', written over a horizontal dotted line.

Steve Evans
Managing Director

A handwritten signature in dark ink, appearing to read 'P. du Plessis', written over a horizontal dotted line.

Philippe du Plessis
Chief Finance & Accounting Officer

31 August 2011



Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, South Gippsland Region Water Corporation

The Financial Report

The accompanying financial report for the year ended 30 June 2011 of the South Gippsland Region Water Corporation which comprises the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of the South Gippsland Region Water Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, 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 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, 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.

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.

1

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

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 2011 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the South Gippsland Region Water Corporation for the year ended 30 June 2011 included both in the South Gippsland Region Water Corporation's annual report and on the website. The Board Members of the South Gippsland Region Water Corporation are responsible for the integrity of the South Gippsland Region Water Corporation's website. I have not been engaged to report on the integrity of the South Gippsland Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
2 September 2011

T. Ditt
for
D D R Pearson
Auditor-General

Performance Report

For the year ended 30 June 2011

TABLE 1A - FINANCIAL PERFORMANCE INDICATORS (Whole of Business)						
	Performance indicator	Notes	2009/10 Result	2010/11 Result	2010/11 Target	Variance %
F1	Internal Financing Ratio <u>Net operating cash flow less dividends</u> Capital expenditure	1	64.1%	81.0%	37.0%	118.9
F2	Gearing Ratio <u>Total debt (including finance leases)</u> Total assets	2	16.0%	10.8%	16.9%	(36.1)
F3	Interest Cover (EBIT) <u>Earnings before net interest and tax expense</u> Net interest expense	3	3.4 times	1.7 times	1.2 times	41.7
F4	Interest Cover (Cash) <u>Cash flow from operations before net interest and tax payments</u> Net interest payments	4	4.3 times	6.0 times	3.3 times	81.8

Notes:

1. The actual result is significantly favourable to target due to higher operating cash flows and lower than planned capital expenditure. The higher operating cash flows resulted from 2009/10 accrued revenue collected in 2010/11, while the lower capital expenditure was due to delays as a result of prolonged wet weather conditions.
2. A scheduled revaluation was undertaken for the asset classes of land, buildings and infrastructure during the year. The revalued amounts are significantly higher than those forecast when setting this performance indicator target resulting in a significant variance to actual.
3. The actual result is significantly favourable to target due to higher operating cash flows and lower than planned borrowings. The higher operating cash flows resulted from 2009/10 accrued revenue collected in 2010/11, while the lower borrowings was due to slippage in capital expenditure as a result of prolonged wet weather conditions.
4. The actual result is significantly favourable to target due to higher operating cash flows and lower than planned borrowings. The higher operating cash flows resulted from 2009/10 accrued revenue collected in 2010/11, while the lower borrowings was due to slippage in capital expenditure as a result of prolonged wet weather conditions.

TABLE 1B - SERVICE AND ENVIRONMENTAL PERFORMANCE INDICATORS**(Whole of Business)**

	Performance indicator	Notes	2009/10 Result	2010/11 Result	2010/11 Target	Variance %
S1	Water Supply Interruptions					
S1.1	Number of customers receiving more than 5 unplanned interruptions in the year		0	0	0	0.0
S2	Interruption time indicators					
S2.1	Average duration of unplanned water supply interruptions		92 min's	100 min's	100 min's	0.0
S3	Restoration of water supply					
S3.1	Unplanned water supply interruptions restored within 5 hours		100.0%	100.0%	99.0%	1.0
S4	Reliability of sewerage collection services indicators					
S4.1	Sewer spills from reticulation and branch sewers (priority 1 and 2)		37	33	35	5.7
S5	Containment of sewer spillages					
S5.1	Sewerage spills contained within 5 hours		100.0%	100.0%	100.0%	0.0
S6	Customer complaints indicators					
S6.1	Water quality complaints per 1000 customers	1	4.3	6.9	8.0	13.8
S6.2	Sewerage service quality and reliability complaints per 1000 customers		0.1	0.1	0.1	0.0
S6.3	Billing complaints per 1000 customers	2	0.8	0.9	1.0	10.0
S6.4	Sewage odour complaints per 1000 customers	3	0.1	0.1	0.7	85.7

Notes:

1. Water quality complaints per 1000 customers were 13.8% favourable to target, however, 60.5% higher than 2009/10. Water quality complaints are impacted by many factors including climatic conditions and for 2010/11 there one significant water quality event which was caused by a blue-green algal bloom as a result of summer weather conditions.
2. Billing complaints per 1000 customers were 10.0% favourable to target, however, 12.5% higher than 2009/10. Re-expressed as the number of billing complaints for the Corporation, there were 16 complaints for the year against a target of 17, a variation of just 1. The nature of the indicator and the magnitude of the target mean that minor changes to complaint numbers can result in significant variations to targets.
3. Sewage complaints per 1000 customers were 85.7% favourable to target. Re-expressed as the number of sewage odour complaints for the Corporation, there were 2 complaints for the year against a target of 13. The nature of the indicator and the magnitude of the target mean that minor changes to complaint numbers can result in significant variations to targets.

TABLE 1B - SERVICE AND ENVIRONMENTAL PERFORMANCE INDICATORS**(Whole of Business)**

	Performance indicator	Notes	2009/10 Result	2010/11 Result	2010/11 Target	Variance %
E1	Reuse indicators					
E1.1	Effluent reuse (volume)	1	3.6%	1.0%	2.0%	(50.0)
E1.2	Biosolids reuse (dry mass)		0.0%	0.0%	0.0%	0.0
E2	Sewage treatment standards					
E2.1	Number of analyses complying with licence agreements as % of samples		95.8%	98.7%	100.0%	(2.3)

Notes:

1. The actual result is significantly unfavourable to target due to prolonged wet weather conditions impacting on the ability of farming properties to use recycled effluent for irrigation.



Statutory Certification

South Gippsland Region Water Corporation

Certification of Performance Report for 2010/11

We certify that the accompanying Performance Report of South Gippsland Region Water Corporation in respect of the 2010/11 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

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

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

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

Llew Vale
Chairperson

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

Steve Evans
Managing Director

31 August 2011



Victorian Auditor-General's Office

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 2011 of the South Gippsland Region Water Corporation comprises the performance indicators, the related notes and the statutory certification.

The Board Members' Responsibility for the Performance Report

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

Auditor's Responsibility

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

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

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

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.

1

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Opinion

In my opinion, the performance report of the South Gippsland Region Water Corporation in respect of the 30 June 2011 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Performance Report

This auditor's report relates to the performance report of the South Gippsland Region Water Corporation for the year ended 30 June 2011 included both in the South Gippsland Region Water Corporation's annual report and on the website. The Board Members of the South Gippsland Region Water Corporation are responsible for the integrity of the South Gippsland Region Water Corporation's website. I have not been engaged to report on the integrity of the South Gippsland Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the performance report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited performance report to confirm the information contained in the website version of the performance report.

MELBOURNE
2 September 2011


for D D R Pearson
Auditor-General

2

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

Auditing in the Public Interest

Appendix A – Disclosure index

The 2010/11 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
Ministerial Reporting Directions		
MRD 1	Performance Reporting	20 & 51-53
MRD 2	Reporting on Water Consumption & Drought Response	14-15
MRD 3	Environmental & Social Sustainability Reporting	12 & 16-18
MRD 4	Bulk Entitlements	13
MRD 5	Annual Reporting – Major Non-residential Water Users	15
Financial Reporting Directions		
<i>Report of Operations</i>		
<i>Charter and purpose</i>		
FRD 22B	Manner of establishment and the relevant Ministers	7
FRD 22B	Objectives, functions, powers and duties	7
FRD 22B	Nature and range of services provided	2
<i>Management and structure</i>		
FRD 22B	Organisational structure	5
FRD 22B	Names of Board Members Major Committees	4-6
<i>Financial and other information</i>		
FRD 29	Statement of workforce data	8
FRD 22B	Employment and conduct principles	8
FRD 22B	Summary of financial results [5 year]	20
FRD 22B	Significant changes in financial position during the year	20
FRD 22B	Operational & budgetary objectives and performance against objectives	20
FRD 22B	Major changes or factors affecting performance	20
FRD 22B	Subsequent events	8
FRD 22B	Details of consultancies >\$100,000	9
FRD 22B	Details of consultancies – total No. and cost <\$100,000	9
FRD 12A	Disclosure of major contracts	9
FRD 22B	Application and operation of Freedom of Information Act 1982	8
FRD 22B	Application and operation of the Whistleblowers Protection Act 2001	9
FRD 22B	Compliance with building and maintenance provisions of Building Act 1993	8
FRD 22B	Statement on National Competition Policy	10
FRD 22B	Occupational Health and Safety Policy	11
FRD 24C	Environmental Reporting [Office]	10
FRD 25	Victorian Industry Participation Policy disclosures	9
FRD 10	Disclosure index	56
FRD 22B	Statement of availability of other information	7
FRD 121	Infrastructure Assets (Water/Rail)	20
FRD 27B	Presentation & reporting of performance information	20, 51-53
Financial Statements		
<i>Financial statements required under Part 7 of the Financial Management Act 1994</i>		
SD 4.2(b)	Operating Statement	22
SD 4.2(b)	Balance Sheet	23
SD 4.2(b)	Statement of Changes in Equity	24
SD 4.2(b)	Cash Flow Statement	25
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	26-47
SD 4.2(c)	Compliance with Ministerial Directions	2-56
SD 4.2(d)	Rounding of amounts	26
SD 4.2(c)	Accountable officer's declaration	3
SD 4.2(g)	General information requirements	7
SD 4.2(j)	Sign-off requirements	3
SD 4.5.5	Risk Management Compliance Attestation	7
<i>Other disclosures in notes to the financial statements</i>		
FRD 9A	Departmental Disclosure of Administered Assets and Liabilities	none
FRD 11	Disclosure of ex-gratia payments	none
FRD 13	Disclosure of Parliamentary Appropriations	none
FRD 21A	Responsible person and executive officer disclosures	45
<i>Legislation</i>		
Freedom of Information Act 1982		8
Building Act 1983		8
Financial Management Act 1994		48-50 & 53-55
Audit Act 1994		48-50 & 53-55
Whistleblowers Protection Act 2001		9
Victorian Industry Participation Policy Act 2003		9
Multicultural Victoria Act 2004		none

HEAD OFFICE	14-18 Pioneer Street PO Box 102 FOSTER VIC 3960 Ph: (03) 5682 0444 Fax: (03) 5682 1199 Email: sgwater@sgwater.com.au Website: www.sgwater.com.au Water Conservation Information on line at: www.savewater.com
RESPONSIBLE MINISTER	From 1st of July 2010 to 2nd of December 2010 - The Hon. Tim Holding MP. From 2nd of December 2010 to 30th of June 2011 Peter Walsh MP.
BANKERS	Westpac Bank 28 Bair Street LEONGATHA VIC 3953
AUDITORS	Auditor General, Victoria By Agent WHK Audit (Vic)
INSURERS	Jardine Australian Insurance Brokers Pty Ltd
SOLICITORS	Oakleys White Russell Kennedy Deacons
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 Land care Network Victorian Employers Chamber of Commerce & Industry Water Watch West Gippsland Catchment Management Authority
CHARITY	WaterAid Australia