



2013-2014 ANNUAL REPORT  
[REPORT OF OPERATIONS]

## 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

<b>VISION</b> .....	Inside front Cover
<b>MISSION</b> .....	Inside front Cover
<b>CORE VALUES</b> .....	Inside front Cover
<b>Our Region</b> .....	2
South Gippsland – Our Region .....	2
Nature and Range of Services Provided .....	2
<b>Statement by the Managing Director and Chair</b> .....	3
<b>The Board</b> .....	4
Meetings Attended .....	5
<b>Our Management Team</b> .....	5
<b>Organisation Structure</b> .....	5
<b>Corporate Governance</b> .....	6
Role of the Board.....	6
Board Membership.....	6
Remuneration of Directors and Executive Officers.....	6
Meetings, Committees & Composition of Committees .....	6
Audit and Risk Management Committee .....	6
Capital Works Committee .....	6
Corporate Governance Committee .....	6
Environment Committee.....	6
Occupational Health and Safety Board Committee.....	6
Health Safety and Environment Committee .....	6
Executive Remuneration Committee.....	6
Statement of Availability of Other Information .....	6
Disclosure Index.....	7
Declaration of Pecuniary Interest.....	7
External Auditors .....	7
Risk Management & Chair’s Statement.....	7
Manner of Establishment & the Relevant Minister .....	7
Objectives, Functions, Powers and Duties .....	7
Employment and Conduct Principles .....	7
Formal Staff Grievances Disclosure Summary.....	8
Workforce Data .....	8
Freedom of Information (Fol) .....	8
Contact for Requests.....	8
Compliance with the Building Act 1993 .....	8
Events Subsequent to Balance Date .....	8
Victorian Industry Participation Policy - Implementation.....	9
Disclosure of Major Contracts.....	10
Corporate Water Consumption 2013/14 .....	10
Water Consumed Per Unit of Office Space.....	10
National Competition Policy .....	10
Goods and Service Tax (GST).....	10
<b>Our People</b> .....	10
Employee Assistance Program.....	10
Enterprise Bargaining Agreement (EBA) .....	10
Occupational Health and Safety Management (OH&S).....	10
Equal Opportunity .....	10
<b>Social Sustainability</b> .....	11
Community Service Obligations - Financial Assistance To Eligible Customers & Pensioners .....	11
Customer Consultation .....	11
Building Community Capacity - Community and Schools education programs – sustainability and demand reduction.....	11
Meetings with local community and special interest groups ...	12
South Gippsland Water Website.....	12
Management of Social and Economic Impacts .....	12
<b>Bulk Entitlement Reporting</b> .....	13
<b>Water Services</b> .....	14
Water Quality .....	14
Drought Response Plan .....	14
Water Consumption Report .....	14
Major Non-Residential Water Users .....	14
<b>Wastewater Services</b> .....	15
Wastewater Management .....	15
Treated Effluent .....	15
Bio Solids.....	15
Corporate Sustainability Strategy.....	16
Environment & Sustainability Policy .....	16
Environmental Management System (EMS).....	16
Regional Catchment Strategies.....	16
Whole of Water Cycle Management .....	16
Sustainable Water Use .....	17
Uniform Drought Response Plan and By Law.....	17
Water Supply Demand Strategy .....	18
Community Partners in Environment and Sustainability .....	18
Community groups, organisations and activities supported by South Gippsland Water in 2013/14.....	18
Biodiversity .....	18
Green House Gas Emissions .....	18
<b>Major Projects</b> .....	19
Compliance with the Protected Disclosure Act 2012 (formerly the Whistleblowers Protection Act 2001).....	21
<b>Report of Operations</b> .....	22
<b>Financial Report</b> .....	23
<b>Comprehensive Operating Statement</b> .....	24
<b>Balance Sheet</b> .....	25
<b>Statement of Changes in Equity</b> .....	26
<b>Cash Flow Statement</b> .....	27
<b>Notes to the Financial Report</b> .....	28
<b>Performance Report</b> .....	55
<b>Performance Report</b> .....	56
<b>Appendix A – Disclosure index</b> .....	60

# Our Region

## South Gippsland – Our Region

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

Dairy farming is the major industry in the region together with a range of other agricultural activities including beef, lamb, wine, cheese and vegetable production.

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



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.

**Table 2.1: South Gippsland Water & Sewerage Service Localities**

Centre	Population Served (Permanent)	Water		Sewerage
		Customers Billed	Supplied from	Customers Billed
Port Franklin	129 (estimate)	105	Agnes River	Not Serviced
Port Welshpool	180	274	Agnes River	259
Toora/ Agnes, Bennison	450	517	Agnes River	285
Welshpool, Hedley	445	205	Agnes River	120
Fish Creek	802	209	Battery Creek	Not Serviced
Korumburra	3404	2167	Coalition Creek	1861
Foster	1106	848	Deep Creek / Foster Dam	755
Inverloch, Wattle Bank, Lance Creek	4565	4451	Lance Creek	4410
Cape Paterson	735	1128	Lance Creek	1112
Wonthaggi, South Dudley, Glen Alvie, Kongwak, Lance Creek	7050	4364	Lance Creek	4124
Loch	194 (estimate)	147	Little Bass	Not Serviced
Nyora	713	349	Little Bass	Not Serviced
Poowong	322	207	Little Bass	Not Serviced
Koonwarra	390	80	Ruby Creek	Not serviced
Leongatha, Kardella, Leongatha South, Ruby	4921	3054	Ruby Creek	2867
Alberton	260	147	Tarra River	Not Serviced
Devon North, Tarra Valley	487	124	Tarra River	Not Serviced
Port Albert	246	395	Tarra River	327
Yarram	1741	1192	Tarra River	1076
Dumbalk	418	102	Tarwin River – East Branch	Not Serviced
Meeniyan	460	269	Tarwin River – West Branch	235
Waratah Bay	210	Not Serviced	N/A	111

**Notes:**

1. Population Served based on ABS 2011 Census updated with a local government growth factor of 2.5% Bass Coast Shire Council, 1.5% South Gippsland Shire Council and 0.9% for the Wellington Shire Council.

2. Water and Sewerage Assessments = Number of Rated Properties at June 2014.

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

## Nature and Range of Services Provided

South Gippsland Water's total operations in 2013/14 comprised:

### Water Supply

- 20,500 water assessments [accounts] over 21 rural centres
- 13 reservoirs and 18 service storages
- 4,720 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
- 698 km of water mains
- 15 water pump stations

### Wastewater Services

- 17,600 wastewater assessments [accounts] over 12 rural centres
- 4,300 ML of wastewater collected
- 11 conventional wastewater systems
- 1 vacuum wastewater system
- 11 wastewater treatment plants
- 426 km of wastewater mains
- 71 wastewater pump stations

# Statement by the Managing Director and Chair

We are pleased to present the Report of Operations for South Gippsland Water for the year ending 30 June 2014.

During 2013/14, South Gippsland Water continued to invest in capital works across the region, delivering some \$13 million in projects to strengthen and increase asset capacity and service delivery capability. Projects included the Leongatha Waste Water Treatment Plant refurbishment, Alberton Sewerage Scheme and Lohr Avenue Inverloch, Pump Station replacement.

Water consumption across the region was down by 2% from 2012/13 with customers using around 4,629 ML for the year. No water restrictions were implemented during the period; however, an alternative water source was initiated for the township of Korumburra over the drier summer months to meet the town's water needs and increased demand from major customer, Burra Foods. The additional yield supplemented the existing Coalition Creek Water Supply System avoiding the need for staged restrictions. All other towns continued to abide by Permanent Water Saving Rules.

The financial result for the year is an Operating Loss before Income Tax of \$0.3 million a similar amount to 2012/13. The result was \$1.3 million favourable compared to budget as a result of the implementation of a number of efficiency initiatives during the year. Further capital and operating expenditure efficiencies have been identified and will be implemented as a part of the Victorian Governments "Fairer Water Bills" initiative.

As a result, South Gippsland Water customers will receive an average of \$48 off their bills each year for the next four years. A key component of the efficiency savings is the Gippsland Region Water Corporations' Memorandum of Understanding (MoU). The MoU fosters a collaborative approach to identifying, researching and implementing productivity initiatives across the Gippsland Region's water corporations.

Planning and construction progressed throughout the year on two separate sewerage schemes servicing the townships of Alberton, and Poowong, Loch and Nyora. A major review, incorporating key stakeholders, was undertaken for the Poowong, Loch and Nyora Sewerage Scheme which culminated in Department of Treasury and Finance approval in June. The final solution involves a cooperative approach that will see a pressure sewer collection system with transfer of wastewater to South East Water's Lang Lang Treatment Plant. This will be treated to Class A standard and reused within the district. The review process has resulted in a more cost efficient solution which meets the public health and environmental needs of these communities.

The planning and design works for the Northern Towns Connection Project has progressed. The project will secure the water supply to townships located in the North of the region including Poowong, Loch, Nyora and Korumburra. It involves the interconnection of smaller surface water supplies to the Corporation's largest reservoir, Lance Creek utilising the Melbourne Supply System as backup when required.

The appointment during 2013 of our Chair, Joan Liley, to the Board of VicWater, the peak industry association for water corporations in Victoria, has provided the Corporation with further understanding of new and emerging trends within the Water industry.

South Gippsland Water has progressed in meeting the policy direction of the Victorian Government's Office of Living Victoria with two Whole of Water Cycle Management analyses completed. The analyses will assist to shape localised solutions for the townships' long term water security. The Corporation has worked closely with our Shire and Catchment Management partners and other Water Corporations in developing these plans.

South Gippsland Water employs 96 staff, serving a permanent population of approximately 30,000 customers. During summer and peak holiday periods this can increase by tens of thousands. We are proud of the year's achievements and would like to thank all South Gippsland Water staff for their continued dedication and professionalism. This has been highlighted by the annual customer Satisfaction Survey, which found 97% of our customers were satisfied or very satisfied with the Corporation's overall performance.

In addition, we would like to thank the Board of Directors for their outstanding commitment to leadership, governance and strategic direction which is acknowledged and very much appreciated. A significant amount of effort has been spent in improving the planning, prioritisation and delivery of capital works.

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

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

**Joan Liley**  
Chair

**Philippe du Plessis**  
Managing Director

## Accountable Officers Attestation

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

**Philippe du Plessis**  
Managing Director  
South Gippsland Water  
Dated: 30th June 2014



# The Board

## During 2013/14 the Board consisted of:

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

*Appointed 1st July 2004 (Chair)*

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

She is involved in many community organisations, notably Prom Country Aged Care and the Prom Coast Seachange Festival. She has an abiding interest in the sustainable development of the Gippsland Coastal Region and the responsible management of its resources.

### **Jim Fawcett - CPA**

*Appointed 1st October 2007 (Deputy Chair)*

Jim is a certified practicing accountant and partner in a local accounting firm for over 30 years. He has also had extensive involvement with local community and sporting groups during that time. He is a former board member and President of Woorayl District Memorial Hospital and its successor Gippsland Southern Health Service. He is a councillor and currently serving as Mayor of South Gippsland Shire Council.

### **Anna Kilborn – BSc, GAICD**

*Appointed 1st October 2011*

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

### **Chris Badger – BEng, CPEng, ADP LBS, GAICD**

*Appointed 1st October 2011*

Mr Badger has over 30 years' experience both in Australia and Internationally in the utilities and energy sectors with over 10 years at senior executive level having positions with Loy Yang Power, WestNet Energy, Alinta Asset Management, E.ON Ag and Powergen plc. He was formerly Deputy Chair of Trafalgar and District Bendigo Community Bank (2009). Mr Badger has a Bachelor of Engineering and post graduate business training from AICD, Stanford University, Warwick University, and London Business school. He is an independent Director with Murray Irrigation Limited (2014), Trustee Director (2012), associate with Madison Cross (2014) a consultancy firm, and is a Director of his own consultancy business (2012).

### **David Schultz - MIEAust, CPEng, GAICD**

*Appointed 1st October 2011*

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

### **Steve Rieniets - BEng(Civil), MBA, GAICD**

*Appointed 1st October 2012*

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

### **Irene Irvine**

*Appointed 1st October 2012*

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



### **Poowong, Loch and Nyora Sewerage Scheme announcement of construction commencing.**

From left to right;  
Danny O'Brien MP  
Philippe du Plessis; South Gippsland Water MD  
Lorraine Brunt; Councillor  
Peter Ryan MLA  
Kevin Hutchins; South East Water MD  
Joan Liley; South Gippsland Water Chair

## Meetings Attended

Director	Date of Commencement on Board	Board Meetings	Audit and Risk Management Committee	Capital Works Committee	Corporate Governance Committee	Environment Committee*	OHS Committee*	HSE Committee	Executive Remuneration Committee
<b>Joan Liley</b> [Chair of Board] (Chair of Remuneration Committee)	1st of July 2004	11 of 12	4 of 5	5 of 7	5 of 5	1 of 1	0 of 1	3 of 3	4 of 4
<b>Anna Kilborn</b> (Chair of HSE Committee)	1st of October 2011	11 of 12		5 of 7		1 of 1	1 of 1	3 of 3	
<b>Chris Badger</b>	1st of October 2011	12 of 12		6 of 7	2 of 2	1 of 1	1 of 1	1 of 1	
<b>David Schultz</b> (Chair of Corporate Governance Committee)	1st of October 2011	11 of 12	5 of 5		4 of 5				
<b>Jim Fawcett</b> (Chair of Audit and Risk Management Committee)	1st of October 2007	12 of 12	5 of 5					2 of 2	4 of 4
<b>Irene Irvine</b>	1st of October 2012	11 of 12	4 of 5		4 of 5				
<b>Steve Rieniets</b> (Chair of Capital Works Committee)	1st of October 2012	11 of 12		7 of 7			1 of 1		4 of 4
<b>Number of Meetings Held</b>		<b>12</b>	<b>5</b>	<b>7</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>4</b>

\* The Environment and OHS Committees merged to form the Health Safety and Environment Committee in August 2013.

## Our Management Team

### Managing Director

#### Philippe du Plessis

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

### Manager Finance & Corporate Services

#### Justin Wightman

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

### Manager Technical Services

#### Rob McKaige

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

### Manager Operations

#### Ravi Raveendran

Ravi manages all of the Corporation's operational functions including Water Treatment Plants, Wastewater Treatment Plants, Water and Wastewater services delivery infrastructure. His responsibilities include compliance with Water and Wastewater Quality Guidelines, ongoing quality monitoring, operations improvement, site safety, specialist services to Major Customers and environment and catchment management.

## Organisation Structure

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

# 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 and Executive Officers

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. In order to effectively carry out its responsibility the Board has established the following committees:

### Audit and Risk Management Committee

The Audit and Risk Management Committee met 5 times in 2013/14. 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*

1/7/2013 – 30/6/2014

Jim Fawcett \*(Chair)

David Schultz\*

Irene Irvine\*

Joan Liley

Peter Moloney\*\*

(\*Independent Members)

(\*\*Independent External Member)

### Capital Works Committee

The Capital Works Committee met 7 times in 2013/14. The Committee oversees the strategic context, Asset Management, planning, development and delivery of the Capital Works Plan. Good governance with respect to the delivery mechanisms undertaken to deliver Capital Works projects is also a focus of the Committee.

#### *Period of operation*

1/7/2013 – 30/6/2014

Steve Rieniets (Chair)

Anna Kilborn

Chris Badger

Joan Liley

### Corporate Governance Committee

The Corporate Governance Committee met 5 times in 2013/14, to identify and put in place processes to enhance Board and organisational performance.

#### *Period of operation*

1/7/2013 – 30/6/2014

David Schultz (Chair)

Irene Irvine

Joan Liley

Chris Badger (22/1/2014 – 30/6/2014)

## Environment Committee

The Environment Committee met once in 2013/14, the Committee merged with the Occupational Health and Safety Committee to form the Health Safety and Environment Committee. Its objectives included, assisting in establishing environmental management policy, monitoring organisational environmental awareness and performance and advice on environmental issues to the Board.

#### *Period of operation*

1/7/2013 – 21/8/2013

Chris Badger (Chair)

Anna Kilborn

Joan Liley

## Occupational Health and Safety Board Committee

The Occupational Health and Safety Board Committee met once in 2013/14, the Committee merged with the Environment Committee to form the Health Safety and Environment Committee. The committee assisted the Board to discharge its duty of care and fulfil its corporate governance responsibilities with respect to workplace health and safety.

#### *Period of operation*

1/7/2013 – 21/8/2013

Anna Kilborn (Chair)

Chris Badger

Joan Liley

Steve Rieniets

## Health Safety and Environment Committee

The Health Safety and Environment Committee met 3 times in 2013/14. The Committee assists the Board to discharge its duty of care and fulfil its corporate governance responsibilities with respect to workplace health and safety, and the environment.

#### *Period of operation*

22/8/2013 – 30/6/2014

Anna Kilborn (Chair)

Chris Badger (20/11/2013 – 23/1/2014)

Joan Liley

Jim Fawcett (23/1/2014 – 30/6/2014)

## Executive Remuneration Committee

The Executive Remuneration Committee meets when required and reviews the performance and remuneration of senior executives and the terms of employment of all South Gippsland Water employees. It met 4 times in 2013/14. The Committee ensures compliance with the requirements of the Government Sector Executive Remuneration Panel (GSERP).

1/7/2013 – 30/6/2014

Joan Liley (Chair)

Jim Fawcett

Steve Rieniets

## Statement of Availability of Other Information

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



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

## Disclosure Index

An index identifying the Corporation's compliance with statutory disclosure requirements is contained in Appendix A, page 60.

## Declaration of Pecuniary Interest

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

## External Auditors

Crowe Horwath Australasia Ltd, as an agent for the Auditor-General Victoria, undertook the external audit for 2013/14.

## Risk Management & Chair'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 Chair of South Gippsland Water provides the following statement:-

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

**Joan Liley**  
 Chair  
 Board of Directors  
 South Gippsland Water  
**Dated:** 30th June 2014

## Manner of Establishment & the Relevant Minister

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

During the 2013/14 reporting period the responsible Minister for South Gippsland Region Water Corporation was The Hon Peter Walsh MLA, Minister for Water.

## Objectives, Functions, Powers and Duties

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

### Water Supply

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

### Waste Water

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

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

## Employment and Conduct Principles

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

South Gippsland Water is committed to applying merit and equity to recruitment and in all its dealings with staff. The table below summarises all formal staffing grievances such as sexual harassment and unfair dismissal complaints. There were one complaint listed in 2013/14.

# Corporate Governance

## Formal Staff Grievances Disclosure Summary

Year	2013/14	2012/13
Disclosures	1	0

## Workforce Data

	Ongoing Employees				Fixed term & Casual Employees	
	Employees (Headcount)	Full time (Headcount)	Part time (Headcount)	FTE	FTE	FTE
June 2014	96	84	5	88.15		6.2
June 2013	92	85	4	88.15		2.2

	June 2013/14			June 2012/13		
	Ongoing		Fixed term & Casual Employee	Ongoing		Fixed term & Casual Employee
	Employee (Headcount)	FTE	FTE	Employee (Headcount)	FTE	FTE
<b>Gender</b>						
Male	65	65.0	5	65	65.0	1.0
Female	24	23.1	1.2	24	23.1	1.2
<b>Age</b>						
Under 25	7	7.0	1.0	6	6.0	1.0
25-34	12	11.8	4.0	14	13.8	0.0
35-44	25	24.8	0.0	22	21.8	0.0
45-54	29	28.7	0.0	32	31.7	1.0
55-64	15	14.8	.20	14	13.8	0.2
Over 64	1	1.0	1.0	1	1.0	0.0
<b>Classification</b>						
Trainee	1	1.0		2	2.0	
Band 3	9	9.0		9	9.0	1.0
Band 4	13	12.7	3.2	17	16.5	0.2
Band 5	17	16.8	2	19	19.0	
Band 6	19	18.6		15	14.6	
Band 7	12	12.0		10	10.0	
Band 8	6	6.0	1	6	6.0	1.0
SEO	8	8.0		7	7.0	
Executives	3	3.0		3	3.0	
M/ging Director	1	1.0		1	1.0	
	89	88.15	6.2	89	88.15	2.2

## 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

One request was received by South Gippsland Water under the FOI Act during 2013/14. All requested information was provided to the applicant.

## Contact for Requests

Requests under the Freedom of Information Act 1982, describing the documents requested, must be made, in writing. A Freedom of Information (Fol) application fee of \$26.50 from 1st July 2014 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](mailto: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.



*Leongatha Waste Water Treatment Plant anaerobic digester bio dome, constructed during 2013/14.*

## Victorian Industry Participation Policy - Implementation

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

During 2013/14 there was one contract awarded in the South Gippsland area which VIIPP applied. The Leongatha Waste Water

Treatment Plant Anaerobic Digester total contract amount was \$2,030,489 (Ex GST).

The outcomes expected from the implementation of the VIIPP to this project where information was provided are as follows;

- An average of 90% local commitment was made
- A total of 15 jobs were committed to the project
- No apprentices or trainees employed.

The commitment to the Victorian economy in terms of skills and technology transfer include the use of the latest building skills techniques and embedding new technology into building designs.

## Consultancies for 2013/14 – Greater than \$10,000

Consultant	Project	Start Date	End Date	Total Approved Project Fee (Excl. GST)	Expenditure 2013/14 (Excl. GST)	Future Expenditure (Excl. GST)
AECOM	Poowong, Loch Nyora (PLN) Sewerage Scheme - Review Support	May 2013	June 2014	\$191,487	\$191,487	0
Aerometrex	Northern Towns Project - Aerial Photographic Feature Survey	Aug 2012	June 2014	\$38,279	\$38,279	0
AWT Water Pty Ltd	Operations- Chemical consumption efficiency	Feb 2014	June 2014	\$15,454	\$4,417	0
Better Place Consultants	PLN Sewerage Scheme - Review support	July 2013	June 2014	\$40,702	\$40,702	0
Beveridge Williams	PLN Pump Station Design, Plan Configuration	June 2009	June 2014	\$36,970	\$36,970	0
CH2M Hill (Halcrow Pacific)	Leongatha Water Supply – Future Development Strategy	Oct 2012	June 2014	\$49,373	\$49,373	0
Cobbitty Consulting	Leongatha Waste Water Treatment Plant (WWTP) Digester Refurbishment	Sep 2013	June 2014	\$49,549	\$49,549	0
Cobbitty Consulting	Lohr Avenue Pump Station upgrade	Sep 2013	Ongoing	\$84,916	\$84,916	\$15,000
GHD	EPA Works Approval	July 2013	June 2014	\$26,085	\$26,085	0
GHD	Inverloch WWTP Sludge Drying Pan Lagoon	July 2013	June 2014	\$13,109	\$13,109	0
GHD	Meenyan Water Treatment Plant (WTP) Upgrade Work	July 2013	June 2014	\$12,200	\$12,200	0
GHD	Northern Towns Project - Functional Design/Detailed Design	Dec 2013	Aug 2014	\$255,184	\$189,061	\$66,123
KBR	Fish Creek/Dumbalk Waste Water Feasibility Study	Aug 2013	Ongoing	\$37,908	31,079	\$24,0000
KBR	Leongatha WWTP Anerobic Digester refurbishment	Feb 2013	Sep 2014	\$227,073	\$136,477	
KBR	Technical Services support - Preliminaries / Set Up / Planning	Nov 2009	Ongoing	\$504,240	\$156,798	\$25,000
Lota	Major Customer Water Audits Poowong	Feb 2014	June 2014	\$22,665	\$22,665	0
Marsden Jacob Associates	Northern Towns Project	July 2013	June 2014	\$65,256	\$65,256	0
Marsden Jacob Associates	PLN Sewerage Scheme Review support	May 2013	June 2014	\$160,912	\$160,912	0
Osborne Management	PLN Sewerage Scheme Review Support	April 2013	June 2014	\$266,549	\$266,549	0
Project Support	PLN Review – cost risk estimating	Oct 2013	June 2014	\$18,380	\$18,380	0
RMCG	Recycled Water - reuse development	June 2013	June 2014	\$14,336	\$14,336	0
SKM	Water resources technical support	March 2013	June 2014	\$22,727	\$14,084	0
South East Water	Alberton Sewerage Scheme	June 2013	June 2014	\$19,411	\$19,411	0
South East Water	Whole of Water Cycle Management Plan - Korumburra	Feb 2014	June 2014	\$50,000	\$50,000	0
South East Water	Whole of Water Cycle Management Plan Poowong, Loch, Nyora	Feb 2014	June 2014	\$31,790	\$31,790	0
Tim Stone	Northern Towns Water Project cultural heritage assessment	July 2013	June 2014	\$100,470	\$100,470	0
Underwood Management	PLN Sewerage Scheme - review support	May 2013	June 2014	\$26,920	\$26,920	0
URS	Annual Dam Safety Inspections and Surveillance	Sep 2013	June 2014	\$60,604	\$60,604	0
URS	Foster and Devon North Raw Water Basins Consequence Category Assessment	Oct 2014	June 2014	\$15,000	\$15,000	0

In 2013/14 South Gippsland Water engaged four consultancies where the total fees payable to the consultants were less than \$10,000 with a combined total expenditure of \$24,333 (Excl. GST)

The definition of Consultancy has been updated and is listed below. Consultancy disclosures or expenditure reported for 2013/14 cannot be compared to previous years.

A consultant is a particular type of contractor that is engaged primarily to perform a discrete task for an entity that facilitates decision making though:

- Provision of expert analysis and advice; and/or
- Development of a written report of other intellectual output.

# Corporate Governance

## Disclosure of Major Contracts

There were no contracts of a value in the order of \$5M during the reporting period 2013/14. There were no contracts of a value greater than \$10M during the reporting period 2013/14.

## Corporate Water Consumption 2013/14

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

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, Meeniyian water treatment plant, Meeniyian Wastewater treatment plant, Murray Goulburn wastewater facilities, Poowong water treatment plant, Port Albert wastewater treatment plant, Toora water treatment plant, Toora wastewater treatment plant, Port Welshpool wastewater treatment plant and Waratah Bay wastewater treatment plant.*

Indicator	Target	Actual 2013/14	Variation %	Actual 2012/13	Actual 2011/12
Consumed [Kilolitre (KL) = 1,000 litres]	260kL	1,026kL*	75%	225kL	285kL
Kilolitres consumed per full time equivalent staff member	7.2kL	19kL*	62%	4.2kL	8.2kL

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

## Water Consumed Per Unit of Office Space

Water consumed per square metre of office space for 2013/14 was 921.8 litres.

## National Competition Policy

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

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

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

## Goods and Service Tax (GST)

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

# Our People

We recognise that our staff, are a major strength and 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]

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

## Occupational Health and Safety Management (OH&S)

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

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

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

## SGW Lost Time Injury Frequency Rate

Year	Number of LTIs	Total hours Worked	LTIFR / Million Hour
2010/2011	3	158,995	18.87
2011/2012	1	187,181	5.34
2012/2013	2	200,845	9.96
2013/2014	0	202,684	0.00
			Average over four years 8.54

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

## Equal Opportunity

South Gippsland Water has continued its commitment to the application of Equal Employment Opportunity principles in managing its staff and in all recruitment processes. No Equal Employment Opportunity queries or cases arose in the 2013/14 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.

South Gippsland Water in line with the State Government Fairer Water Bills initiative undertook a review of capital and operational costs during 2013/14. A range of savings were identified across the organisation including;

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

The result of the review is that South Gippsland Water customers will receive an average of \$48 off their bills each year for the next four years.

## 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	2013/14 \$	2012/13 \$
Provision of concessions to pensioners	1,328,187	1,290,341
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	145,707	144,909
Utility Relief Grants Scheme payments	9,440	13,781
Water concessions on Life Support Machines - Haemodialysis	513	428
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	Nil	Nil



## Customer Consultation

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

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

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

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

- *an annual customer satisfaction survey;*
- *meetings with local community and special interest groups, i.e. Lions, Rotary, Business and Community Development groups, Landcare groups, etc.;*
- *participation at local events such as environment and water related shows.*

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

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

During 2013/14 South Gippsland Water completed a number of customer consultation initiatives on major projects including the Poowong, Loch and Nyora Sewerage Scheme and the Alberton Sewerage Scheme.

These consultations has included;

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

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

South Gippsland Water has continued to facilitate school education programs throughout 2013/14:-

- *"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.*
- *A number of activities are delivered around key days throughout the year including a student expo to celebrate National Water Week poster competition and activities.*
- *School visits and excursions have been delivered to both secondary and primary schools supporting water related curriculum.*
- *Sponsorship and funding of customer schools to sign up to the Schools Water Efficiency Program. South Gippsland Water has some 16 customer schools participating in the program which involves monitoring and online reporting of water usage.*
- *In June 2014 South Gippsland Water launched a new design for its website, including a dedicated education section featuring teacher resources, online ebooks and games.*

# Social Sustainability cont.

## Meetings with local community and special interest groups

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

## South Gippsland Water Website

South Gippsland Water's website [www.sgwater.com.au](http://www.sgwater.com.au) provides public access to copies of published materials and invitations to comment and at certain times submit online web surveys. This was redesigned and updated with the new look website launched in June 2014.

## Management of Social and Economic Impacts

### *Economic Impacts*

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

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

During 2013/14 the Corporation took part in the Living Victoria Water Rebate Program for Residential Customers and Small Business. The program provides rebates for a wide range of water efficient products.

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

## Nyora rotunda



# 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 2013/14.

System & reference number of relevant Bulk Entitlement	Water supply	Towns serviced	Bulk Entitlement ML/year	Amount taken ML/y <sup>1</sup>	Storages <sup>2</sup>	Water storages ML <sup>3</sup>	Entitlement transfer from <sup>4</sup>	Entitlement transfer to ML/y	Entitlement amendment	New entitlement	Failures to comply <sup>5</sup>	Difficulties & remedial action <sup>6</sup>	Compliance with making allowances <sup>7</sup>	Compliance with environmental obligations <sup>8</sup>	Compliance with metering obligations <sup>9</sup>
BEE049324 Leongatha	Ruby Creek	Leongatha, Koonwarra.	2,476	1,626	Res 1	15	Nil	Nil	Nil	Nil	Nil	Nil	a	a	a
					Res 2	83									
					Hyland	491									
					Western	747									
BEE049323 Devon North, Alberton, Yarram and Port Albert	Tarra River	Yarram, Alberton, Port Albert, Devon North.	853	425	Nil	Nil	Nil	Nil	Nil	Nil	Nil	a	a	a	
BEE049327 Fish Creek	Battery Creek	Fish Creek	251	115	Battery Creek Reservoir	119	Nil	Nil	Nil	Nil	Nil	Nil	a	a	a
BEE049331 Korumburra	Coalition Creek	Korumburra	1,000 1,800	685	No. 1	139	Nil	Nil	Nil	Nil	Nil	Nil	a	a	a
	Ness Creek				No. 2	74									
	Bellview Creek				No. 3	351									
	Tarwin River				Nil	Nil									
BEE049325 Loch, Poowong & Nyora	Little Bass River	Poowong, Loch, Nyora.	420	254	Little Bass Reservoir	219	Nil	Nil	Nil	Nil	Nil	Nil	a	a	a
BEE049332 Toora, Port Franklin, Welshpool and Port Welshpool Agnes River	Agnes River	Toora, Welshpool, Port Welshpool, Port Franklin.	1,617	537	Cooks Dam	59	Nil	Nil	Nil	Nil	Nil	Nil	a	a	a
BEE049334 Wonthaggi, Inverloch	Lance Creek	Wonthaggi, Inverloch, Cape Paterson.	3,800	1,750	Lance Creek Reservoir	3,304	Nil	Nil	Nil	Nil	Nil	Nil	a	a	a
BEE050819 Augmented Melbourne system	Melbourne Headworks System	Wonthaggi, Inverloch, Korumburra, Leongatha.	1,000 <sup>10</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	a	a	a
BEE049328 Foster	Deep Creek	Foster.	326	169	Deep Creek Reservoir	14	Nil	Nil	Nil	Nil	Nil	Nil	a	a	a
BEE049329 Meeniyar	Tarwin River	Meeniyar.	200	59	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	a	a	a
BEE049326 Dumbalk	Tarwin River East	Dumbalk.	100	20	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	a	a	a

## 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 2014
4. Extraction from the Tarwin River @ Koonwarra emergency offtake
5. Any failure by the Corporation in complying 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 (a indicates compliance has been met)
8. Approval, amendment and implementation of programs and proposals for Environmental Obligations (ademonstrates progress towards compliance with environmental obligations)
9. Approval, amendment and implementation of programs and proposals for Metering Obligations (ademonstrates compliance with metering obligations)
10. The BE for 2013/14 is 1GL. This will increase to 5GL when SGW complete the water connection to Korumburra and Leongatha in the future.

# Water Services

## Water Quality

During 2013/14 South Gippsland Water maintained its water quality monitoring program consistent with the requirements of the Safe Drinking Water Regulations 2005.

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

Parameter	Water Quality Standard	Notes	2013/14 %
Escherichia coli (E. coli)	At least 98 % of all samples of drinking water collected in any 12 month period to contain no E. coli per 100 mL		100.0
Turbidity	95 % upper confidence limit of the mean of drinking water samples collected in preceding 12 months must be ≤ 5.0 NTU		100.0
Aluminium	Must not exceed 0.2 mg/L	1	94.7%
Trihalomethanes	Must not exceed 0.25 mg/L		100.0
Chloroacetic Acid	Must not exceed 0.15 mg/L		100.0
Dichloroacetic Acid	Must not exceed 0.1 mg/L		100.0
Trichloroacetic Acid	Must not exceed 0.1 mg/L		100.0

**Note 1:** Non-compliance for aluminium was due to treatment optimisation difficulties at the Meeniyah water treatment plant.

## Drought Response Plan

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

No staged water restrictions were activated during the 2013/14 year. However, in the short term, South Gippsland Water faces the significant challenge of ensuring water availability to its Northern Towns in the context of major customer expansion, population growth and potential climatic volatility. As such South Gippsland Water will rely on a combination of water sources, including surface and ground water. This means utilising a temporary pump station and a network of aged pipeline and pump infrastructure to augment the supply to Korumburra (an at risk system due to recent significant major customer water usage) during late summer and autumn.

It is planned that some 4,555 ML's will be delivered to customers during 2014/15 and while no restrictions are planned the reality is that Korumburra experienced Stage Two restrictions (2012/13) and significant temporary augmentation in 2013/14, following a prolonged dry period from December 2013

## Major Non-Residential Water Users

Customers by volume/range for 2013/14

Volumetric Range ML per year	Number of Customers
Equal to or greater than 200ML and less than 300ML	0
Equal to or greater than 300ML and less than 400ML	1
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
<b>Total Number of Customers</b>	<b>2</b>

Name of Customer	Information as to customer participation in water conservation program
Murray Goulburn Coop Ltd. Leongatha	Highly active in water conservation.
Towang No 1 Pty Ltd. Burra Foods. Korumburra	Processing facilities upgraded; including water conservation measures and community re-use.

## Water Consumption Report

District name	Residential Customers				Non-residential customers				Total number of customers	Total potable water volume	Total recycled water volume	Total consumption	Average annual consumption	Weekly residential potable water consumption	Non revenue water			Total non-revenue water	Total all water sources
	Number	Potable water volume	recycled wastewater volume	recycled stormwater volume	Number	Potable water volume	recycled wastewater volume	recycled stormwater volume							Leakage	Firefighting	Other		
Alberton/ Port Albert Yarram/ Devon North	1,241	147	N/A	N/A	496	191	62	N/A	1,737	338	62	400	341	3	57	27	84	484	
Dumbalk	76	10	N/A	N/A	20	6	0	N/A	96	16	0	16	14	0.2	3	1	4	20	
Fish Creek	99	12	N/A	N/A	102	47	0	N/A	201	59	0	59	72	0.2	53	3	56	115	
Foster	599	75	N/A	N/A	174	61	0	N/A	773	136	0	136	134	1	20	4	24	160	
Korumburra	1,751	227	N/A	N/A	272	369	0	N/A	2,023	596	0	596	584	4	63	22	85	681	
Wonthaggi/ CapePaterson/ Inverloch	8,694	910	N/A	N/A	809	563	13	N/A	9,503	1,473	13	1,486	1,458	17	223	40	263	1,749	
Leongatha/ Koonwarra	2,435	358	N/A	N/A	545	1,102	0	N/A	2,980	1,460	0	1,460	1,481	7	69	94	163	1,623	
Meeniyah	197	31	N/A	N/A	49	11	3	N/A	246	42	3	45	43	0.6	11	5	16	61	
Poowong/ Loch/Nyora	521	68	N/A	N/A	139	127	0	N/A	660	195	0	195	181	1	49	9	58	253	
Waratah Bay		N/A	N/A	N/A	1	N/A	13	N/A	N/A	N/A	13	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Toora/ Welshpool/ PortWelshpool/ PortFranklin	617	77	N/A	N/A	410	237	13	N/A	1,027	314	13	327	329	1	145	76	221	548	
	16,230	1,915			3,017	2,714	104		19,246	4,629	104	4,720			693	281	974	5,694	

Note: Average annual demand is calculated as a rolling 3 year average. Revenue water excludes Standpipe Sales (20 ML), Wonthaggi Desalination Plant Consumption (4 ML) and estimated sales consumption (9 ML).



# Wastewater Services

## Wastewater Management

During 2013/14, South Gippsland Water was compliant with sewerage treatment quality standards at all ten of its wastewater systems. However, South Gippsland Water's experienced a number of non-compliances to its EPA waste discharge licence as shown in the table below:

### Analysis of performance against EPA Licence 74240 environmental performance conditions

Condition area	Condition reference	Condition description	Condition complied with?
General	G1	Waste from the premises must not be discharged to the environment except in accordance with this licence.	No <sup>1</sup>
	G2	You must immediately notify EPA of non-compliance with any condition of this licence.	Yes
	G3	By 30 September each year you must submit an annual performance statement to EPA for the previous financial year in accordance with the Annual Performance Statement guidelines (EPA Publication 1320).	Yes
	G4	Documents and monitoring records used for preparation of the annual performance statement must be retained at the premises for seven years from the date of each statement.	Yes
	G5	You must implement a monitoring program that enables you and EPA to determine compliance with this licence.	Yes
Amenity	A1	Offensive odours must not be discharged beyond the boundaries for the premises.	No <sup>2</sup>
Water Discharges	DW1	Stormwater discharged from the premises must not be contaminated with waste.	Yes
	DW2	Discharge of waste to surface waters must be in accordance with the 'Discharge to Water' table.	No <sup>3</sup>
	DW2.8	Discharge of treated wastewater during wet weather conditions must be in accordance with specifications in "Discharge to Water" section of EPA Publication 1322 'Licence Management Guidelines'.	Yes
	DW3	The mixing zone extends as defined in the licence	Yes
	DW4	You must install and maintain signage at the discharge point showing, (a) the extent of the mixing zone, (b) your name, (c) the EPA licence number, and (d) the discharge point number.	Yes
Land discharges	DL1	You must not contaminate land or groundwater	Yes
	DL2	Discharge of wastewater to land must not adversely affect the land.	Yes
	DL4	Deposit of biosolids to land must not adversely affect the land.	

**Note 1:** The Wonthaggi WWTP breached condition G1 when the final lagoon overflowed during extreme wet weather conditions and discharged offsite via a stormwater drain in August 2013.

**Note 2:** The Leongatha WWTP Biosolids Facility breached the odour condition when a complaint in December 2013 was received. Two more complaints were received in January 2014. Odour was emitted from the sludge drying process. An odour impact assessment was conducted and options for the management of biosolids are being considered.

**Note 3:** Baxters Beach wastewater system exceeded the designated mean daily flow rate of 3.0 ML per day.

Improvements in wastewater management implemented during the year included:

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

## Treated Effluent

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

## Bio Solids

The Bio Solids Management Facility, located at the Leongatha Wastewater Treatment Plant, has been upgraded to enable all-weather access for delivering and processing

South Gippsland Water is trialling the process of composting Bio Solids with green waste. The corporation are currently investigating the possibility of full scale composting in-house or via a local composting company.

# Environmental Sustainability

## Corporate Sustainability Strategy

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

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

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

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

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

## Environment & Sustainability Policy Environmental Management System [EMS]

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

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

Some of the key areas of the EMS include:

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

## Regional Catchment Strategies

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

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

The Corporation liaised with the South Gippsland Shire council during 2013/14 with respect to the guideline, Planning Permit Applications in Potable Water Supply Catchment Areas and recognises the close link between catchment management and the Corporation goals to manage and provide environmentally sound, safe, high quality drinking water to its customers.

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

## Catchment and Waterway Health

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

The vision for South Gippsland Water is to continue focusing on managing all SGW activities that may impact on rivers and waterways in an environmentally sustainable fashion.

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

South Gippsland Water has worked with the West Gippsland Catchment Management Authority and other agencies in implementing the Victorian Waterway Management Strategy. SGW will continue its river health monitoring program that involves biennial surveys and monitoring of:

- *Biological (macroinvertebrate) monitoring and assessment of waterways within Declared Water Supply Catchments in the South Gippsland Basin;*
- *Biological monitoring of SGW wastewater outflows into Little Ruby Creek at Leongatha and Foster Creek at Korumburra; and*
- *Water quality monitoring of rivers and streams at river and waterway diversions;*

## EPA Catchment Officer

South Gippsland Water has partnered with EPA Gippsland to fund a Catchment Officer position within the EPA. The main focus of the position is to carry out dairy farm audits to improve water quality within drinking water supply catchments.

## South Gippsland Shire Council

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

## Land Use and Development

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

## Weed Control Program

South Gippsland Water has developed a significant weed control program for its land. 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 South Gippsland Water land, are directed to the South Gippsland Pest Plant and Animal Landcare Facilitator.*

## Whole of Water Cycle Management

South Gippsland Water has taken a Whole of Water Cycle Approach when considering water and waste water supply augmentation works. Whole of Water Cycle Management (WoWCM) Options Analyses has been developed for the townships of Korumburra, Poowong, Loch and Nyora.

The Corporation have utilised the latest innovation, investigations and techniques to explore opportunities to reduce water use, harvest local water sources and manage discharge for communities involved in the WoWCM Options Analysis and the wider region.

## Korumburra

A key focus for Korumburra is to address the shortfall in future water supply and support the efficient delivery of Whole of Water Cycle options for the township. Options analysed included; full utilisation of the current Bulk Water Entitlement from the Tarwin River, increasing current water supply capacity, storm water capture storage and reuse, treated waste water reuse, rainwater tank assessment, residential and non-residential water efficiency, increased ground water extraction, leak detection and connection to the Lance Creek System.

The analysis concluded that the existing infrastructure does not provide the level of security required by the customers of Korumburra and that the system requires major water supply augmentation, either through the full utilisation of the Bulk Entitlement or connection to the Lance Creek Water Supply System. No stand alone Whole of Water Cycle Management option is able to satisfy the envisaged significant future increase in demand.

## Poowong, Loch and Nyora

A Whole of Water Cycle Analysis was completed in the townships of Poowong, Loch and Nyora as a component of the sewerage scheme review process. The analysis assessed potential water savings that may be achieved across the three townships from residential demand and also major customers located in Poowong.

Three components were reviewed;

- Leak detection along transfer and reticulation mains of the water supply system;
- Water audits on major customers in Poowong; and
- Household water audits of 40 properties in Poowong, Loch and Nyora.

Water audits were undertaken on two major customers in Poowong as well as 40 residential properties in the townships. South Gippsland Water intends to implement a Cash Back offer to upgrade or install water efficient products such as tanks, toilets, taps and showerheads; the program will coincide with construction of the sewerage scheme.

Large industrial users are being monitored to further understand actual water use throughout the duration of the day with the intent to establish peak demand period and identify unknown leaks.

Liveability of Poowong, Loch and Nyora will significantly improve through the implementation of the sewerage scheme and Cash Back program and a new benchmark for water recycling and water efficiency will be established for the region.

## 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.

A total of 109 ML of recycled water was used for irrigation, with the majority being used on agricultural land, and a small amount for recreation/sporting grounds.

Treated wastewater from South Gippsland Water's 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 the Inverloch wastewater system for irrigation. All of the treated wastewater from the Welshpool Waste Water Treatment Plant is used for pasture irrigation by a neighbouring landholder.

The Toora Football Club used treated wastewater from the Toora system during 2013/14 on occasions to irrigate the playing surface of the recreation oval. This re-use arrangement has effectively drought proofed this important community facility.

Following an extensive upgrade of the Leongatha and Korumburra wastewater treatment facilities, stand pipes have been installed enabling reuse for applications such as road works and weed control.

The sewerage scheme recently constructed at Meeniyah has incorporated wetlands as the final treatment process, providing treated effluent that was supplied to multiple reuse sites within the area including the Stony Creek Race Club and the Meeniyah Football Oval.

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

South Gippsland Water practices are in compliance with the Urban Stormwater: Best Practice Environmental Management Guidelines.

## Uniform Drought Response Plan and By Law

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

The requirements specified in the DRP guidelines include defining the legal and institutional context, describing the supply system and changes since the last drought, setting objectives for drought management, identifying and evaluating drought response options, developing a sequential plan of action, identifying pre-drought activities and evaluating the effectiveness of the DRP post-drought.

The DRP is fully revised and updated every five years.



# Environmental Sustainability cont.

## Water Supply Demand Strategy

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

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

The Corporation has undertaken a community awareness program for the project and has progressed to the detailed design stage during 2013/14. Currently the Corporation is actively seeking State Government funding opportunities.

## Community Partners in Environment and Sustainability

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

SGW provides financial contributions to these groups either by annual sponsorship or on a case-by-case basis. The groups and organisations supported by South Gippsland Water during 2013/14 are listed in the table below.

## Community groups, organisations and activities supported by South Gippsland Water in 2013/14.

Name	Activities	Type of Support	
		Financial	In-kind
Bunurong Coast Education	A local environmental education service for schools and the general public.	✓ \$5,000	✓
South Gippsland Landcare Network	A community-based organisation that facilitates catchment improvements such as revegetation and streamside fencing.	✓ \$10,000	✓
National Water Week (NWW)	Local Primary Schools participated in the NWW Poster Competition with all families of participating schools receiving a calendar of posters promoting water conservation and raising awareness about protecting our streams, wetlands, estuaries and oceans.	✓ \$8,000	✓
Schools Water Efficiency Program (SWEP)	South Gippsland Water has funded Year 2/Year 3 Payments for 3 schools during 2013/14.	\$500	

## Biodiversity

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

Accordingly South Gippsland Water will:

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

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

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

## Green House Gas Emissions

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

ITEM	2013/14 [Emissions in Tonnes]	2012/13 [Emissions in Tonnes]	2011/12 [Emissions in Tonnes]	2010/11 [Emissions in Tonnes]	2009/10 [Emissions in Tonnes]
Water Treatment & Pumping	1,664	2,133	2,618	1,919	2,040
Wastewater Treatment	4,421	4,550 <sup>1</sup>	4,674	9,823	10,348
Waste Disposal	Not recorded	Not recorded	Not recorded	Not recorded	Not recorded
Energy Use – Non-fleet	135	165	198	204	190 [office]
Vehicle Fleet	652	703	664	623	621
Offsets Purchased	nil	nil	nil	nil	nil
Any other activities	-	-	-	-	-
Gross Tonnes CO2e	-	-	-	-	13,209
Net CO2E	6,872	7,550	8,154	12,560	13,209

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

The Corporation has identified around 50 options for energy savings. The key energy efficiency improvement opportunities 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; and
- Motivation of employees to be efficient with their energy use.

### Net Energy Consumption

864MJ/ML potable water and 1,808MJ/ML wastewater.

# Major Projects

## Summary of Major Projects 2013/14

The following table summarises the major projects undertaken by South Gippsland Water during 2013/14, and the progress or results at the end of the financial year.

TECHNICAL SERVICES - MAJOR PROJECTS		
Reason	Project Description	Result / Progress
<p><b>Poowong/Loch/Nyora Sewerage Scheme</b></p> <p>SGW's region has a number of small towns without adequate wastewater management facilities. Unsuitable soil types and smaller size allotments mean that current septic systems are unable to retain effluent on these individual allotments. In many locations, grey water finds its way directly to the street drainage system with resultant health, environment and amenity issues.</p>	<p>A pressure sewer system is to be installed in each town. A main pump station in each town will transfer wastewater to Nyora and then to the existing South East Water (SEW) Lang Lang WWTP.</p> <p>Individual pumps to be installed on each property. The Transfer System has a capacity of the equivalent to 2000 residential properties.</p>	<p>A project Agreement has been signed with SEW. Construction works on the Nyora reticulation pipe work to commence in July 2014.</p> <p>Pump Stations and Transfer mains are being designed.</p> <p>The first household connection is programmed for October 2014</p>
<p><b>Water Renewals/Replacement</b></p> <p>To rehabilitate/replace inefficient water mains.</p>	<p>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.</p>	<p>Ongoing replacement of troublesome water mains within SGW's region. Approximately 2.5 km of water mains replaced over the year.</p>



# Major Projects cont.

TECHNICAL SERVICES - MAJOR PROJECTS		
Reason	Project Description	Result / Progress
<p><b>Reticulation Sewer Rehabilitation/Infiltration Curtailment/Relining</b></p> <p>To rehabilitate/reline inefficient sewer mains. Identify troublesome reticulation pipeline locations with increased groundwater infiltration and stormwater inflows.</p>	<p>Reticulation sewer rehabilitation/ replacement works including pipeline replacement/relining &amp; manhole repairs/ replacement based on established priorities with the Operations group.</p>	<p>Ongoing rehabilitation/replacement of ageing, cracked and broken reticulation sewer pipelines and manholes. Approximately 5 km of sewer pipelines relined and manholes rehabilitated over the year.</p> <p>Smoke testing program established to identify illegal connections, entry points of groundwater infiltration and stormwater inflows.</p>
<p><b>Wonthaggi Sewer System Upgrades</b></p> <p>Implementation of overall upgrading/ augmentation strategy is required to address the existing system capacity deficiencies associated with the Wonthaggi Sewer Reticulation System and to cater for the rapid escalating current and future development within the township.</p>	<p>A staged improvement implementation program over a 50 year horizon for augmenting the Wonthaggi Sewer Reticulation System based on the hydraulic model analysis, flow survey data and comparative risk assessments for existing system capacities.</p>	<p>Third stage of sewer upgrade works completed 2012/13. Fourth stage of sewer upgrade works completed 2013/14.</p>
<p><b>Alberton Sewerage Scheme</b></p> <p>Implementation of sewerage scheme to provide an effective means of managing wastewater within the Alberton township in order to protect public health, public amenity, social, economic and township environmental values.</p>	<p>Construction of a pressure sewer system to manage the collection and transmission of wastewater from the Alberton township to the existing Tarraville WWTP.</p>	<p>All reticulation and rising sewer main completed. Pumping Station installation near completion. All pump units installed.</p> <p>Final commissioning to be completed following power connection by electricians. Delay in delivery of the SUREpoint control boxes - now scheduled for delivery in September.</p>
<p><b>Northern Towns Supply Connection Works – Lance Creek to Korumburra &amp; Korumburra to Poowong</b></p> <p>Connection of existing Korumburra and Little Bass Water Supply Systems to the Melbourne Supply System Pipeline.</p>	<p>Installation of water supply trunk main from Lance Creek to Korumburra and Poowong Loch Nyora.</p>	<p>Preliminary/concept design of proposed alignment completed. Preliminary investigation and studies completed. Functional and Detailed Design in progress.</p>
<p><b>Foster Sewer System Upgrades</b></p> <p>Implementation of overall upgrading/ augmentation strategy is required to address the existing deficiencies associated with the Foster Sewer Reticulation System and to cater for current and future development within the township.</p>	<p>Augmenting critical sections of sewer reticulation pipeline within the Foster township.</p>	<p>Construction works completed.</p>
<p><b>Inverloch Sewer System Upgrades</b></p> <p>Implementation of overall upgrading/ augmentation strategy is required to address the existing capacity deficiencies associated with the Inverloch Sewer Reticulation System and to cater for the rapid escalating current and future development within the township.</p>	<p>A staged improvement implementation program over a 50 year horizon for augmenting the Inverloch Sewer Reticulation System based on the hydraulic model analysis, flow survey data and comparative risk assessments.</p>	<p>First, second and third stages of sewer upgrade works completed. Fourth stages of sewer upgrade works completed 2013/2014.</p>
<p><b>Leongatha WWTP Digester</b></p> <p>Existing digester is out of service and in need of upgrade to allow the Leongatha WWTP to meet required treatment processes and EPA discharge requirements.</p>	<p>Refurbishment of gas flare ,heating boiler and sludge mixing system, replacement of secondary digester roof structure, electrical rewiring, SCADA integration, supernatant pit and sludge pump station.</p>	<p>Construction completed, commissioning in progress</p>
<p><b>Wonthaggi WWTP/Purchase of SludgeRat</b></p> <p>Purchase of SludgeRat( Floating dredger for desludging of WWTP Lagoons)</p>	<p>Floating dredge to be used for the efficient desludging of Waste Water Treatment Plant lagoons Wonthaggi/ Inverloch.</p>	<p>SludgeRat purchased and commissioned.</p>

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

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

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

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

### Reporting procedures.

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

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

Level 1, North Tower, 459 Collins Street  
Melbourne, VIC 3000  
Phone: 1300 735 135  
Internet: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

### Further information

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

Disclosures under the Protected Disclosure Act 2012

<i>Disclosures under the Protected Disclosure Act 2012</i>		
	2013-14 number	2012-13 number
<b>The number of disclosures made by an individual to the Department and notified to the Independent Broad based Anti corruption Commission</b>		
Assessable disclosures	0	n/a



# Report of Operations

## FINANCIAL PERFORMANCE

South Gippsland Water's net result for the year was a deficit of \$0.352 million.

Revenue was \$0.164 million lower than 2012/13 due to combined impact of a decrease in volume charges (\$0.610million) due to a return to normal summer / autumn period and flat tariff charges as a result of the ESC pricing determination. Developer contributions were higher than prior year by \$0.319 million, as was other income \$0.173M.

Expenditure was \$0.105 million lower than 2012/13 due a concerted effort to reduce costs. This was achieved in an environment where the inflation rate was 2.93% and an EBA increase of 3.25% put pressure on costs. The overall expenditure reduction was mainly due to reduced chemical costs (\$0.249M), a reduction in supplies and services of (\$1,440M) comprised in the main of \$(0.632M) reduction in contractors and consultants, (\$0.339M) reduction in capital write offs.

Over \$12 million of new capital investment was undertaken during the year in order to improve services to the Corporations' water and wastewater customers.

This continued high level of capital expenditure has resulted in borrowings increasing \$1.399 million during the year to \$40.799 million.

### 2013/14 Summary of Financial Results

Financial Result	2009/10 (\$'000)	2010/11 (\$'000)	2011/12 (\$'000)	2012/13 (\$'000)	2013/14 (\$'000)
Core business revenue	26,342	23,555	25,793	27,048	26,824
Government contributions	0	50	483	0	0
Other revenue	1,458	1,030	967	870	930
<b>Total revenue</b>	<b>27,800</b>	<b>24,635</b>	<b>27,243</b>	<b>27,918</b>	<b>27,754</b>
Operating expenditure	15,979	15,175	17,267	16,601	16,366
Depreciation expenditure	5,991	6,125	8,829	9,284	9,389
Finance costs	1,698	1,953	2,267	2,326	2,351
Other expenditure	0	0	0	0	0
<b>Total expenditure</b>	<b>23,668</b>	<b>23,253</b>	<b>28,363</b>	<b>28,211</b>	<b>28,106</b>
Net result before tax	4,132	1,382	(1,120)	(293)	(352)
Current assets	7,012	7,242	4,500	8,181	6,321
Non-current assets	165,059	298,361	297,994	298,634	302,940
<b>Total assets</b>	<b>172,071</b>	<b>305,603</b>	<b>302,494</b>	<b>306,815</b>	<b>309,261</b>
Current liabilities	11,754	9,888	13,553	9,203	11,894
Non-current liabilities	20,051	66,508	63,976	71,960	72,067
<b>Total liabilities</b>	<b>31,805</b>	<b>76,396</b>	<b>77,529</b>	<b>81,163</b>	<b>83,961</b>
Net cash flows from operations	7,485	10,807	5,802	6,180	8,443
Payments for property, plant and equipment (including infrastructure.)	14,100	13,526	12,102	8,990	12,471

### Summary of Financial Performance

Performance Indicator	2009/10	2010/11	2011/12	2012/13	2013/14
Cash Interest Cover	4.3 times	6.0 times	3.6 times	3.6 times	4.6 times
Gearing Ratio	16.0%	10.8%	11.6%	12.8%	13.2%
Internal Financing Ratio	64.1%	81.0%	47.4%	68.7%	68.6%
Current Ratio	0.65	0.81	0.36	0.84	0.59
Return on Assets	3.5%	1.4%	0.4%	0.7%	0.6%
Return on Equity	3.0%	0.8%	(0.6%)	(0.1%)	(0.2%)
EBITDA Margin	42.5%	38.4%	36.6%	40.5%	41.1%



# Financial Report

For The Year Ended 30 June 2014

## Table of Contents

<b>Comprehensive Operating Statement</b>	24
<b>Balance Sheet</b>	25
<b>Statement of Changes in Equity</b>	26
<b>Cash Flow Statement</b>	27
<b>Notes to the Financial Report for the year ended 30 June 2014</b>	28
Note 1. Significant Accounting Policies	28
Note 2. Financial Risk Management Objectives and Policies	34
Note 3. Critical accounting estimates and judgements	35
Note 4. Comprehensive Operating Statement – Disclosures	36
Note 5. Income Tax	37
Note 6. Cash and Cash Equivalents	37
Note 7. Receivables	37
Note 8. Inventories	38
Note 9. Other Financial Assets	38
Note 10. Infrastructure, Property, Plant and Equipment	38
Note 11. Intangible Assets	42
Note 12. Payables	43
Note 13. Interest Bearing Liabilities	43
Note 14. Employee Benefits	44
Note 15. Deferred Tax Liabilities	44
Note 16. Superannuation	44
Note 17. Contributed Capital	47
Note 18. Reserves	47
Note 19. Accumulated Funds	47
Note 20. Reconciliation of Net Results for the period after related Income Tax to Net Cash Flows from Operating Activities	48
Note 21. Responsible persons and executive officer disclosures	48
Note 22. Dividends	49
Note 23. Commitments	50
Note 24. Contingent Assets and Contingent Liabilities	50
Note 25. Events Occurring after the Balance Sheet Date	50
Note 26. Financial Instruments	51
<b>Statutory Certification</b>	52

# Comprehensive Operating Statement

For the Year Ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
<b>Revenue from operating activities</b>			
Service charges	1(c),4(a)	17,112	17,048
Water usage charges	1(c)	7,711	8,321
Interest	1(c)	20	17
Developer contributions	1(c),4(a)	1,981	1,662
		<u>26,824</u>	<u>27,048</u>
<b>Revenue from non-operating activities</b>			
Net gain on disposal of non-financial assets	4(b)	133	246
Other income		797	624
		<u>930</u>	<u>870</u>
<b>Total Revenue</b>		<b>27,754</b>	<b>27,918</b>
<b>Expenses from operating activities</b>			
Borrowing costs	1(d),4(c)	(2,351)	(2,326)
Depreciation	1(d),4(c),10(b)	(9,020)	(8,808)
Amortisation	1(d),4(c),11	(369)	(476)
Employee benefits	1(d), 4(c)	(7,669)	(6,931)
Repairs and maintenance expense	1(d)	(1,225)	(1,021)
Environmental contributions	1(d)	(1,101)	(754)
Inventories distributed		-	(26)
Electricity		(836)	(819)
Chemicals		(1,156)	(1,405)
Supplies and services		(4,379)	(5,645)
<b>Total Expenses</b>		<b>(28,106)</b>	<b>(28,211)</b>
<b>Net result before tax</b>		<b>(352)</b>	<b>(293)</b>
<b>Income Tax expense / (revenue)</b>	5	-	-
<b>Net result for the period</b>		<b>(352)</b>	<b>(293)</b>
<b>Other comprehensive income</b>			
Gain/(loss) on revaluation of infrastructure, property, plant and equipment	10(b)	-	-
Income tax relating to components of other comprehensive income	5	-	-
<b>Other comprehensive income for the year, net of income tax</b>		<b>-</b>	<b>-</b>
<b>Comprehensive Result</b>		<b>(352)</b>	<b>(293)</b>

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

## Balance Sheet

As at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1(e),2,6,26	2,654	4,633
Receivables	1(e),7,26	1,235	1,097
Inventories	1(e),8	456	386
Prepayments	1(e)	131	141
Other financial assets	2,9,26	1,845	1,924
<b>Total current assets</b>		<b>6,321</b>	<b>8,181</b>
<b>Non-current assets</b>			
Receivables	1(e),7,26	31	39
Infrastructure, property, plant and equipment	1(e),10	302,016	297,500
Intangible assets	1(e),11	893	1,095
<b>Total non-current assets</b>		<b>302,940</b>	<b>298,634</b>
<b>TOTAL ASSETS</b>		<b>309,261</b>	<b>306,815</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	1(f),12,26	3,518	2,182
Interest bearing liabilities	1(f),2,13,26	6,299	5,000
Employee benefits	1(f),14	2,077	2,021
<b>Total current liabilities</b>		<b>11,894</b>	<b>9,203</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	1(f),2,13,26	34,500	34,400
Employee benefits	1(f),14	268	261
Deferred tax liabilities	1(h),15	37,299	37,299
<b>Total non-current liabilities</b>		<b>72,067</b>	<b>71,960</b>
<b>TOTAL LIABILITIES</b>		<b>83,961</b>	<b>81,163</b>
<b>NET ASSETS</b>		<b>225,300</b>	<b>225,652</b>
<b>EQUITY</b>			
Contributed capital	1(g),17	65,333	65,333
Reserves	1(g),18	87,034	87,034
Accumulated funds	1(g),19	72,933	73,285
<b>TOTAL EQUITY</b>		<b>225,300</b>	<b>225,652</b>

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 2014

	Notes	Contributed Capital \$'000	Reserves \$'000	Accumulated funds \$'000	Total \$'000
Balance at 1 July 2012		64,353	87,034	73,578	224,965
Total comprehensive income for the year		-	-	(293)	(293)
Transactions with the State in its capacity as owner:					
Dividends	1(j)	-	-	-	-
Contributions by owners	1(g),17	980	-	-	980
			-	-	
<b>Balance at 30 June 2013</b>		<b>65,333</b>	<b>87,034</b>	<b>73,285</b>	<b>225,652</b>
Total comprehensive income for the year		-	-	(352)	(352)
Transactions with the State in its capacity as owner:					
Dividends	1(j)	-	-	-	-
Contributions by owners	1(g),17	-	-	-	-
			-	-	
<b>Balance at 30 June 2014</b>		<b>65,333</b>	<b>87,034</b>	<b>72,933</b>	<b>225,300</b>

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 2014

	Notes	2014 \$'000	2013 \$'000
<b>Cash flows from Operating Activities</b>			
<b>Receipts</b>			
Service and usage charges		24,991	24,613
Interest received		19	13
GST received from the ATO		1,880	1,575
Developers' contributions		361	527
Other receipts		790	629
Receipts from government		-	-
		<u>28,041</u>	<u>27,357</u>
<b>Payments</b>			
Payments to suppliers and employees		(16,066)	(18,029)
Interest and other costs of finance paid		(2,350)	(2,333)
GST paid to the ATO		(81)	(61)
Environmental contributions		(1,101)	(754)
		<u>(19,598)</u>	<u>(21,177)</u>
<b>Net cash inflow from Operating Activities</b>	20	<u>8,443</u>	<u>6,180</u>
<b>Cash flows from Investing Activities</b>			
Payments for infrastructure, property, plant and equipment		(12,304)	(8,174)
Proceeds from sale of infrastructure, property, plant and equipment	4(a)	391	532
Payments for intangible assets	11	(167)	(815)
Net cash (outflow) from investing activities		<u>(12,080)</u>	<u>(8,457)</u>
<b>Cash flows from Financing Activities</b>			
Proceeds from borrowings		12,247	8,100
Repayments of borrowings		(10,848)	(3,800)
Proceeds from contributions by owners		-	980
Net movements in contractor deposits		259	(153)
Net cash inflow from financing activities		<u>1,658</u>	<u>5,127</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(1,979)</u>	<u>2,850</u>
Cash and cash equivalents at the beginning of the financial year		<u>4,633</u>	<u>1,783</u>
<b>Cash and cash equivalents at the end of the financial year</b>	1(e),6	<u>2,654</u>	<u>4,633</u>

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 2014

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Accounting

The financial report includes separate financial statements for South Gippsland Region Water Corporation (the Corporation) as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements for the period ending 30 June 2014. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS's), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. South Gippsland Region Water Corporation is a not-for-profit entity for the purpose of preparing the financial report.

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

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

The annual financial statements were authorised for issue by the Board on 4th September 2014.

The principal address is:

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

### Accounting policies

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

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

### Functional and presentation currency

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

### Classification between current and non-current

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

### Rounding

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

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

### Historical cost convention

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

### Accounting estimates

The preparation of the financial report in conformity with AAS's requires the use of certain accounting estimates that affect the

application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Balances which were subject to estimate include accrued revenue, fair value of infrastructure assets, depreciation and amortisation, deferred tax, provisions and employee benefits. 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 Corporation has applied the revised AASB 101 Presentation of Financial Statements which became effective for reporting periods beginning on or after, 1 July 2013, and AASB 1054 Australian Additional Disclosures which became effective for reporting periods beginning on, or after 1 July 2013.

### (b) Changes in accounting policies

Subsequent to the 2012/13 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

#### AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when the Corporation is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. South Gippsland Water has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and no adjustments were applicable. In light of AASB 13, South Gippsland Water has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

However, AASB 13 has predominantly impacted the disclosures of South Gippsland Water. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 *Financial Instruments: Disclosures*.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2012/13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 *Financial Instruments: Disclosures*.

#### AASB 119 Employee benefits

In 2013/14, [South Gippsland Water has applied AASB 119 *Employee Benefits* (September 2011, as amended) and the related consequential amendments for the first time.

The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets.

As provided under Paragraph 34 of AASB 119, South Gippsland Water does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan. Refer Note 16 for more details.

The revised standard also changes the definition of shortterm employee benefits. These were previously benefits that were expected to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, shortterm employee benefits are now defined as benefits expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously classified by South Gippsland Water as shortterm employee benefits no longer meet this definition and are now classified as

longterm employee benefits. This has resulted in a change of measurement for the annual leave provision from an undiscounted to discounted basis. The change in classification has not materially altered South Gippsland Water's measurement of the annual leave provision, hence no restatement of comparatives applied.

### (c) Revenue

#### *Service and usage charges*

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

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

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

#### *Developer contributions / Fees paid by developers*

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

#### *Government grants and contributions*

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

#### *Interest*

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

#### *Fair value of Resources Received Free of Charge*

Contributions of resources provided and received free of charge or for nominal consideration are recognised at their fair value when the Corporation obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

#### *Lease or rental income*

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

### (d) Expenses

#### *Borrowing costs*

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

#### *Depreciation and Amortisation of Non-current Assets*

All non-current physical assets that have a limited useful life are depreciated. Where assets have separate identifiable components

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

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

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

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

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

#### *Employee Benefits*

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, bonuses, fringe benefits tax, leave entitlements, redundancy payments, work cover premiums and payroll tax.

#### *Superannuation*

The amount recognised in the Comprehensive Operating Statement is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

#### *Repairs and maintenance*

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

#### *Environmental contributions*

The *Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water supply authorities. The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation. The contribution period has been extended to cover the period 1 July 2012 until 30 June 2016.

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

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Corporation has a statutory authority to pay an environmental contribution to the Department of Environment and Primary Industries. This contribution is recognised as an expense during the reporting period as incurred.

### Operating Leases

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

### Other expenses

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

### Ex gratia payments

South Gippsland Water did not incur any ex gratia payments greater than \$5,000 for the year ended 30 June 2014 (\$0 2012/13).

## (e) Assets

### Cash and deposits

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

For Cash Flow Statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as interest bearing liabilities on the Balance Sheet.

### Receivables

Receivables consist of:

- *contractual receivables, such as debtors in relation to goods and services, loans to third parties, accrued investment income; and*
- *statutory receivables, such as amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable.*

Contractual receivables are classified as financial instruments and categorised as loans and receivables

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

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

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

### Inventories

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

### Prepayments

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

## Infrastructure, property, plant and equipment

### Recognition of Non-current Physical Assets

Property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage and drainage infrastructure, plant, equipment and motor vehicles, used by the Corporation in its operations. Items with a cost or value in excess of \$1,000 (\$1,000 2012-13) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

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

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

### Measurement of Non-current Physical Assets

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

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

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

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

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

The initial fair value assessment for water infrastructure occurred as at 30 June 2011 and was undertaken with involvement from the Valuer General of Victoria (VGV) and under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructure. Further details of the valuation exercise are provided in Note 10.

### Revaluation of non-current physical assets

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



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

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

Revaluation reserves are not transferred to accumulated surplus/ (deficit) on derecognition of the relevant asset.

### Impairment of Assets

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

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

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

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

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

### Intangibles

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

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

	Water Share Entitlements	Software Costs
Useful lives	Indefinite	Finite
Amortisation method used	Not amortised or revalued	3 and 7 years – straight line (2012/13: 3 and 7 years straight line)
Internally generated / acquired	Acquired	Internally generated
Impairment test / Recoverable amount testing	Tested annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end / Reviewed annually for indicators of impairment

### Web Site Costs

Costs in relation to web sites controlled by the Corporation are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefits. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits controlled by the entity that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits, which vary from three to five years.

### Permanent Water Entitlements

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

## (f) Liabilities

### Payables

Payables consist of:

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

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

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

### Interest bearing liabilities

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

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

### Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rate that reflects the time value of money and risks specific to the provision.

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

### Employee Benefits

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

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

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

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

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

#### ii. Long Service Leave (LSL)

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

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

The components of this current LSL liability are measured at:

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

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

#### iii. Termination benefits

Termination benefits are payable when employment is terminated by the corporation before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The Corporation recognises termination benefits at the earlier of the following dates: (a) when South Gippsland Water can no longer withdraw the offer of those benefits; and (b) when South Gippsland Water recognises costs for a restructuring that is within the scope of AASB 137 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### On-costs

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

### 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.

### (g) Equity

#### Contributions by owners

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

#### Asset revaluation reserve

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

### (h) Financial Assets

#### Recognition

Financial instruments are initially measured at fair value, plus in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or the issue of the financial asset or liability. Subsequent to initial recognition, the financial instruments are measured as set out 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 and other receivables in the balance sheet. Loans and receivables are recorded at amortised cost less impairment.

#### Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Comprehensive Operating Statement where required. No such losses exist in 2013/14 (\$0 2012/13).

### (i) Fair value

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

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

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

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

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

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

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

## Valuation Policies and Processes

### Plant & Equipment

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

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

### Intangibles

South Gippsland Water record intangibles at cost in the absence of market-based indicators, which is applicable for certain specialised assets that are rarely sold.

South Gippsland Water's Intangible Assets comprise solely of software and as such because of the specialised nature they are rarely sold, except possibly as a part of a continuing business. Further, they are relatively low in value compared to land and buildings, making them immaterial assets for South Gippsland Water.

### Land and Buildings

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

Assessments for land and buildings are carried out using compounded movement in indicators provided by the Victorian Valuer General (VGV). South Gippsland Water has carried out a fair value assessment which resulted in a compounded movement of 6% for Buildings & 3% for Land since the last revaluation.

In line with FRD103E, the Manager Finance and Corporate Services (Chief Reporting Officer [CRO] by definition) has considered the fair value assessment and that the compounded movement by asset class utilising VGV indices results in a less than 10% movement.

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

### Infrastructure Assets

Infrastructure Assets comprise South Gippsland Water's largest asset class.

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

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

The index for 2014 has had a compound movement of 3.69% since the last valuation.

In line with FRD103E, the Manager Finance and Corporate Services (Chief Reporting Officer [CRO] by definition) has considered the fair value assessment and the compounded movement results in a less than 10% movement.

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

### Other

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

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

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

## (j) Taxation

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

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

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

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

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.

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

(CONT'D)

### (k) Commitments

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

### (l) Contingent Assets and Contingent Liabilities

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

### (m) Dividend Policy

The Corporation is required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the *Public Authorities (Dividend) Act 1983*, based on a prescribed percentage of the previous year's adjusted net profit. An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer. The Corporation's preliminary estimate for the reporting period is zero. (\$0 2012-13)

### (n) Goods and Services Tax

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

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. As at 30 June 2014, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2014. The Corporation has not and does not intend to adopt these standards early and has listed only standards "applicable" to South Gippsland Water.

<b>Standard / Interpretation</b>	AASB 9 <i>Financial Instruments</i> , AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i> and AASB 2012-6 <i>Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures</i>
<b>Summary</b>	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 2017 but is available for early adoption. The derecognition rules have been transferred from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and have not been changed. The corporation has not yet decided when to adopt AASB 9.

<b>Applicable for annual reporting periods beginning on or after</b>	1 January 2017
<b>Impact on financial statements</b>	The entity is yet to assess its full impact.

In addition to the new standard above, the AASB has issued a list of amending standards that are not effective for the 2013-14 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

The AASB Interpretation in the list below is also not effective for the 2013-14 reporting period and is considered to have insignificant impacts on public sector reporting.

- 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.*
- 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*

## NOTE 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation's activities expose it to a variety of financial risks: i.e. market risk, credit risk and liquidity risk.

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

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

	Carrying amount	Interest rate risk			
		1%		+1%	
		Result	Equity	Result	Equity
<b>30 June 2013</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Financial Assets					
Cash and Cash Equivalents (Note 6)	4,633	(46)	(46)	46	46
Financial Liabilities					
Interest Bearing Liabilities (Note 13)					
– Variable	2,800	28	28	(28)	(28)
– Fixed	36,600	-	-	-	-
Total increase/(decrease)		(18)	(18)	18	18

### (ii) Credit Risk

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

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

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

### (iii) Liquidity Risk

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

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

### (b) Fair Value Estimation

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

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

## NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

**NOTE 4. COMPREHENSIVE OPERATING STATEMENT – DISCLOSURES**

	2014	2013
Note	\$'000	\$'000
<b>(a) Significant Revenues</b>		
Service Charges		
Water service charges	6,497	6,571
Sewerage charges	8,218	8,107
Trade waste charges	2,397	2,370
	<u>17,112</u>	<u>17,048</u>
Developer contributions		
Fees paid by developers	491	527
Assets received from developers	1,490	1,135
	<u>1,981</u>	<u>1,662</u>
<b>(b) Net gains and expenses</b>		
The surplus/(deficit) from operating activities includes the following specific net gains and expenses:		
Net surplus on disposal of infrastructure, property, plant and equipment :		
Proceeds from disposal of motor vehicles	391	532
Written down amount of motor vehicles disposed	(258)	(286)
	<u>133</u>	<u>246</u>
<b>(c) Significant Expenses</b>		
Depreciation:		
Buildings	74	72
Water infrastructure	4,537	4,412
Wastewater infrastructure	3,617	3,503
Plant, equipment & motor vehicles	792	821
Total depreciation	<u>9,020</u>	<u>8,808</u>
Amortisation		
Intangible assets	11	369
Total amortisation	<u>369</u>	<u>475</u>
Asset write-offs (included in supplies and services)		
	73	421
	2014	2013
Note	\$'000	\$'000
Employee Benefits		
Salaries and wages	5,883	5,480
Annual leave	529	408
Long service leave	195	159
Superannuation contributions	526	513
Unfunded Superannuation	16	-
Other	536	431
Total employee benefit costs	<u>7,669</u>	<u>6,931</u>
Borrowing costs		
Bad and doubtful debts	47	63
Rental expense - operating lease	9	22
Auditors' remuneration		
Victorian Auditor-General office for audit of financial statements	32	32
Internal audit (RSM Bird Cameron)	44	37
	<u>76</u>	<u>69</u>

## NOTE 5. INCOME TAX

The Corporation made a \$4.839 million tax loss during the financial year (\$5.219 million tax loss in 2012/2013).

### Reconciliation of income tax to prima facie tax payable

	2014 \$'000	2013 \$'000
Net result before income tax expense	(352)	(293)
Tax at Australian tax rate of 30% (2013:30%)	(106)	(88)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Income tax not assessable for income tax purposes	32	50
Expenditure not allowable for income tax purposes	2,817	2,785
Expenditure allowable for income tax purposes	(4,196)	(4,313)
Benefit of tax losses not brought to account	1,453	1,566
Income tax as reported in the Comprehensive Operating Statement	-	-

## NOTE 6. CASH AND CASH EQUIVALENTS

Cash at bank	154	4,633
Deposits at call	2,500	-
	<u>2,654</u>	<u>4,633</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	2,654	4,633
Balance as per Cash Flow Statement	<u>2,654</u>	<u>4,633</u>

### (b) Deposits at call

The deposits are bearing floating interest rates between 0.10% and 2.45% (0.10% to 4.50% in 2012/13)

2,654	4,633
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## NOTE 7. RECEIVABLES

Current		
Trade receivables	1,280	1,142
Provision for impaired receivables	(45)	(45)
	<u>1,235</u>	<u>1,097</u>
Non Current		
Other receivables	31	39
<b>Total receivables</b>	<u>1,266</u>	<u>1,136</u>

### (a) Provision for impaired receivables

As at the 30 June 2014, current receivables of the Corporation with a nominal value of \$158,522 (2013 \$75,792) were impaired. The amount of the provision was \$45,000 (2013 \$45,000). For 2014 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	45	45
Over 6 months	-	-
<b>Total</b>	<u>45</u>	<u>45</u>

Movements in the provision for impaired receivable are as follows:

At 1 July	45	25
Provision for impairment recognised during the year	45	63
Receivable written off during the year as uncollectable	(45)	(43)
Unused amount reversed at 30 June	<u>45</u>	<u>45</u>

## NOTE 7. RECEIVABLES (CONT'D)

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

### (b) Past due but not impaired trade receivables

As at the 30 June 2013, trade receivables of \$194,000 (2013 \$207,000) 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:

	2014 \$'000	2013 \$'000
3 to 6 months	127	170
Over 6 months	67	37
<b>Total</b>	<u>194</u>	<u>207</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	456	386
Total current inventories	<u>456</u>	<u>386</u>

## NOTE 9. OTHER FINANCIAL ASSETS

Current		
Accrued revenue	1,845	1,924
Total current other financial assets	<u>1,845</u>	<u>1,924</u>

## NOTE 10. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

### (a) Classes of infrastructure, property, plant and equipment

<b>Land</b>		
At Fair Value	10,258	10,258
	<u>10,258</u>	<u>10,258</u>
<b>Buildings</b>		
At Fair Value	1,825	1,770
Less: Accumulated Depreciation	(217)	(143)
	<u>1,608</u>	<u>1,627</u>
<b>Water infrastructure</b>		
At Fair Value	168,188	166,370
Less: Accumulated Depreciation	(13,271)	(8,735)
	<u>154,917</u>	<u>157,635</u>



(a) Classes of infrastructure, property, plant and equipment CONT'D

	2014 \$'000	2013 \$'000
<b>Wastewater infrastructure</b>		
At Fair Value	130,705	127,123
Less: Accumulated Depreciation	(10,394)	(6,777)
	<u>120,311</u>	<u>120,346</u>
<b>Plant and equipment</b>		
At Fair Value	8,077	8,111
Less: Accumulated Depreciation	(5,372)	(5,391)
	<u>2,705</u>	<u>2,720</u>
<b>Under construction</b>		
At Cost	<u>12,216</u>	<u>4,914</u>
	<u>12,216</u>	<u>4,914</u>
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>	<u>302,016</u>	<u>297,500</u>

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

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

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

## (b) Movements during the reporting period

	2013 / 2014						
	Opening WDV at 1 July 2013	Additions	Disposals	Revaluations	Transfers between categories	Depreciation	Closing WDV at 30 June 2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	10,258	-	-	-	-	-	10,258
Building	1,627	-	-	-	55	(74)	1,608
Water Infrastructure	157,635	399	-	-	1,420	(4,537)	154,917
Waste Water Infrastructure	120,346	1,091	-	-	2,491	(3,617)	120,311
Equipment & motor vehicles	2,720	-	(258)	-	1,035	(792)	2,705
Under construction	4,914	12,303	-	-	(5,001)	-	12,216
<b>Total infrastructure, property, plant &amp; equipment</b>	<b>297,500</b>	<b>13,793</b>	<b>(258)</b>	<b>-</b>	<b>-</b>	<b>(9,020)</b>	<b>302,016</b>

	2012 / 2013						
	Opening WDV at 1 July 2012	Additions	Disposals	Revaluations	Transfers between categories	Depreciation	Closing WDV at 30 June 2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	9,988	-	-	-	270	-	10,258
Building	1,359	-	-	-	340	(72)	1,627
Water Infrastructure	159,205	399	-	-	2,443	(4,412)	157,635
Waste Water Infrastructure	119,193	735	-	-	3,921	(3,503)	120,346
Equipment & motor vehicles	2,528	-	(286)	-	1,299	(821)	2,720
Under construction	4,903	8,284	-	-	(8,273)	-	4,914
<b>Total infrastructure, property, plant &amp; equipment</b>	<b>297,176</b>	<b>9,418</b>	<b>(286)</b>	<b>-</b>	<b>-</b>	<b>(8,808)</b>	<b>297,500</b>

Fair value measurement hierarchy for assets as at 30 June 2014

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

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

***Non Specialised Land and Buildings***

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

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

***Specialised land and buildings***

The depreciated replacement costs methods is used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

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

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

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

***Water and wastewater infrastructure***

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

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

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

### Vehicles

Vehicles are valued using the depreciated replacement cost method. The Corporation acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the Corporation who set relevant depreciation rates during use to reflect the utilisation of the vehicles. Refer note 1(i) for fair value assessment.

### Plant and equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method. Refer note 1(i) for fair value assessment.

There were no changes in valuation techniques throughout the period to 30 June 2014

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

### Reconciliation of Level 3 fair value

2014	Specialised land \$'000	Specialised buildings \$'000	Plant and equipment \$'000	Vehicles \$'000	Water Infrastructure \$'000	Wastewater Infrastructure \$'000
<b>Opening balance</b>	<b>6,710</b>	<b>615</b>	<b>1,183</b>	<b>1,537</b>	<b>157,635</b>	<b>120,346</b>
Purchases (sales)	-	-	279	756	1,819	3,582
Transfers in (out) of Level 3	-	-	-	-	-	-
Gains or losses recognised in net result	-	-	-	(258)	-	-
Depreciation	-	(26)	(252)	(540)	(4,537)	(3,617)
Impairment loss	-	-	-	-	-	-
<b>Subtotal</b>	<b>6,710</b>	<b>589</b>	<b>1,210</b>	<b>1,495</b>	<b>154,917</b>	<b>120,311</b>
Revaluation	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
<b>Closing balance</b>	<b>6,710</b>	<b>589</b>	<b>1,210</b>	<b>1,495</b>	<b>154,917</b>	<b>120,311</b>
Unrealised gains/ (losses) on nonfinancial assets	-	-	-	-	-	-

### Description of significant unobservable inputs to Level 3 valuations

Asset Class	Valuation technique <sup>(i)</sup>	Significant unobservable inputs <sup>(ii)</sup>	Range (weighted average cost per unit) <sup>(ii)</sup>	Sensitivity of fair value measurement to changes in significant unobservable inputs
<b>Specialised land</b>	Depreciated replacement cost	Community Service Obligation (CSO) adjustment VGV provided to Egan Nations Valuers (VIC)	\$900 –\$1,386,000 (\$96,000) CSO 30%	A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value.
<b>Specialised buildings</b>	Depreciated replacement cost	Cost per unit  Useful life of specialised buildings	\$800–\$216,000 per unit (\$28,000)  4–50 years (22 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.  A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
<b>Plant and equipment</b>	Depreciated replacement cost	Cost per unit  Useful life of plant and equipment	\$50 –\$65,000 per unit (\$5,800 per unit)  5–20 years (9 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.  A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
<b>Vehicles</b>	Depreciated replacement cost	Cost per unit  Useful life of vehicles	\$4 000–\$54 000 per unit (\$19 000 per unit)  2–10 years (3 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.  A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

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

Asset Class	Valuation technique <sup>(i)</sup>	Significant unobservable inputs <sup>(ii)</sup>	Range (weighted average cost per unit) <sup>(ii)</sup>	Sensitivity of fair value measurement to changes in significant unobservable inputs
<b>Water Infrastructure</b>				
<b>Storage</b>	Depreciated replacement cost	Cost per unit	\$120,000 –\$17,760,000 per unit (\$3,036,000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	15 to 350 years (52 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
<b>Treatment Plants</b>	Depreciated replacement cost	Cost per unit	\$1,150,000 –\$6,620,000 per unit (\$2,920,000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	10 to 120 years (33 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
<b>Mains &amp; Reticulation</b>	Depreciated replacement cost	Cost per metre	\$10 – \$4,800 (\$90 per metre)	A significant increase or decrease in cost per metre would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	50 to 110 years (73 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
<b>Pump Stations</b>	Depreciated replacement cost	Cost per unit	\$30,000–620,000 per unit (\$120,000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	15 to 70 years (55 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
<b>Waste Water Infrastructure</b>				
<b>Treatment Plants</b>	Depreciated replacement cost	Cost per unit	\$1,350,000 - \$9,000,000 per unit (\$3,070,000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	10 to 75 years (29 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
<b>Mains &amp; Reticulation</b>	Depreciated replacement cost	Cost per metre	\$10 – \$4,300 per metre (\$130 per metre)	A significant increase or decrease in cost per metre would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	50 to 140 years (78 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
<b>Pump Stations</b>	Depreciated replacement cost	Cost per unit	\$3,000–\$370,000 per unit (\$99,000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	10 to 70 years (43 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

**NOTE 11. INTANGIBLE ASSETS**

Movements during the period	Software Costs	Water Entitlements	Total
At 1 July 2013, net of accumulated amortisation	\$'000	\$'000	\$'000
Additions	532	563	1,095
Impairment	167	-	167
Amortisation	-	-	-
	(369)	-	(369)
At 30 June 2014, net of accumulated amortisation	330	563	893
At 1 July 2012, net of accumulated amortisation	712	43	755
Additions	295	520	815
Impairment	-	-	-
Amortisation	(475)	-	(475)
At 30 June 2013, net of accumulated amortisation	532	563	1,095

## NOTE 12. PAYABLES

	2014 \$'000	2013 \$'000
Current		
Trade creditors	2,296	1,143
Accrued expenses	696	772
Contractor deposits/retentions	526	267
Total current payables	<u>3,518</u>	<u>2,182</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

	2014 \$'000	2013 \$'000
Current		
Secured		
Loans - Treasury Corporation of Victoria (TCV)	<u>6,299</u>	<u>5,000</u>
<b>Total current interest bearing liabilities</b>	<u>6,299</u>	<u>5,000</u>
Non-Current		
Secured		
Loans - Treasury Corporation of Victoria (TCV)	<u>34,500</u>	<u>34,400</u>
<b>Total non-current interest bearing liabilities</b>	<u>34,500</u>	<u>34,400</u>
<b>Total interest bearing liabilities</b>	<u>40,799</u>	<u>39,400</u>
<b>Assets pledged as security</b>	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 &amp; Investment Powers Act 1987</i>.</p>		
<b>Loan facilities - TCV</b>		
Total facilities	42,900	39,400
Used at balance date	<u>40,799</u>	<u>39,400</u>
Unused at balance date	<u>2,101</u>	<u>-</u>

For the year ending 30 June 2014 the Corporation had approved financial accommodation of \$42.9 million and utilised \$40.8 million. Any unused portion does not carry forward.

### Fair Value

Non traded financial liabilities comprise borrowings with the Treasury Corporation of Victoria (TCV). The fair value of these borrowings was \$43.20M (2013: \$41.17M).

The fair value of borrowings are based on cash flows discounted using borrowing rates varying from 2.67% to 6.71% (2013: 2.92% to 6.71%).

### Foreign exchange risk

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

### Interest rate risk

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

TCV borrowings - fixed	38,900	36,600
TCV borrowings - variable	<u>1,899</u>	<u>2,800</u>
	<u>40,799</u>	<u>39,400</u>

## NOTE 14. EMPLOYEE BENEFITS

	2014 \$'000	2013 \$'000
<b>Current</b>		
All rostered days off, annual leave and unconditional long service leave entitlements representing 7+ years of continuous service:		
Rostered days off	70	50
Annual Leave		
Unconditional and expected to settle within 12 months	709	753
Unconditional and expected to settle after 12 months	13	-
Long Service Leave		
Unconditional and expected to settle within 12 months	112	84
Unconditional and expected to settle after 12 months	1,173	1,134
Total Current	<u>2,077</u>	<u>2,021</u>
<b>Non-current</b>		
Conditional long service leave measured at present value	<u>268</u>	<u>261</u>
Total Non-Current	<u>268</u>	<u>261</u>
<b>Total employee benefits</b>	<u><u>2,345</u></u>	<u><u>2,282</u></u>

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

Weighted average increase in employee costs	4.438%	4.500%
Weighted average discount rates	3.571%	3.790%
Weighted average settlement period	12 yrs	12 yrs

## NOTE 15. DEFERRED TAX LIABILITIES

Movements:

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

## NOTE 16. SUPERANNUATION

South Gippsland Water makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from South Gippsland Water and South Gippsland Water's legal or constructive obligation is limited to these contributions.

Obligations for contributions are recognised as an expense in the Statement of Comprehensive Income when they are made or due.

### Accumulation

The Fund's accumulation category, Vision My Super/ Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2014, this was 9.25% required under Superannuation Guarantee Legislation). Our commitment to defined contributions plans is limited to making contributions in accordance with our minimum statutory requirements. 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

Effective from 1 July 2014, the Superannuation Guarantee contribution rate is legislated to increase to 9.50%, and will progressively increase to 12% by 2019. Based on announcements included in the May 2014 Federal Budget, this progressive increase to 12% will be delayed until 2022.

### Defined Benefit

As provided under Paragraph 34 of AASB 119, South Gippsland Water does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of South Gippsland Water in the Fund cannot be measured as a percentage compared with other participating employers. While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for accounting purposes. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

### Funding arrangements

South Gippsland Water makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. The Fund's employer funding arrangements comprise of three components (which are detailed below) are:

1. *Regular Contributions – which are ongoing contributions needed to fund the balance of benefits for current members and pensioners.*
2. *Funding Calls – which are contributions in respect of each participating employer's share of any funding shortfalls that arise; and*
3. *Retrenchment increments – which are additional contributions to cover the increase in liability arising from retrenchments.*

South Gippsland Water is also required to make additional contributions to cover the contribution tax payable on the contributions referred to above.

Employees are also required to make member contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the Trust Deed, as they accrue.

## Employer Contributions

### Regular Contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2011, South Gippsland Water makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2014, this rate was 9.25% of members' salaries. This rate increased to 9.5% on 1 July 2014 and is expected to increase in line with the required Superannuation Guarantee contribution rate.

In addition, South Gippsland Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the VBI multiplied by the benefit).

### Funding Calls

The Fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund is required to target full funding of its vested benefits. There may be circumstances where:

- *a fund is in an unsatisfactory financial position at an actuarial investigation (i.e. its vested benefit index (VBI) is less than 100% at the date of the actuarial investigation); or*
- *a fund's VBI is below its shortfall limit at any time other than at the date of the actuarial investigations.*

If either of the above occur, the fund has a shortfall for the purposes of SPS 160 and the fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. There may be circumstances where the Australian Prudential Regulation Authority (APRA) may approve a period longer than three years.

The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including South Gippsland Water) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

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

## NOTE 16. SUPERANNUATION (CONT'D)

The pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund are based on:

- *The service periods of all active members split between the active members pre-1 July 1993 and post-30 June 1993 service period;*
- *The service periods of all deferred members split between the deferred members pre-1 July 1993 and post-30 June 1993 service period; and*
- *The pensioner (including fixed term pension) liabilities which are allocated to the pre-1993 period.*
- 

The pre-1 July 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at 30 June 1993.

The post-30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund.

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

### Differences between calculations

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), for the calculation of accrued benefits as required in AAS 25 and for the values needed for the AASB 119 disclosure in the South Gippsland Water's financial statements. AAS 25 requires that the present value of the defined benefit liability 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

### Retrenchment increments

During 2013/14 South Gippsland Water was not required to make payments to the Fund in respect of retrenchment increments (2012/13 \$0). South Gippsland Water's liability to the Fund as at 30 June 2014, for retrenchment increments, accrued interest and tax is \$0 (2012/13 \$0).

### Shortfall Amounts

The Local Authorities Superannuation Fund's latest actuarial investigation as at 31 December 2011 identified an unfunded liability of \$406 million (excluding contributions tax) in the defined benefit category of which South Gippsland Water is a contributing employer. South Gippsland Water was made aware of the expected shortfall during 2011/12 year and was informed of its share of the shortfall on 2 August 2012.

South Gippsland Water has not been advised of any further adjustments.

South Gippsland Water's share of the shortfall amounted to \$1,096,092 (excluding Contributions tax) which was accounted for in the 2011/12 Comprehensive Operating Statement within Employee Benefits and in the Balance Sheet in Current Liabilities Provisions.

No further amount has been accounted for in the 2013/14 Comprehensive Operating Statement within Employee Benefits (see Note 4) and in the Balance Sheet in Current Liabilities Provisions (see Note 12).

For the 2012/13 year, South Gippsland Water received an early payment discount of \$59,652 which was accounted for in the 2012/13 Comprehensive Operating Statement within Employee Benefits (see Note 4) and in the Balance Sheet in Current Liabilities Provisions (see Note 12).

The amount of unpaid shortfall at 30 June 2014 is \$0 (2012/13 \$0).

### Accrued Benefit

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

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

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

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

The next full actuarial investigation of the Fund's liability for accrued benefits will be based on the Fund's position as at 30 June 2014. The anticipated date of this actuarial investigation is 19 December 2014.



#### Superannuation Contributions

Contributions by South Gippsland Water (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2014 are detailed below:

Scheme	Type of Scheme	Rate	2014 \$'000	2013 \$'000
Vision Super	Defined Benefits	9.25%	56	52
Vision Super	Accumulation Plan	9.25%	332	325
Various Employee Choice Funds	Accumulation Plan	9.25%	138	136

There were \$0 contributions outstanding and \$0 loans issued from or to the above schemes as at 30 June 2014.

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

#### NOTE 17. CONTRIBUTED CAPITAL

	2014 \$'000	2013 \$'000
Opening balance at 1 July	65,333	64,353
Capital transactions with the State in its capacity as owner arising from:		
Capital contributions	-	980
Closing balance at 30 June	<u>65,333</u>	<u>65,333</u>

#### NOTE 18. RESERVES

Composition of reserves

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

Movement in reserves

Asset Revaluation reserve		
Opening balance at 1 July	87,034	87,034
Revaluation increment / decrement on non-current assets:		
Land	-	-
Buildings	-	-
Infrastructure	-	-
Closing balance at 30 June	<u>87,034</u>	<u>87,034</u>

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

#### NOTE 19. ACCUMULATED FUNDS

Opening balance at 1 July	73,285	73,578
Net surplus/(deficit)	(352)	(293)
Closing balance at 30 June	<u>72,933</u>	<u>73,285</u>

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

	2014	2013
	\$'000	\$'000
<b>Net result for the period after income tax</b>	(352)	(293)
<b>Add/(less) non-cash flows in Net Result</b>		
(Profit)/Loss on disposal of non-current assets	(133)	(246)
Depreciation and amortisation	9,389	9,284
Provision for impaired receivables	-	20
Developer contributions	(1,490)	(1,135)
<b>Changes in Assets and Liabilities</b>		
Decrease/(Increase) in trade receivables	(130)	(473)
(Increase)/Decrease in inventories	(70)	4
(Increase)/Decrease in prepayments	10	5
(Increase)/Decrease in accrued revenue	79	(363)
(Decrease)/Increase in payables	1,153	(1,022)
(Decrease)/Increase in employee benefits liabilities	63	103
(Decrease)/Increase in accrued expenses	(76)	296
<b>Net cash inflows from Operating Activities</b>	<u>8,443</u>	<u>6,180</u>

**NOTE 21. RESPONSIBLE PERSONS AND EXECUTIVE OFFICER DISCLOSURES**

**(a) Responsible persons**

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

The Hon. Peter Walsh MP, Minister for Water - 1 July 2013 to 30 June 2014

The names of Board Members of South Gippsland Water for the Year to 30 June 2014 were:

Name	Position	Dates
J Liley	Chair	1 July 2013 – 30 June 2014
J Fawcett	Deputy Chair	1 July 2013 – 30 June 2014
C Badger	Director	1 July 2013 – 30 June 2014
A Kilborn	Director	1 July 2013 – 30 June 2014
D Schultz	Director	1 July 2013 – 30 June 2014
I Irvine	Director	1 July 2013 – 30 June 2014
S Rieniets	Director	1 July 2013 – 30 June 2014

The Accountable Officer of South Gippsland Water for the year to 30 June 2014 was:

Philippe du Plessis 1 July 2013 to 30 June 2014

**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):

2014	2013
\$'000	\$'000
429	416

Remuneration received, or due and receivable from the Corporation in connection with the management of any related party entity is nil (2013 nil).

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

Income band (\$)	2014 No.	2013 No.
0 - 9,999	-	2
10,000 - 19,999	-	2
20,000 - 29,999	6	4
40,000 - 49,999	1	1
230,000 - 239,999	-	1
240,000 - 249,999	1	-
Total Numbers	8	10

### 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:

2014 \$'000	2013 \$'000
33	32

### 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.

There were no contractors with significant management responsibility during the financial year.

### (b) Executive officers' remuneration

The number of executive officers, other than responsible persons, whose total remuneration falls within the specified bands above \$100,000 are disclosed in the table below.

Income band \$	Total Remuneration		Base Remuneration	
	2014 No.	2013 No.	2014 No.	2013 No.
150,000 - 159,999	-	1	-	1
160,000 - 169,999	-	-	1	-
170,000 - 179,999	-	-	-	2
180,000 - 189,999	1	2	2	-
190,000 - 199,999	2	-	-	-
Total Amount	568,000	\$529,000	535,000	\$515,000
Total Numbers	3	3	3	3
Total annualised employee equivalent (AEE) (a)	3.0	3.0	3.0	3.0

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

## NOTE 22. DIVIDENDS

The process to determine the 2013/14 dividend has not yet been completed at the reporting date. The Board's preliminary dividend estimate for this period is zero.

## NOTE 23. COMMITMENTS

	2014	2013
	\$'000	\$'000

The following commitments are exclusive of GST.

### (a) Finance lease commitments

At 30 June 2014 the Corporation had no finance lease commitments.

### (b) Capital commitments

At 30 June 2014, the Corporation had the following significant capital commitments:

Poowong/Loch/Nyora sewerage scheme – construction  
 Alberton Sewer Scheme – electrical works and commissioning  
 Wonthaggi sewer reticulation upgrades  
 Lohr Avenue Pump Station Upgrade  
 Leongatha Digester Refurbishment

Outstanding capital commitments are to be paid as follows:

within one year	15,255	1,204
one to five years	3,100	-
	<u>18,355</u>	<u>1,204</u>

### (c) Operating lease commitments

At 30 June 2014, the Corporation had the following operating lease commitments:

Photocopier  
 Office Accommodation

Outstanding lease commitments are to be paid as follows:

within one year	9	12
one to five years	15	22
	<u>24</u>	<u>34</u>

### (d) Environmental Contribution commitments

At 30 June 2014, the Corporation had outstanding environmental contribution commitments to be paid as follows:

within one year	1,101	1,101
one to five years	1,101	2,202
	<u>2,202</u>	<u>3,303</u>

## NOTE 24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

At 30 June 2014 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

On 11 May 2014 the Minister for Water announced the Victorian Government's Fairer Water Bills initiative to deliver more than \$1 billion of savings that will be made across Victoria's urban water sector over the next four years. As part of this initiative, South Gippsland Water's customers who are connected to both water and waste water are entitled to a bill reduction of \$48 per annum, via a reduction in service charges, for each of the next four years, starting from 2014-15. Based on the conditions of the Victorian Government's Fairer Water Bills \$48 bill reduction, South Gippsland Water has not met the provision recognition criteria of AASB 137 Provisions, Contingent Liabilities and Contingent Assets, therefore has not recognised a provision as at 30 June 2014. The cost of this initiative to be recognised in 2014-15 is estimated to be \$1.0 million.

## 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.

2014	Non-interest bearing	Fixed interest rate	Floating interest rate	Contractual repricing or maturity periods						Total
				1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets										
Cash	-	-	2,654	-	-	-	-	-	-	2,654
Receivables	3,080	-	-	-	-	-	-	-	-	3,080
Total financial assets	3,080	-	2,654	-	-	-	-	-	-	5,734
Financial liabilities										
Payables	3,518	-	-	-	-	-	-	-	-	-
Interest bearing liabilities	-	38,900	1,899	6,299	3,000	4,980	4,500	3,000	19,020	40,799
Total financial liabilities	3,518	38,900	1,899	6,299	3,000	4,980	4,500	3,000	19,020	44,317
Net financial assets/ (liabilities)	(438)	(38,900)	755	(6,299)	(3,000)	(4,980)	(4,500)	(3,000)	(19,020)	(38,583)
Weighted average interest rate		5.01%	2.66%	4.67%	4.07%	4.29%	6.13%	6.54%	4.72%	4.90%

2013	Non-interest bearing	Fixed interest rate	Floating interest rate	Contractual repricing or maturity periods						Total
				1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets										
Cash	-	-	4,633	-	-	-	-	-	-	4,633
Receivables	3,060	-	-	-	-	-	-	-	-	3,060
Total financial assets	3,060	-	4,633	-	-	-	-	-	-	7,693
Financial liabilities										
Payables	2,182	-	-	-	-	-	-	-	-	2,182
Interest bearing liabilities	-	36,600	2,800	5,000	4,400	1,000	2,480	4,500	22,020	39,400
Total financial liabilities	2,182	36,600	2,800	5,000	4,400	1,000	2,480	4,500	22,020	41,582
Net financial assets/ (liabilities)	878	(36,600)	1,833	(5,000)	(4,400)	(1,000)	(2,480)	(4,500)	(22,020)	(33,889)
Weighted average interest rate		5.32%	2.92%	4.32%	5.53%	6.03%	5.58%	6.13%	4.97%	5.15%

### 26.2 Fair Value

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

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$'000	\$'000	\$'000	\$'000
Payables	3,518	3,518	2,182	2,182
Interest Bearing Liabilities	40,799	43,202	39,400	41,172
Total Financial Liabilities	44,317	46,720	41,582	43,354

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



## *Statutory Certification*

**South Gippsland Region Water Corporation**

FOR THE YEAR ENDED 30 JUNE 2014

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

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the Financial Statements, presents fairly the financial transactions during the year ended 30 June 2014 and the financial position of the Corporation as at 30 June 2014.

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

We authorise the attached financial statements for issue on 4<sup>th</sup> September 2014

A handwritten signature in cursive script, appearing to read "Joan C Liley".

Joan Liley  
Chair

A handwritten signature in cursive script, appearing to read "Philippe du Plessis".

Philippe du Plessis  
Managing Director

A handwritten signature in cursive script, appearing to read "Justin Wightman".

Justin Wightman  
Chief Finance & Accounting Officer



Victorian Auditor-General's Office

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## INDEPENDENT AUDITOR'S REPORT

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

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2014 of the South Gippsland Region Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification has been audited.

#### *The Board Members' Responsibility for the Financial Report*

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

#### *Auditor's Responsibility*

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

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

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

*Auditing in the Public Interest*

# Auditor General's Report

## Independent Auditor's Report (continued)

### *Independence*

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


### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the South Gippsland Region Water Corporation as at 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the South Gippsland Region Water Corporation for the year ended 30 June 2014 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  
8 September 2014



John Doyle  
Auditor-General

*Auditing in the Public Interest*



# Performance Report

For the year ended 30 June 2014

TABLE 1 - FINANCIAL PERFORMANCE INDICATORS

Key Performance indicator		2012/13 Result	2013/14 Result	2013/14 Target	Variance to prior year %	Notes	Variance to Target %	Notes
F1	<b>Cash Interest Cover</b> <u>Net operating cash flow before net interest and tax payments</u> Net interest payments	3.6 times	4.6 times	3.3 times	27.8%	1a	39.4%	1b
F2	<b>Gearing Ratio</b> Total debt (including finance leases) Total assets X 100	12.8%	13.2%	13.9%	(3.1%)		5.1%	
F3	<b>Internal Financing Ratio</b> <u>Net operating cash flow less dividends</u> Capital expenditure X 100	74.6%	68.6%	59.8%	(8.4%)	1c	14.7%	1d
F4	<b>Current Ratio</b> <u>Current Assets</u> Current Liabilities (excluding long term employee provisions and revenue in advance)	1.02	0.59	0.53	(42.2%)	1e	11.3%	1f
F5	<b>Return on Assets (ROA)</b> <u>Earnings before net interest and tax</u> Average Assets X 100	0.6%	0.6%	0.5%	0.0%		20%	1g
F6	<b>Return on Equity (ROE)</b> <u>Net profit after tax</u> Average total equity X 100	(0.1%)	(0.2%)	(0.7%)	(100.0%)	1h	71.4%	1i
F7	<b>EBITDA Margin</b> <u>Earnings before interest, tax, depreciation and amortisation</u> Total revenue X 100	40.5%	41.1%	38.8%	1.5%		5.9%	

Notes:

1a – Increase in cash interest cover compared to prior year is a result of the reduction in operational expenditure due to savings achieved during 2013/14.

1b – Increase in cash interest cover compared to target is a result of both the reduction in operational expenditure due to savings achieved during 2013/14 and the reduction in interest costs compared to budget of some \$700k, resulting in a lower denominator in this calculation.

1c – Internal financing ratio has decreased compared to last year as a result of increased capital program in 2013/14 compared to 2012/13.

1d – Internal financing ratio is improved on target as a result of both the reduction in operational expenditure due to savings achieved during 2013/14 and the reduction in interest costs compared to budget both of which resulted in reduced cash outflows compared to budget.

1e – Current Ratio reduced compared to prior year as a result of both lower cash held at year end and increased payables as a result of the timing of major projects.

1f – Current Ratio increased compared to budget as a result of the change in definition of the ratio which now excludes leave liabilities which are disclosed as current but are not expected to be settled in the next 12 months.

1g – ROA increased compared to budget as a result of the reduction in operational expenses achieved during the year compared to budget.

1h – ROE reduced compared to prior year as a result of a higher deficit level in 2013/14 compared to 2012/13.

1i – ROE improved significantly compared to budget as a result of the operational and interest cost savings achieved during the year compared to budget.

TABLE 2 - WATER AND SEWERAGE SERVICE PERFORMANCE INDICATORS

Key Performance indicator		2012/13 Result	2013/14 Result	2013/14 Target	Variance to prior year %	Notes	Variance to Target %	Notes
WS1	<b>Unplanned water supply Interruptions</b> Number of customers receiving more than 5 unplanned interruptions in the year Total number of water customers (domestic and non-domestic) customers X 100	0.0%	0.0%	0.0%	0.0%		0.0%	
WS2	<b>Interruption time</b> Average duration of unplanned water supply interruptions	83 minutes	138 minutes	100 minutes	(66.2%)	2a	(38.0%)	2b
WS3	<b>Restoration of unplanned water supply</b> <u>Unplanned water supply interruptions restored within 5 hours</u> Total unplanned water supply interruptions X 100	100.0%	98.7%	99.0%	(1.3%)	2c	(0.3%)	2d
SS1	<b>Containment of sewer spillages</b> <u>Sewer spills from reticulation and branch sewers contained within 5 hours</u> Total sewer spills from reticulation and branch sewers	93.8%	98.0%	100.0%	4.5%		(2.0%)	
SS2	<b>Sewer spills interruptions</b> No of residential sewerage customers affected by sewerage interruptions not restored within 5 hours	0.0	0.0	0.0	0.0%		0.0%	

Notes:

2a – The average duration of unplanned water supply interruptions increased compared to prior year as a result of one incident in 2013/14 which involved the break of a valve on a township trunk main. This incident resulted in significant time off water impacting a large number of customers.

2b – The average duration of unplanned water supply interruptions increased compared to budget as a result of one incident in 2013/14 which involved the break of a valve on a township trunk main. This incident resulted in significant time off water impacting a large number of customers.

# Performance Report

For the year ended 30 June 2014

TABLE 3 - CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS								
Key Performance indicator		2012/13 Result	2013/14 Result	2013/14 Target	Variance to prior year %	Notes	Variance to Target %	Notes
CR1	<b>Water Quality complaints</b> No of complaints per 100 customers for:	0.9	0.4	0.8	55.5%	3a	50%	3b
CR2	Sewerage service quality complaints No. of complaints per 100 customers	0.0	0.0	0.0	-		-	
CR3	Sewage odour complaints No. of complaints per 100 customers	0.0	0.0	0.0	-		-	
CR4	Billing complaints No. of complaints per 100 customers	0.2	0.1	0.2	50%	3b	50%	3b

Notes:

3a – Improvement in result compared to prior year is a result of the large amount of algal blooms in 2012/13 due to weather conditions, which did not occur in 2013/14.

3b – Improvement in result compared to target is a result of lower level of algal blooms in 2013/14 than expected due to prevailing weather conditions.

TABLE 4 - ENVIRONMENTAL PERFORMANCE INDICATORS								
Key Performance indicator		2012/13 Result	2013/14 Result	2013/14 Target	Variance to prior year %	Notes	Variance to Target %	Notes
E1	<b>Effluent re-use volume (end use)</b>	4.2%	3.6%	4%	(14.3%)	4a	10%	4b
E2	<b>Total Net CO2 emissions</b> Net tonnes Co2 equivalent	7,550	6,872	8,416	(8.9%)	4c	(18.4%)	4d

Notes:

4a – Milder/wetter weather conditions during summer (2013/14) resulted in lower agricultural reuse compared to the prior year.

4b – Milder/wetter weather conditions during summer (2013/14) resulted in lower agricultural reuse compared to target.

4c – Co2 emissions were down in 2013/14 compared to prior year as a result of concerted effort to reduce power usage at all SGW sites during the year.

4d – Co2 emissions were down on target due to a combination of the concerted effort to reduce power usage and reduction fleet emissions as a result of fleet choices.



## Statutory Certification

South Gippsland Region Water Corporation

### Certification of Performance Report for 2013/14

We certify that the accompanying Performance Report of South Gippsland Region Water Corporation in respect of the 2013/14 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2013/14 Corporate Plan, the actual results achieved for the financial year against pre-determined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and /or between the actual results in the current year and previous year.

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

A handwritten signature in cursive script that reads "Joan C Liley".

Joan Liley  
Chair

A handwritten signature in cursive script that reads "Philippe du Plessis".

Philippe du Plessis  
Managing Director

Dated this 4<sup>th</sup> day of September 2014

# Independent Audit Report

## VAGO

Victorian Auditor-General's Office

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### INDEPENDENT AUDITOR'S REPORT

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

##### *The Performance Report*

The accompanying performance report for the year ended 30 June 2014 of the South Gippsland Region Water Corporation which comprises the performance report, the related notes and the statutory certification has been audited.

##### *The Board Members' Responsibility for the Performance Report*

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

##### *Auditor's Responsibility*

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

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

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

*Auditing in the Public Interest*

## Independent Auditor's Report (continued)

### *Independence*

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

### *Opinion*

In my opinion, the performance report of the South Gippsland Region Water Corporation in respect of the 30 June 2014 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 2014 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  
8 September 2014

  
John Doyle  
Auditor-General

*Auditing in the Public Interest*

# Appendix A – Disclosure index

The 2013/14 Annual Report of the South Gippsland Water is prepared in accordance with all relevant Victorian legislations. This index has been prepared to facilitate identification of the Authority's compliance with statutory disclosure requirements.

Direction	Requirement	Page Reference
<b>Ministerial Reporting Directions</b>		
MRD 1	Performance Reporting	25 & 55
MRD 2	Reporting on Water Consumption & Drought Response	14
MRD 3	Environmental & Social Sustainability Reporting	11-12 & 16
MRD 4	Bulk Entitlements	13
MRD 5	Annual Reporting – Major Non-residential Water Users	14
<b>Financial Reporting Directions</b>		
<b>Report of Operations</b>		
<i>Charter and purpose</i>		
FRD 22E	Manner of establishment and the relevant Ministers	7
FRD 22E	Objectives, functions, powers and duties	7
FRD 22E	Nature and range of services provided	2
<i>Management and structure</i>		
FRD 22E	Organisational structure	5
FRD 22E	Names of Board Members Major Committees	4 & 6
<i>Financial and other information</i>		
FRD 22E	Statement of workforce data	8
FRD 22E	Employment and conduct principles	7
FRD 22E	Summary of financial results [5 year]	22
FRD 22E	Significant changes in financial position during the year	22
FRD 22E	Operational & budgetary objectives and performance against objectives	22
FRD 22E	Major changes or factors affecting performance	22
FRD 22E	Subsequent events	8
FRD 22C	Details of consultancies >\$10,000	9
FRD 22C	Details of consultancies – total No. and cost <\$10,000	9
FRD 12A	Disclosure of major contracts	9
FRD 22E	Application and operation of Freedom of Information Act 1982	8
FDR 22E	Compliance with the Protected Disclosures Act 2012	21
FRD 22E	Compliance with building and maintenance provisions of Building Act 1993	8
FRD 22E	Statement on National Competition Policy	10
FRD 22E	Occupational Health and Safety Policy	10
FRD 22E	Environmental Reporting [Office]	16-18
FRD 25	Victorian Industry Participation Policy disclosures	9
FRD 10	Disclosure index	60
FRD 22E	Statement of availability of other information	6
FRD 121	Infrastructure Assets (Water/Rail)	25
FRD 27B	Presentation & reporting of performance information	22
<b>Financial Statements</b>		
<i>Financial statements required under Part 7 of the Financial Management Act 1994</i>		
SD 4.2(b)	Operating Statement	24
SD 4.2(b)	Balance Sheet	25
SD 4.2(b)	Statement of Changes in Equity	26
SD 4.2(b)	Cash Flow Statement	27
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	28-34
SD 4.2(c)	Compliance with Ministerial Directions	57
SD 4.2(d)	Rounding of amounts	28
SD 4.2(c)	Accountable officer's declaration	3
SD 4.2(g)	General information requirements	2
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 21B	Disclosure of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities)	49
FRD 102	Inventories	38
FRD 103D	Non current Physical Assets	30
FRD 106	Impairment of Assets	31
FRD 109	Intangible Assets	31
FRD 110	Cash Flow Statements	27
FRD 112C	Defined Benefit Superannuation Obligations	45
FRD 114A	Financial Instruments	51
FRD 119	Contributions by Owners	32
<b>Legislation</b>		
Freedom of Information Act 1982		8
Building Act 1983		8
Financial Management Act 1994		52-54, 57-58
Audit Act 1994		52-54, 57-58
Victorian Industry Participation Policy Act 2003		9
Multicultural Victoria Act 2004		10
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**INSURERS**

Marsh Insurance Brokers

**SOLICITORS**

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**INDUSTRY ASSOCIATIONS**

Australian Water & Wastewater Association  
Institute of Water Administration  
Victorian Water Industry Association

**OTHER ASSOCIATIONS**

Business Management Health Services  
Candowie-Lance Creek Catchment  
Management Group  
South Gippsland Landcare Network  
Victorian Employers Chamber  
of Commerce & Industry  
Water Watch  
West Gippsland Catchment  
Management Authority

**CHARITY**

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