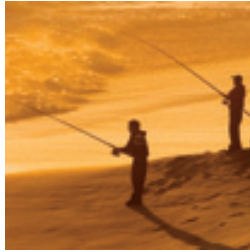
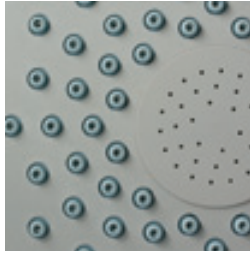
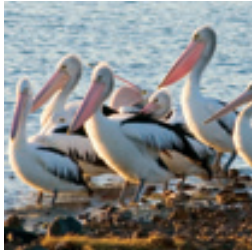
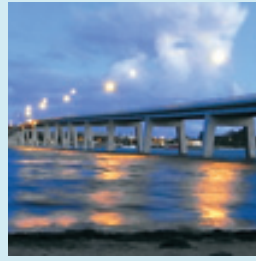


WESTERNPORT WATER

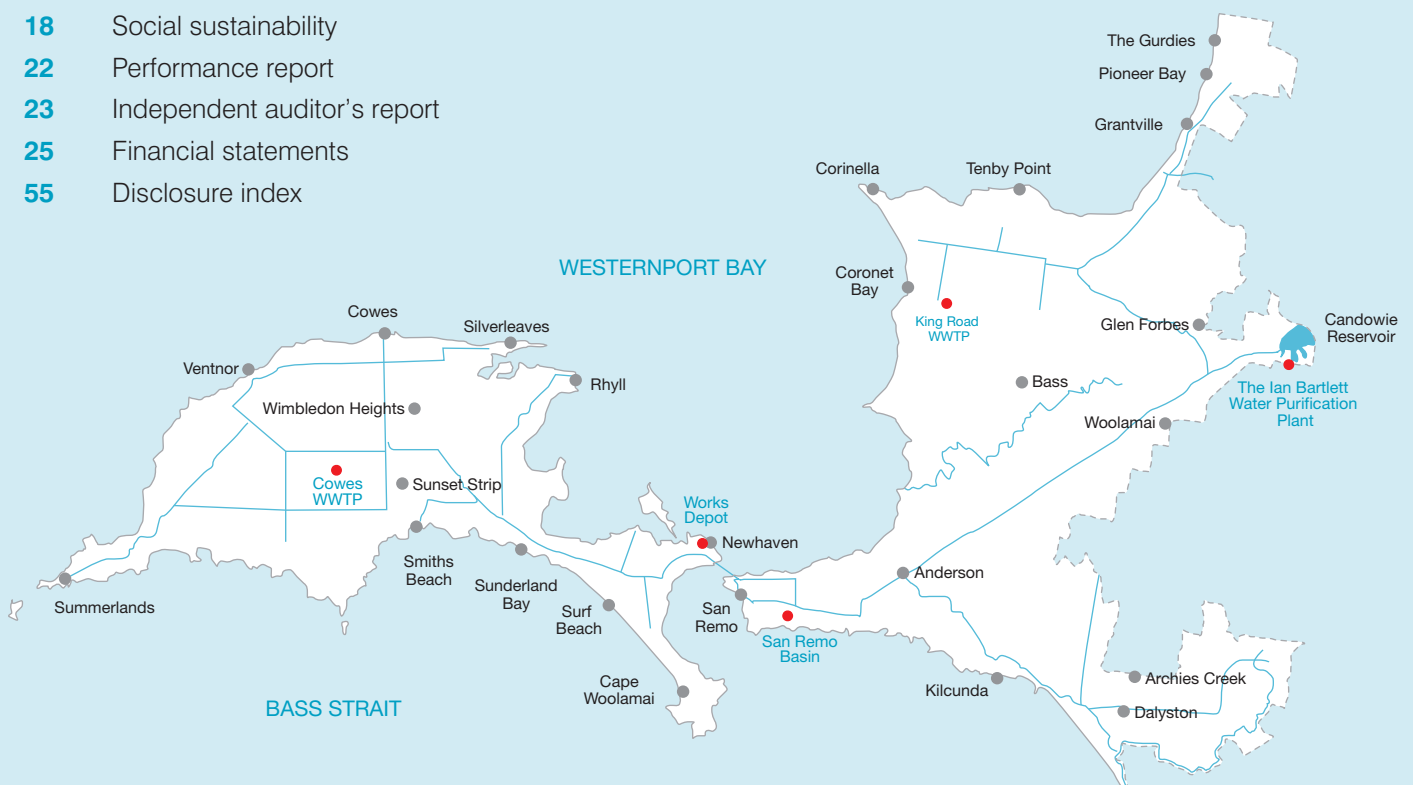
Annual Report 2011





Contents

- 1 Strategic intent
- 1 Services provided
- 2 Chairman and Managing Director's report of operations
- 4 Governance and structure
- 8 Objectives and performance
- 14 Water consumption and drought report
- 15 Environmental sustainability
- 18 Social sustainability
- 22 Performance report
- 23 Independent auditor's report
- 25 Financial statements
- 55 Disclosure index





Westernport Water is a sustainable enterprise providing quality products and services to our community

We provide water and wastewater products and services, and advisory services, all of which are cost-effective for our customers and deliver triple-bottom-line results to our stakeholders. We value working in our region, which is a model for a self-sustainable community; balancing residential, agricultural, tourism and commercial needs. We support our environment by striving for carbon neutrality and providing a sustainable range of water products. We proudly engage our community and stakeholders, and are committed to the development and well-being of our staff.

Manner of establishment and responsible ministers

The Westernport Region Water Authority was constituted under a Ministerial Order in section 98(2)(a) of the *Water Act 1989* (as amended) on 22 December 1994 by the then Victorian Minister for Natural Resources, the Hon Geoff Coleman, and published in the *Victorian Government Gazette* No. S102.

From 1 July 2007, the *Water Industry (Governance) Act 2006* took effect to amend the *Water Act 1989*. As a consequence the Authority's name was changed to Westernport Region Water Corporation under section 85(1) of the *Water Act 1989* (as amended). In accordance with section 95(1), members are appointed to the Board of the Westernport Region Water Corporation by the responsible minister for varying terms.

During this 2010-11 reporting period, the responsible Victorian ministers were:

- The Hon Tim Holding MP was Minister for Water from 1 July 2010 to 2 December 2010
- The Hon Peter Walsh MP was Minister for Water from 2 December 2010 to 30 June 2011

Objectives, functions, powers and duties

Sections 92, 123 and 124 of the *Water Act 1989* (as amended) provide Westernport Water with the necessary powers to perform its functions. The powers derived by the *Water Act 1989* (as amended) can only be exercised to perform functions

given to Westernport Region Water Corporation by an Act of Parliament.

Statement of Obligations

The Statement of Obligations (SoO) was issued by the then Victorian Minister for Water, Environment and Climate Change under section 4I of the *Water Industry Act 1994* on 27 July 2004 and amended on 1 July 2007. The purpose of the SoO is to clarify the obligations of Westernport Region Water Corporation in relation to the performance of its function and the exercising of its powers.

Nature and range of services provided

The core function of Westernport Water is to provide water and wastewater services – wherever economically, environmentally and socially practicable – to properties and communities throughout its district. The Corporation provides services to approximately 17,000 customers and 60,000 in peak holiday periods, in an area covering 300 square kilometres encompassing Phillip Island and the Westernport district stretching from The Gurdies to Archies Creek.

Westernport Water has access to a diversified water supply. Water is sourced from the catchment supplying Candowie Reservoir (located in the Bass hills near Glen Forbes) via Tennent Creek, the Bass River, and groundwater bores in the Corinella aquifer. The water is treated at the Ian Bartlett Water Purification Plant (IBWPP) at Candowie Reservoir near Almurta. It is then pumped to mainland townships and the San Remo basin for distribution to customers in San Remo and Phillip Island. The average total annual customer

demand is approximately 1,900 megalitres (ML) or 1.9 gigalitres (GL).

Wastewater services are provided to approximately 90 per cent of properties that receive water. Westernport Water has two wastewater treatment plants that process approximately 1100ML of domestic wastewater each year. The principal plant, treating around 90 per cent of volume, is the Cowes Wastewater Treatment Plant (CWWTP) located on Phillip Island. It services Phillip Island and San Remo. The second plant, treating approximately 10 per cent of volume, is the King Road Wastewater Treatment Plant (KRWWTP) located in the Coronet Bay area. This plant services the Corinella, Coronet Bay and Grantville districts on the east coast of Westernport Bay and recycles 100 per cent of the treated water onsite. Wastewater from the townships of Kilcunda and Dalyston is treated under an agreement with South Gippsland Water at its Wonthaggi treatment plant. In total 19 per cent of all treated effluent is reused.

In addition, Westernport Water provides the following services:

- The sale of recycled water for local sporting venues and for irrigation purposes.
- Removal of minor trade wastes (greasy wastes).
- A liquid waste disposal facility at the CWWTP.
- Other utility-oriented services including specialist advice on infrastructure and facility design for new developments.
- A reticulated gas business.
- The sale of lucerne and grass hay as by-products of the effluent management process at the KRWWTP.



Chairman and Managing Director's report of operations

We are pleased to present this year's 2010-11 annual report to our customers, stakeholders and the community.

Governance

Customer numbers increased by 1 per cent to 17,263 for the year ending 30 June 2011, with the peak holiday period figure reaching 60,000.

Westernport Water recorded a net profit of \$2.1 million for the year from revenue of \$17.7 million. Capital expenditure totalled \$8.2 million against a budget of \$8.3 million. This includes our commitment to funding the Phillip Island Recycled Water Scheme total project cost of 5.7 million supported by Federal Government funding of \$2.85 million due next year.

Essential work on improvements to Candowie Reservoir has been undertaken to meet Australian National Committee on Large Dams (ANCOLD) safety requirements. Relevant design and construction costs associated with raising the wall height of Candowie Reservoir by three metres to increase the storage capacity from 2,263ML to 4,463ML are also being prepared for inclusion in a business case.

Products and services

Bulk entitlements available to Westernport Water following the commissioning of the desalination water connection will total 7401ML per annum comprising:

Tennent Creek	2,911ML
Bass River Pumping Station	3,000ML
Corinella bore field	490ML
Metropolitan pool incl. desalination	1,000ML

Water quality monitoring is done on a weekly basis under contract with ALS Environmental (Water Resources Group) – formerly known as Ecowise Environmental. More than 5200 samples are taken each year to comply with the 2004 Australian

Drinking Water Guidelines and the Safe *Drinking Water Act 2003*, and to ensure delivery of safe drinking water.

Water quality was at a high standard throughout the year aided by significant inflow from Tennent Creek (which also resulted in Candowie Reservoir spilling for 218 days in 2010-11).

Fluoridation, first introduced in February 2010, has operated reliably since installation.

Significant water quality benefits were delivered as a result of an extensive maintenance program, which enabled scouring of the 600mm diameter water supply line. For the first time the scouring was carried out using a pigging technique.

Assets

Implementation of a Global Information System (GIS) database and a System Control and Data Acquisition (SCADA) control system has been completed which will enable remote monitoring of all water and sewer systems. Coupling of the SCADA/GIS to the Asset Management System in 2011-12 will use existing cable and a new private microwave communication link.

Development work on the new billing and Customer Request Management System will go live in 2011-12. This system will enable customer requests to be passed directly to field maintenance staff, automatically record work order history and build an asset performance profile to assist with better utilisation and management of all our assets.

Replacement of the HOBAS® 375mm diameter under-bridge water supply main from San Remo to Phillip Island is being carried out as an urgent response after there were failures of the existing pipe on three occasions prior to the 2010 Christmas holidays. A new pipeline

of 450mm diameter using HDPE pipe is currently being installed under the channel for a length of 890 metres. The new pipeline will be commissioned in August 2011.

Community

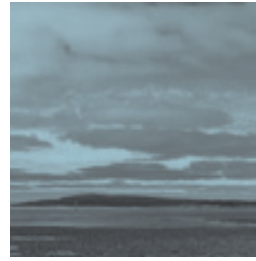
In addition to the Customer Consultative Panel, which meets with management and board members bimonthly, the Corporation has benefitted from engaging special interest groups to advise on major projects including:

- Class A stakeholder advisory panel.
- Candowie Landholders Consultative Group.
- San Remo Foreshore Committee, traders associations, indigenous groups and local environmental groups.

The Corporation website has been upgraded regularly to provide easier access for users, including access to reports of the Board meetings.

The Westernport Water mobile hydration station was commissioned early in the year and is much sought after by community and sporting associations wanting to add value to their events.

Assisted by the staff of Westernport Water and the community, the You Are My Sunshine (YAMS) Foundation has raised \$120,000 to 30 June 2011 and has advanced funds to the Royal Children's Hospital (RCH) Foundation for a research project conducted by Dr Paul Wood at RCH and the Peter MacCallum Cancer Centre. The YAMS Foundation was established in September 2009 to raise funds for research into the cause, early detection and treatment of Neuroblastoma in children.



Environment

Significant works were undertaken at Candowie Reservoir to remove non-indigenous cyprus pine trees from close proximity to the dam wall and downstream from the spillway. This provided an opportunity for significant revegetation with native grasses and understorey planting to reinstate the natural ecology and plant communities.

Prolonged rain plus the inundation of stormwater into the sewer pipes and a reduced demand for irrigation supply has resulted in an exceedance of the mean daily flow rate for the CWWTP and reduced winter storage capacity at the KRWWTP. A review of options for increasing capacity at the KRWWTP has commenced.

An exceedance of total residual chlorine levels in effluent discharge from the CWWTP to the ocean at Pyramid Rock occurred during the summer of 2010-11. The incident arose from a fault in total residual chlorine analysis and chlorine dosing levels, and has since been corrected and poses no long term environmental impact.

Staff development and employee relations

Westernport Water's staff numbers totalled 66.5 full time equivalents (FTE) at 30 June 2011. The staff turnover for 2010-11 was 13 per cent.

Significant progress has been made on preparation of the Corporation's Risk Management Plan and Incident Emergency Procedures with regular review and training exercises reinforcing good practice.

The Corporation achieved its second consecutive full year without a lost time injury, which reflects well on the existing work culture and shows the benefits of time spent on workplace inspection, training and job planning.

All staff members were encouraged to undertake skills-enhancement, and seven are currently enrolled in a Diploma of Management course.

The 2010-13 Enterprise Agreement (EA) was signed by the Fair Work Commissioner in January 2011 and payment of 4 per cent per annum to non-executive staff members commenced in July 2010. The EA provides for productivity improvements of \$200,000 per annum in each year of the agreement.

Acknowledgements

The staff and Board members of Westernport Water are indebted to the support given by other water corporations and the industry associations during the year, particularly VicWater, the Australian Water Association (AWA), the Institute of Water Administration (IWA) and the Water Services Association of Australia (WSAA). We thank them for the opportunity to meet and share experiences and learnings as we strive to achieve more efficient and effective management of our business.

The support of the respective government agencies and ministerial appointees has been valued in achieving our performance targets.

The Board and management welcome the support given by the Member for Bass, the Hon Ken Smith, MP in formulating strategy for the Corporation.

The dedication of fellow directors and the executive team is significant and highly valued. We also value the contributions of those people who left the Corporation in 2010-11 to pursue new challenges. In this regard, thanks go to Abigail Adams, former General Manager Business Development and Corporate Strategy.

The Corporation welcomes Carol Pagnon to the position of External Independent Member – Audit and Risk Committee to fill a vacancy created by the departure of Board member Chris Pattas in June 2010.

"In accordance with the *Financial Management Act 1994*, we are pleased to attest that Westernport Region Water Corporation's annual report is compliant with all statutory reporting requirements."

Anthony J Leonard, Chairman
31 August 2011

Murray Jackson, Managing Director
31 August 2011



Governance and structure

Key functions of the Westernport Water Board include:

- Setting the strategic direction and policy framework by adopting, implementing and resourcing a corporate plan and water plan.
- Establishing measurable goals and objectives.
- Setting service standards and monitoring achievement.
- Ensuring compliance with legislative and regulatory obligations.
- Evaluating the Board and executive officer performance to ensure integrity of corporate governance practice and ethical conduct.



Tony Leonard (Chairman)

Tony Leonard was appointed to the Board of Westernport Water in October 2007 and to the position of Chairman on 1 October

2008. A regular visitor to Phillip Island over many years, Tony purchased a holiday home in 1988 and upon retirement in 2002 became a permanent resident. Prior to retirement Tony was a local director of a global financial services and risk management company with responsibilities including group operations in seven countries throughout the Pacific. For some time he was the appointed insurance broker and risk manager for the Victorian Government. He is a member of the Australian Institute of Company Directors (AICD), AWA, Landcare and a number of local clubs.

Jane Bell (Deputy Chair)

Jane Bell was appointed to the Board of Westernport Water in October 2007 and serves on the Audit and Risk Committee. Jane has over 22 years' experience in international banking and finance in senior legal roles in Australia, United Kingdom, Canada and the USA, including Wesfarmers (Melbourne and Brisbane), the Canadian Imperial Bank of Commerce (Toronto), Norton Rose (London), Chartered West LB (London), Mallesons Stephen Jaques (Melbourne) and Corrs Chambers Westgarth (Melbourne), and has nine years as a non-executive director. Jane is also a non-executive director of WorkSafe Victoria, Melbourne Health (Royal Melbourne Hospital) and Prince Henry's Institute of

Medical Research. Jane holds a Bachelor of Laws, Bachelor of Economics and Master of Laws (London), and is a Fellow of the AICD.



Murray Jackson (Managing Director)

Murray Jackson commenced as Managing Director of Westernport Water on 1 September 2008 after concluding a

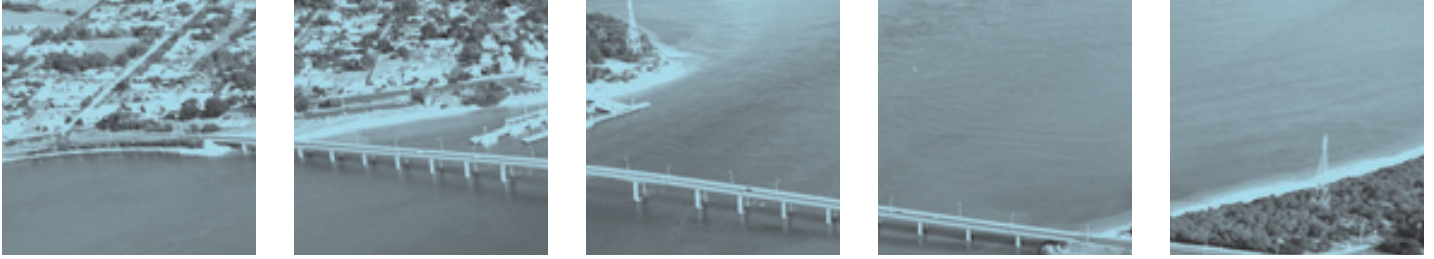
10-year appointment with Genesis Energy in New Zealand. His qualifications include a Masters Degree in Business, a Bachelor Degree in Economics and a Diploma in Mechanical Engineering. He is a Fellow of the Institution of Engineers (Australia), Fellow of the Australian Academy of Technological Sciences and Engineering, Fellow of the Institution of Professional Engineers (New Zealand), and a Member of the AICD. Murray's engineering career included the commissioning of coal-fired power plants in Victoria and New South Wales and Commissioner of the Snowy Mountains Hydro-electric Authority (1993/97). He was awarded the Centenary Medal in June 2003 by the Australian Government for service to industry and society. In 1999 he was appointed Chief Executive of Genesis Power Ltd (NZ), a vertically integrated electricity and gas exploration, generation and retail business, formed from the split-up of the former Electricity Corporation of New Zealand. In 2009 he became Chairman of the YAMS Foundation, a charity registered with the Royal Children's Hospital Foundation, which raises funds for research into Neuroblastoma, a rare cancer affecting young children.

Leigh Hocking

Leigh Hocking was appointed to the Board of Westernport Water in June 2005. His background is in management and human resources consulting and corporate governance – fields in which he has over 25 years' experience. He is a Director of Magellan Consulting Partners, an organisational development consulting firm that specialises in major organisational change, team coaching and leadership development. In those roles Leigh has worked extensively in both the public and private sectors in industries as diverse as utilities and infrastructure, mining and energy, transport, manufacturing and defence, emergency services and higher education. Leigh is a Director of Northern Health and was formerly the Chair of the Board of Rural Ambulance Victoria and the ministerial delegate on the Board of Ambulance Victoria. He is a Fellow of the AICD.

Trevor Nink

Trevor Nink was appointed to the Board of Westernport Water in October 2007. He is also Chairman of the Audit and Risk Committee. Trevor and his family are homeowners in Ventnor, with their principal residence in Melbourne. He has held various chief executive officer and executive positions in international building, engineering and packaging companies, with a focus on leadership, strategy and change management. Trevor holds a Bachelor of Science degree and has conducted further studies in economics and psychology at the University of Melbourne. He is a Fellow of the AICD. Other current directorships are with Trackaxle Ltd and Beacon Cove



Neighbourhood Association Inc. Previous senior executive roles were with Kodak, ACI, BTR Nylex and KONE Elevators in Australia, USA and Europe.

Leah Young

Leah Young has been a director on the Board of Westernport Water for the past six years. Business management and governance are her key areas of contribution. She holds a Bachelor of Business, a Graduate Diploma of Business, an AICD Company Directors Course Diploma, a Chartered Secretaries Australia Certificate in Governance Practice and Administration, and is a Fellow of the AICD as well as a member of the Australian

Institute of Management. Leah has been Business Manager/Company Secretary at St Paul's Anglican Grammar School since 1996. She has lived in Gippsland all her life. Before joining St Paul's, Leah had more than 13 years' experience in local government, holding senior positions in key areas such as financial and corporate planning, capital works development, administration and human resource management. She has also been a director of the Central Gippsland Water Corporation for the past 11 years and is currently a director of the Latrobe Regional Hospital. Leah has been a member of the Audit and Risk Committee on all three Boards.

Alison von Bibra

Alison has held senior roles in industry over several years, both in Australia and the USA. She is currently the General Manager and Company Secretary for a large regionally based specialty medical practice and prior to that she was part of CSL Ltd managing the human resources function for the global business. Alison holds a Bachelor of Science degree from Adelaide University and a Master of Business Administration from the University of New England. She has Board experience in the private and not-for-profit sectors and joined the Board of Westernport Region Water Corporation in October 2008.

Remuneration Committee

The Remuneration Committee meets when required to review the performance and remuneration of senior executives. Remuneration Committee members in 2010-11 were Tony Leonard, Alison von Bibra and Leigh Hocking. Mr Hocking retired from the Committee at the end of September 2010 and was replaced by Leah Young.

The Committee ensures compliance with the requirements of the Government Sector Executive Remuneration Panel. Three meetings were held during 2010-11.



Westernport Water Board (back): Trevor Nink, Alison von Bibra, Leigh Hocking, Leah Young (front): Murray Jackson, Terry Leonard, Jane Bell.

Audit and Risk Committee

The Audit and Risk Committee is a sub-committee of the Board with responsibilities to:

- Review and recommend to the Board the acceptance of the Auditor-General's report with or without comment.
- Monitor the internal audit function.
- Review and recommend risk management and insurance strategies.
- Monitor the level of regulatory compliance.

The Audit and Risk Committee consists of independent members: Trevor Nink (Chair), Jane Bell and Leah Young. Leah Young retired from the Audit and Risk Committee in October 2010 and was replaced by Leigh Hocking. Independent committee member, Carol Pagnon joined the Committee in June 2011. Meetings are attended by management staff as required.

The General Manager Employee and Customer Relations, Merryl Todd provides secretarial services.

During the year, the Audit and Risk Committee:

- Reviewed the outcome from the annual Essential Services Commission's water performance regulatory audit.
- Performed a review of the internal audit program and the Gifts and Hospitality Policy and Register.
- Undertook an annual self-assessment in accordance with the Standing Directions of the *Financial Management Act 1994*.
- Monitored the Corporation's regulatory reporting requirements.
- Participated in the review of the Corporation's risks as detailed in its Corporate Plan and in its State-wide risk register.

In addition to these activities, regular reports on risk management, environment, and occupational health and safety were reviewed and discussed.

Internal audits undertaken during the year were as follows:

- Compliance review (incorporating financial management compliance framework and purchasing card).
- Water quality processes, procedures and compliance.
- Records management.

Table of Board and committee attendance

Director	Board meetings		Audit and Risk Committee meetings		Remuneration Committee meetings	
	Held	Attended	Held	Attended	Held	Attended
Tony Leonard (<i>Chairman</i>)	11	11			3	3
Jane Bell (<i>Deputy Chair</i>)	11	10	7	6		
Murray Jackson (<i>Managing Director</i>)	11	11	7	2		
Leigh Hocking	11	11	5	5	1	1
Trevor Nink	11	11	7	7		
Leah Young	11	10	2	1	2	2
Alison von Bibra	11	8			3	3
Carol Pagnon			1	1		

1 Committee attendance numbers reflect committee membership changes

2 Leigh Hocking, Leah Young and Carol Pagnon meeting attendance figures reflect their time in the positions

Application and operation of the Whistleblowers Protection Act 2001

The *Whistleblowers Protection Act 2001* protects people who disclose information about serious wrongdoing within the Victorian public sector and provides a framework for the investigation of these matters.

The Protected Disclosure Coordinator in the Department of Sustainability and Environment acts as an agent for the Corporation to receive disclosures under the Act, and applies Department procedures in managing disclosures.

No disclosures were made under this Act during the reporting period.

Disclosures of improper conduct by the Corporation or its employees may be made to the following people:

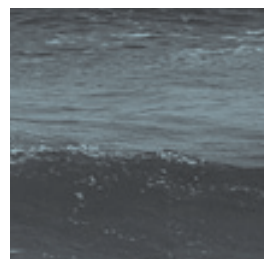
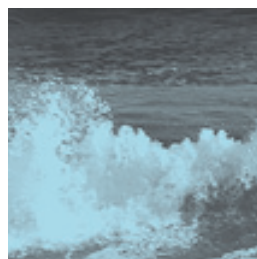
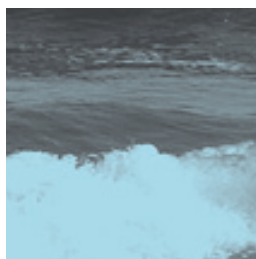
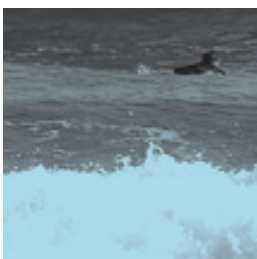
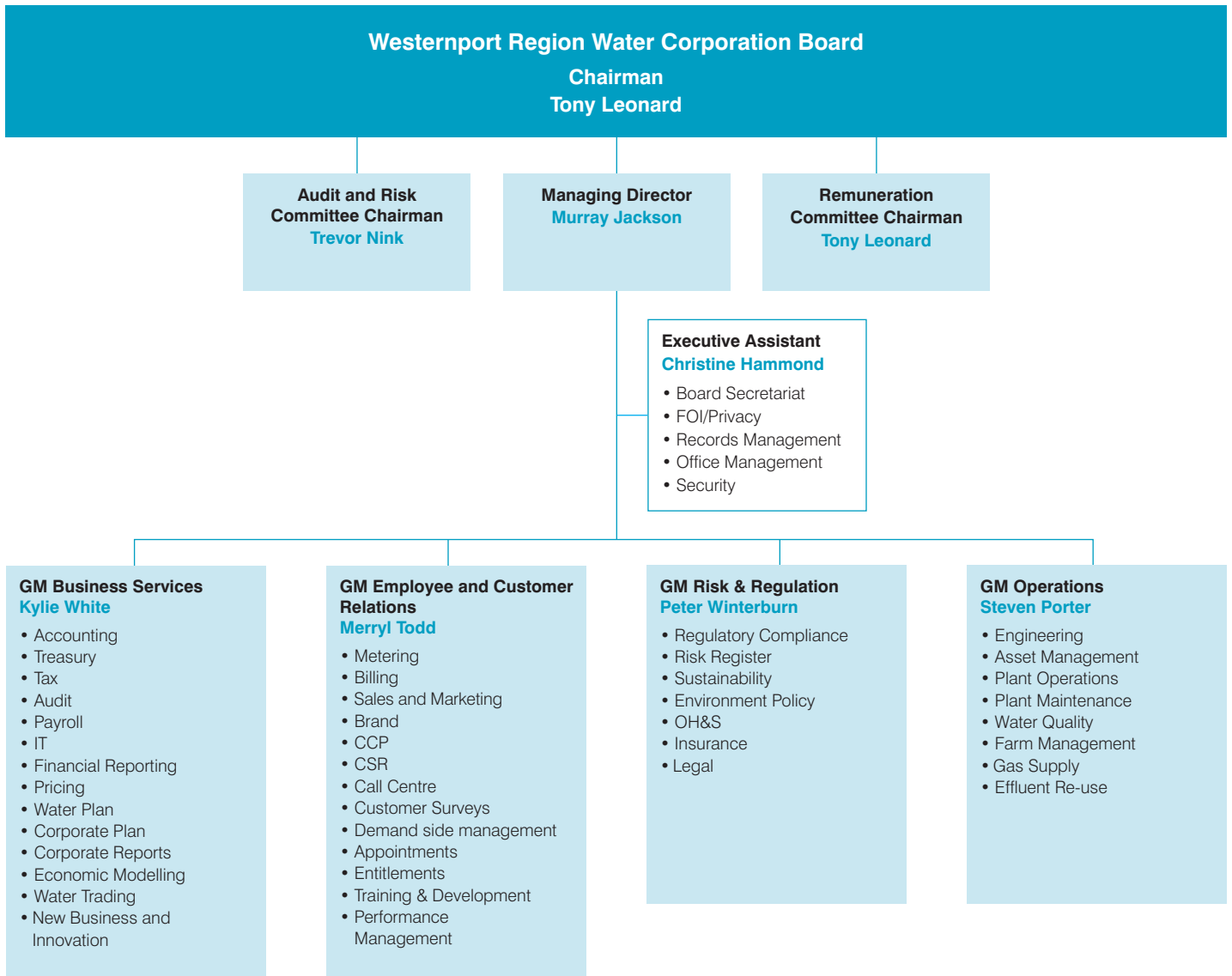
Jennifer Berensen
Protected Disclosure Coordinator
Department of Sustainability & Environment
PO Box 500
East Melbourne Victoria 3002
Telephone – 9637 8697
Email – Jennifer.Berensen@dse.vic.gov.au
Web – www.dse.vic.gov.au

The Ombudsman Victoria
Level 22, 459 Collins Street
Melbourne Victoria 3000
Telephone – 9613 6222
Toll free – 1800 806 314
Web – www.ombudsman.vic.gov.au

Statement of availability of other information

Other information required by the *Financial Management Act 1994*, but not specifically referred to, has been retained by Westernport Water's accountable officer and is available to the relevant Victorian minister, Victorian members of parliament and the public on request, subject to the *Freedom of Information Act 1982*.

Organisational structure





Objectives and performance

Summary of achievements

Corporate governance

Maintaining the integrity and value of our business through sound governance and financial management

Planning for our future through strategic and business planning.	Involvement in the investment gateway process for major augmentation project, board and executive strategic planning workshops.
Driving fiscal responsibility throughout our business.	Strong financial management principles adopted across business, all financial targets met.
Meeting our regulatory requirements.	Regularly monitoring and reporting of compliance targets to Audit & Risk committee and internal staff meetings.
Identifying and mitigating risks impacting our business.	Risk assessments for all investment decisions, regular reviews of operational and strategic risk registers by executive and board.
Regularly finding ways to become more efficient.	Process improvement projects identified savings of \$200k across the business.

Products and services

Providing cost-effective, quality products and services that complement our core business and meet our community's needs

Providing high quality drinking water.	Customer satisfaction rating increased.
Continually improving the access, capture and trade of low cost water.	Additional bulk entitlements for Bass River and borefields to ensure future supply sources.
Optimising the use and sale of system by-products.	Approval and funding for construction of recycled water plant in Cowes.
Continually growing our business and service opportunities through innovation and alliance building.	Working with council to identify opportunities to supply water and wastewater services across our region.

Our assets

Enable the reliable and cost-effective delivery of our services to our customers

Understanding the performance of our assets to support future business decisions.	Implementation of strategic asset management system, condition assessments of assets.
Supporting and developing robust preventative maintenance systems.	Development of preventative maintenance plans based on condition assessments and asset performance.
Continuing to improve asset performance and efficiency.	Drive assets to their maximum performance balanced with their overall efficiency in lower costs and environmental footprint.
Searching out and incorporating proven assets and technology into the business.	Reviewing, investigating and trialling new technology and assets to determine their suitability for incorporating into our systems.

Community engagement

To be a valued member of the community we service

Fostering strong and positive relationships and partnerships with key stakeholders.	Development of stakeholder and consultative groups for projects, continued engagement with Customer Consultative Panel (CCP), and community organisations.
Adding value to our community through the provision of resources, expertise and water related education.	Involvement in public and community events – including the sustainability festival, Australian Ploughing Championships, school forums, careers expos, water education tours, plus the provision of water at various community events utilising the Hydration Station.
Providing timely, friendly and reliable customer service.	Provision of 24/7 customer support including person to person and self-service.
Continually gathering feedback and measuring the community's response to our products and services.	Public forums, customer satisfaction surveys, development of corporate social responsibility program and the Customer Consultative Panel.

Environmental footprint

Aiming to be an environmentally sustainable organisation, reducing our environmental footprint

Increasing investment in sustainable energy sources.	Increasing awareness of environmentally friendly alternative purchasing principles.
Striving for efficient use of natural resources driving environmental efficiencies into our business decisions.	Dedicated resource for education and awareness of environmental issues and compliance.
Reusing wastewater and biosolids and minimizing ocean outfall.	Undertaking biosolids and reuse strategy, land improvement studies, partnership with Landcare.
Improving biodiversity.	Annual operational plan developed from the corporations biodiversity register with project partners. Environment assessments conducted on major projects to determine their impacts on the regions flora, fauna and or endangered species.

Our people

To be recognised as an innovative, high performance organisation with a reputation that is valued by current and prospective employees.

Continuing investment in the development and safety of our people.	No LTI, continued training on safety issues, regular workplace inspections to identify any potential or real hazards.
Listening and responding to our people to encourage engagement and to improve organisational performance.	Numerous process improvements identified and implemented resulting in significant operational cost savings (\$200k) and business efficiencies.
Embedding a culture where change is anticipated and responded to, responsibility accepted and accountability delivered.	Dedication to training and development, performance management.

Statement of workforce data

The Corporation's workforce numbered 66.49 full time equivalent employees in 2010-11. The breakdown is set out below compared to 2009-10.

Employees					
	Ongoing Employees				Fixed term & Casual Employees
	Employees (Headcount)	Full Time (Headcount)	Part Time (Headcount)	FTE	FTE
June 2010	58	56	2	57.90	5.86
June 2011	61	58	3	59.85	6.64

	June 2011			June 2010		
	Ongoing		Fixed term & Casual Employees	Ongoing		Fixed term & Casual Employees
	Employees (Headcount)	FTE	FTE	Employees (Headcount)	FTE	FTE
Gender						
Male	41	40.54	1.97	39	39	1.93
Female	20	19.31	4.67	19	18.90	3.93
Age						
Under 25	–	–	0.98	1	1	1.97
25-34	9	9	0.42	4	4	0.31
35-44	17	16.21	2.65	21	20.9	1.13
45-54	22	22	2.49	21	21	1.54
55-64	11	10.64	0.1	9	9	0.91
Over 64	2	2	–	2	2	–
Classification						
Broadband 2	15	15	5.87	13	13	4.53
Broadband 3	8	7.31	–	10	9.9	0.42
Broadband 4	12	11.54	–	12	12	–
Broadband 5	9	9	–	9	9	–
Broadband 6	4	4	.77	2	2	–
SEO	9	9	–	9	9	–
Executive	3	3	–	3	3	–
Other	1	1	–	1	.91	–

Executive Officer Disclosure					
	Ongoing				
	Male	Variation	Female	Variation	Vacancies
Executive	2	–	1	–	–
Business Services	–	–	1	–	–
Governance	1	–	–	–	–
Operations	1	–	–	–	–

¹ The data reported for June 2010 varies slightly from that reported in our 2010 Annual Report as we have now adopted the FRD29 standard for workforce reporting.

Risk management at Westernport Water

The Corporation's aim in 2010-11 was to embed a risk-aware culture throughout its business operations. During the year Westernport Water, in conjunction with the Board, reviewed its risk context. As a result the Corporation adopted the core elements of a triple-bottom-line reporting framework with additional categories of infrastructure and reputation, to report and categorise its risks.

A strategic risk workshop with the Board, management and internal auditors was conducted during 2010-11, which resulted in the Corporation developing a strategic risk register.

The risk management system is reviewed regularly by the executive management team with oversight from the Audit and Risk Committee, and adheres to the Board's governance program.

Risk management attestation

"I, Anthony Leonard certify that Westernport Region Water Corporation has risk management processes in place consistent with AS/NZS 4360:2004 *Risk Management*, and an internal control system is in place that enables the executive management team to understand, manage and satisfactorily control risk exposures.

The Audit and Risk Committee verifies this assurance and that the risk profile of Westernport Region Water Corporation has been critically reviewed within the last 12 months."



A.J. Leonard
Chairman

Employment and conduct principles

All Westernport Water employees work within the Victorian Public Sector *Code of Conduct* that amplifies the values contained in the *Public Administration Act 2004*. They also work within the Corporation's Behavioural Charter that values the principles of respect, quality, responsibility and honesty. Employees demonstrate these principles to everyone they do business with, both inside and outside the Corporation.

Merit and equity

Westernport Water complies with the *Public Administration Act 2004* by maintaining a workplace free of discrimination in line with the Victorian Government's merit and equity principles. The Corporation continuously reviews its human resource policies and processes in areas such as equal opportunity and recruitment. Employees are selected and/or promoted for positions on the basis of relative ability, knowledge, experience and skill, in fair and open competition measured against the requirements of the

position involved. All employees are treated in a fair and equitable manner without regard to race, religion, political opinions, sexual preference, age, physical or mental disability, family responsibility, pregnancy, national extraction or social origin.

Process improvement

In 2010-11 Westernport Water staff identified 25 process improvement projects that led to significant operational efficiencies and cost reduction opportunities within the IT, Finance, Human Resources, Communications and Asset & Maintenance departments.

A major highlight from the year was the award-winning work by our Project Engineer Dean Jagoe. Dean worked with Bentley Systems to complete a real-time integration of the WaterGEMS water distribution model application with the Clear SCADA system. The integration of these systems uses both historical and real-time data to create a real-time model of the entire water supply network. The project was submitted to the internationally-recognised Bentley Systems *Be Inspired Awards for 2010*. The project was a category

winner in the area of *Innovation in Water, Wastewater and Stormwater Networks*.

Training

Westernport Water is committed to the ongoing development of its staff and invests significant resources in employee training, development and welfare programs.

This investment ensures its people are well prepared to meet, not only the requirements of their roles, but also the challenges of emerging technologies, innovative business practices and emergency response procedures.

Occupational health and safety

Westernport Water's commitment to the continued investment in the development and safety of its people is evident in the Occupational Health and Safety (OH&S) training program delivered during 2010-11. The chart below outlines the key programs conducted during 2010-11. There were 193 equivalent training days during 2010-11, a 15 per cent increase in training days from 2009-10.

Major training activities

Incident management

Four employees completed the Australian Inter-service Incident Management System (AIIMS) program this year. AIIMS is an incident management system that enables the seamless integration of the activities and resources of agencies when applied to emergency incident management.

Certificate II in Water Operations

Two new members of our maintenance team commenced their Certificate II in Water Operations.

Equal opportunity, and workplace harassment and bullying

This year, the Corporation conducted equal opportunity refresher training to ensure its employees are prepared for new obligations being introduced under the Equal Opportunity Act 2010 starting in August 2011.

Plumbing apprenticeship

A member from our Maintenance Team is in his second year in his general plumbing apprenticeship. We are grateful for the financial support received from the state government and the support from local plumbers who are providing on-the-job training.

Emergency response training

The executive management and staff completed two half-day emergency response exercises during 2010-11.

University placement program

In 2011 we entered into a partnership with the Churchill campus of Monash University to participate in its Industry Placement Program. In June 2011 we engaged the services of third-year visual and media arts student Kobie Notting for 17 weeks. Kobie's projects include a review of our corporate branding, and logo development and implementation.

Vacation employment program

Westernport Water hosted students from Newhaven College and Wonthaggi Secondary College for engineering and IT work experience.

The Corporation and its staff also participated in the Newhaven College and Wonthaggi Secondary College careers expos.

Wellbeing program

Westernport Water is committed to the development and wellbeing of its staff. This ongoing commitment to a healthy workplace was demonstrated in the year by the following programs:

- 12 week personal trainer program.
- 10 week Pilate's program.
- Annual health checks, covering asbestos, skin check, audiology (hearing) test, spirometry (lung) test and vision test.
- Vaccination program – influenza and twinrix Hepatitis A B vaccinations.

As shown in the training chart, the emphasis during 2010-11 was on developing the Corporation's emergency management resilience, with 66 training days attributed to this element.

The OH&S statistics below depict significant results for 2010-11. Consultation across the organisation and with approved contractors reinforced the safety message and was paramount to achieving zero lost time injuries for the second year running. The Corporation's management team believes ongoing communication and consultation, combined with strong leadership is the key to an effective safety culture.

Application and operation of Freedom of Information Act 1982

The *Freedom of Information Act 1982* allows public access to documents held by government entities, which includes right of access to documents held by Westernport Water. A decision to release information is made by an authorised officer. The Corporation has determined that its authorised officer is Christine Hammond – Executive Assistant. A copy of the *Freedom of Information Act 1982* can be found at www.foi.vic.gov.au.

Members of the public wishing to obtain access to corporate documents are required to make their request in writing and pay the appropriate fee. An application fee of \$24.44 will apply from 1 July 2011.

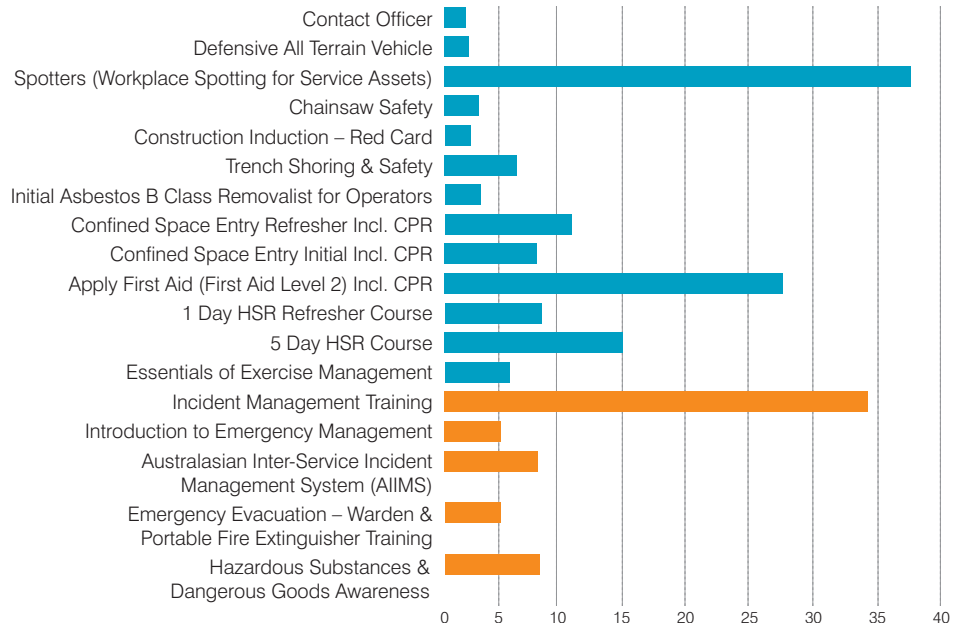
Written requests are to be forwarded to:
Christine Hammond
Freedom of Information Officer
Westernport Water
2 Boys Home Rd
Newhaven Victoria 3925

In the reporting period there were no valid requests for information under this Act during the reporting period.

Compliance with building and maintenance provisions

To the best of its knowledge, Westernport Water and its contractors have complied with the building and maintenance provisions of the *Building Act 1993*.

OHS Training 2010-11 – Sum of Total Number of Days



OH&S performance indicators

OH&S Statistics 1 July 2009 – 30 June 2010	2010-11	2009-10
Health Safety & Environment committee meetings (held bimonthly)	5	8
Workplace inspections ¹	23	19
Staff training related to OH&S (person days) ¹	193	168
Incident statistics		
Injury incidents	6	6
LTI: (number of lost time injuries) ²	0	0
MTI: (medical treatment injuries) ³	5	4
Non-injury incidents	0	3
Vehicle incidents	6	6
Incident investigations carried out	11	4
Contractor incidents ³	2	1
Incident type		
Manual handling – lifting ³	2	0
Slip, trip or fall	1	3
Stress	0	0
Laceration	0	0
Electrical shock	1	1
Hit object	0	0
Other	0	2

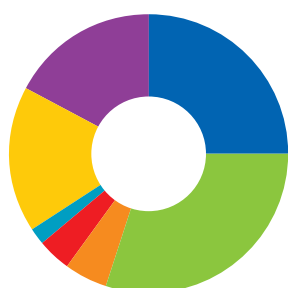
¹ Training days 2010-11, 12 per cent increase on 2009-10 and 15 per cent increase in workplace inspections conducted.

² Zero LTI for second year running.

³ Slight increases in MTI and contractor incidents and manual handling.

Financial performance

Financial result	2006-07 (\$'000)	2007-08 (\$'000)	2008-09 (\$'000)	2009-10 (\$'000)	2010-11 (\$'000)
Core business revenue	10,775	11,821	13,592	14,635	15,445
Government contributions	106	–	840	382	310
Developer contributions & gifted assets	975	1,100	1,009	763	1,053
Other revenue	716	556	1,349	630	864
Total revenue	12,572	13,477	16,790	16,410	17,672
Operating expenditure	4,067	4,367	4,671	5,232	5,463
Depreciation expenditure	3,003	3,338	3,500	3,540	3,826
Finance costs	206	207	160	89	24
Other expenditure	4,271	4,355	5,474	5,059	6,201
Total expenditure	11,547	12,267	13,805	13,920	15,514
Net result before tax	1,025	1,210	2,985	2,490	2,158
Current assets	2,595	2,028	2,831	2,984	3,421
Non-current assets	113,191	116,747	117,126	118,269	167,432
Total assets	115,786	118,775	119,956	121,253	170,853
Current liabilities	2,701	4,906	3,513	3,725	6,715
Non-current liabilities	2,442	2,016	1,605	200	15,826
Total liabilities	5,143	6,922	5,118	3,925	22,541
Net cash flows from operations	3,520	4,947	5,658	5,597	7,761
Payment for property, plant & equipment	5,605	6,915	4,268	4,500	8,667



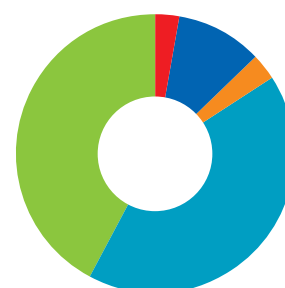
Breakdown of Expenses 2010-11

- Depreciation and Amortisation 25%
- Employee costs 30%
- Repairs and maintenance expense 5%
- Environmental contributions 4%
- Impairment of assets 2%
- Outsourced services 17%
- Other 17%



Breakdown of Revenue 2010-11

- Water fixed 32%
- Water usage 13%
- Waste fixed 43%
- Developer contributions 4%
- Gifted assets 2%
- Government contributions / grants 2%
- Other Revenue 5%



Breakdown of Capital Expenditure 2010-11

- Corporate 42%
- Water retic 42%
- Water treatment 3%
- Waste retic 10%
- Waste treatment improvements 3%

Significant changes in financial position during the year

The net profit figure of \$2.1 million reported for 2010-11 financial year is influenced by \$1 million unplanned capital revenue relating to developer contributions and gifted water and sewer assets.

Major capital contributions or factors affecting performance

A revaluation of land, buildings and infrastructure assets was completed in June 2011. Assets are now recognised at fair value (or optimised depreciated replacement value). The impact of fair value is a significant increase in asset values from \$118 million to \$167 million (inclusive of 2010-11 asset additions) recognised, increasing the value of our business.

Westernport Water recognised a significant increase in creditors relating to increased project activities and corresponding financial commitments that were outstanding as at 30 June 2011. The payment of creditors are expected to be settled within 30 days.

Statement on National Competition Policy

Competitive neutrality seeks to enable fair competition between government and private sector businesses. Any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralised. Westernport Water continues to implement and apply this principle in its business undertakings.

Victorian Industry Participation Policy disclosure

There were three contracts awarded to which the Victorian Industry Participation Policy applies.

Tenders over \$1 million

Class A Treatment Plant – Cowes WWTP	\$2,228,722
Class A Pipeline & Tank	\$2,895,679
Under Channel Pipeline	\$2,513,200

Disclosure of major contracts

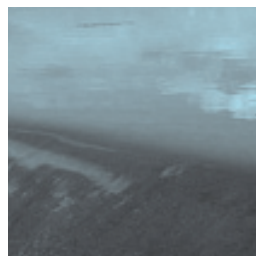
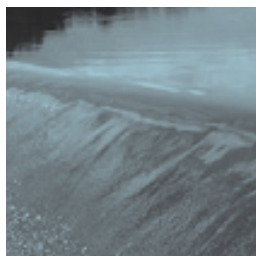
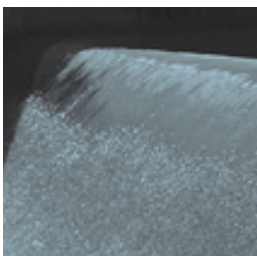
Westernport Water did not award any major contracts (greater than \$10 million) during 2010-11.

Details of consultancies

A number of consultants were engaged to carry out specific tasks during 2010-11.

- 20 consultants were engaged less than \$100,000 during 2010-11 for a total cost of \$307,775.
- Specific consultants greater than \$100,000 are detailed below:

Consultant	Project details	2010-11 Consultant Costs (\$'000)	Expected future costs (\$'000)
CCB	Treatment of Plant Class A process	162	–
Girdwood	Class A pipeline	156	–
Hydro Tasmania	Detailed design of dam wall at Candowie Reservoir	387	–





Water consumption and drought response

Water consumption report

District	Residential customers ¹		Non-residential customers		Other ²		Non-revenue water (ML)	Total consumption (ML) (includes non-revenue water)	Average annual consumption (ML) ³
	Number	Volume consumed (ML)	Number	Volume consumed (ML)	Number	Volume consumed (ML)			
Candowie Reservoir 2010-11	13,977	919	1,127	548	178	46	126	1,639	1,890
Candowie Reservoir 2009-10	13,705	966	1,103	573	198	59	205	1,803	1,945

1 Residential and non-residential customers as per the Essential Services Commission definition.

2 Owners corporations.

3 Average calculated over 2008-10.

Drought response report

During 2010-2011, the region experienced total rainfall volumes 15 per cent higher than the long-term average. Candowie Reservoir reached 100 per cent capacity on 1 August 2010, and remained at 100 per cent until 1 January 2011. The reservoir commenced spilling in August 2010, and up to 30 June 2011 – 5,421ML of water had spilt into the lower reaches of Tennent Creek. These volumes ensured there was no need to invoke any drought response plans or restrictions in 2010-2011.

The region continued to employ Permanent Water Savings measures including shower head replacements, toilet rebates and water audits.

Measures taken in 2010-11 to improve future drought response capabilities

On 1 September 2010, the Corporation secured access to a licence from Southern Rural Water for 490ML of water from the Corinella aquifer. This licence is current until June 2013. Due to above average rainfall no water was obtained from this source in 2010-2011.

The Corporation engaged engineering consultant, GHD to develop an optimisation model for Candowie Reservoir. This model was completed in February 2011 and is initially based on the existing 2,263ML storage capacity. The model determines what water supply source to access and when. This will help maximise the efficient use and transfer of low-cost water. The end

result of the optimisation modelling will be a set of rules and operating curve(s) under which the Corporation can manage its water supply sources.

The Corporation's request to the Minister for Water for access of up to 1,000ML of water from the metropolitan pool was gazetted on 14 October 2010. The Corporation has subsequently been actively involved in the development of the protocols for the operation of the desalination pipeline and access to the metropolitan pool. Design work for the Corporation's inter-connection point (DP6) was completed during 2010-2011.

The process of draining the desalination pipeline was a discussion item during the year with the Department of Sustainability and Environment. Westernport Water has presented a proposal with a number of options, whereby sections of the pipeline could be drained back into Candowie Reservoir. This is seen by the Corporation as a means of efficiently storing and then utilising water for the benefit of its customers.

The Corporation progressed its Class 'A' recycled water project on the back of the \$2.85 million grant from the Federal Government under the *National Water Security Plan for Cities and Towns*. Contractors were appointed under a design and construct contract arrangement. Design work is on track for an early start to construction in 2011-2012.

The Corporation is refining the business case for the Candowie Upgrade Project which is at the detailed design stage, and will deliver an increase in the storage capacity of Candowie Reservoir from 2,263ML to 4,463ML. Concurrently, Westernport Water has been working with the Department of Sustainability and Environment and Melbourne Water on an update to the Tennent Creek bulk entitlement. This update will support the Candowie Upgrade Project and allow the Corporation to fully access its water entitlements.

Corporate water consumption

	2010-11	2009-10
Total volume-metered corporate water consumption (kilolitres per annum)	38,079	39,911
Administration offices and depot – (kilolitres per annum)	1,364	1,506
Water treatment plant (kilolitres per annum)	27,592	20,986
Wastewater treatment plants (kilolitres per annum)	9,123	6,492
Volume-metered water consumption (kilolitres) per FTE	20.51	35.31
Units of metered water consumed in offices per unit of office space (kL/m ²)	1.41	1.56



Environmental sustainability

The Corporation's business objectives include being an environmentally sustainable organisation and wherever possible reduce its environmental footprint. Westernport Water aims to achieve this by:

- Increasing investment in sustainable energy sources.
- Striving for efficient use of natural resources and incorporating environmental efficiencies into business decisions.
- Recycling and reusing wastewater and biosolids, and minimising ocean outfall.
- Improving biodiversity.

Water supply sources

Since the recent drought Westernport Water has pursued a program of diversifying and accessing a broad range of water supply sources. As it currently stands the Corporation has obtained access to the following water supply sources:

Tennent Creek	2,911ML
Bass River	3,000ML
Corinella aquifer	490ML
Metropolitan pool	1,000ML
Total	7,401ML

Providing these water supply sources can be accessed and stored efficiently and cost-effectively, forecasts indicate the Corporation has access to sufficient water sources to economically supply water for the region through to 2055. In support of this approach, the Corporation is nearing completion of the detailed design stage of the Candowie Upgrade Project, which aims to double capacity. Plans and cost estimates are being clarified through the process of preparing a business case for this upgrade.

Water recycling

There has been progress on the major recycled water project for developing a Class A product for the local community.

The Federal Government awarded Westernport Water a \$2.85 million grant through its *National Water Security Plan for Cities and Towns*. The Corporation will contribute an equal investment to the \$5.7 million Class A recycled water project.

The design and approval stage of this project is nearly complete and it is anticipated that construction will commence in July 2011. The project has a

tight schedule and all works are programmed to be completed by June 2012.

Promotion of the future environmental benefits of recycled water to the community has been well received, and the mandating of dual (recycled water) pipes to new sub-divisions is continuing. These estates will provide the year-long demand for recycled water that will help maintain and grow the viability of providing this resource. To date, the Shearwater, WhyteSands and Justice Farm estates that represent nearly 900 new properties on Phillip Island, have installed, or are required to install, dual pipe systems.

Water conservation targets

In accordance with Victoria's Sustainable Water Strategy Central Region, Westernport Water is working with its customers to achieve a 25 per cent reduction in total per capita water use by 2015 and 30 per cent by 2020 (as compared with average water use in 1990).

Water awareness campaigns

Westernport Water recognises the important role it plays in the communities it services and is committed to engaging with its customers and stakeholders to ensure all interests are represented.

Over the past twelve months, conservation messages have been used to remind the community and visitors of current permanent water saving measures. Exchange programs such as upgrading showerheads and swapping hose fittings to trigger nozzles have proven successful. This year alone, Westernport Water upgraded 6.25 per cent of its connected properties with water-efficient showerheads. The Corporation, in conjunction with Schultz Plumbing, also established a dual flush toilet retrofit residential program. This enabled

customers to arrange upgrade of their toilets with one simple phone call.

These programs were publicised on the Corporation's website, in local papers, customer newsletters, flyers, bill inserts, and at local festivals.

Promoting sustainability remains a focus for the Corporation, and its participation at the recent Sustainability Festival was a resounding success with attendees gaining insights into how Westernport Water contributes to sustainability in the local area. Attendees were able to find out what water efficiency measures the Corporation is developing to better service its customers and community. The festival was one of the many ways Westernport Water was able to promote the use of simple residential water-saving devices and to engage with the community about the development of an updated water plan for the district.

During 2010-11, Westernport Water successfully secured \$50,000 in funding for a Small Business Grants Scheme, which will prove particularly useful in targeting corporate water users identified through water management action plans. Westernport Water will be seeking applications for local area grants from 1 July 2011.

Office based environmental impacts

The Corporation minimises the environmental impacts of its office-based activities by running a printer rationalisation program; and operating a staff induction and awareness program. Environmental impacts and resource reduction programs are communicated to staff via the Corporation's intranet to ensure a whole-of-Corporation approach. Expected new additions to the environmental office impact program in 2010-11 included the



installation of an office waste recycling program, using a worm farm for organics waste disposal, and inclusion of a checklist in the procurement policy for choosing environmentally friendly alternative products.

Biosolids

The Corporation is implementing its Biosolids Management Plan with the first application of biosolids to land occurring at the Cowes WWTP during 2010-11. In total 557m³, equivalent to 507 dry tonnes, was applied to 9Ha of land owned by the Corporation. Pre and post application monitoring of land, groundwater and surface water conditions was undertaken. No impacts on the beneficial uses of either land or water have been detected to date. The Corporation is hoping to show the value of biosolids as an economical fertiliser suitable for use on farmland adjacent to the Cowes WWTP.

Water supply and demand strategy

Since the introduction of the inaugural *Water Supply Demand Strategy* in 2007, Westernport Water has undertaken significant work to update the Strategy. It was first updated in 2009 (by consultants, GHD) and supported by complementary studies on supply options and modelling for the Candowie Upgrade Project.

The key water supply projects that resulted from these studies included the Bass River pump station, Corinella borefield and Candowie Upgrade Project. These projects have either been completed or are underway.

Works to reduce demand on drinking water supplies have incorporated a focus on establishing dual pipe systems in new estates ahead of the introduction of Class A recycled water.

GHD was recently engaged to update the Strategy and Drought Response Plan for inclusion in the Corporation's next five year water plan. Detailed consultation plans have been prepared to help the community understand and become involved in planning the region's water supply future.

Other statutory obligations

Regional catchment management strategy

The third edition of the *Port Phillip and Western Port Regional Catchment Strategy* (RCS) is currently under development. Westernport Water has contributed to development discussions since 2009-2010. The strategy will apply from 2012 to 2018.

Westernport Water catchment management

Westernport Water has a strong commitment to working with catchment stakeholders in order to sustainably deliver high quality, safe drinking water to customers. For example, the Corporation has built a strong relationship with the Candowie and Lance Creek Landcare Catchment Management Group, which has recently amalgamated with the Bass Valley Landcare Group. Westernport Water also partially funds a Group Facilitator/Project Officer to work with landowners on Westernport Water catchment objectives and the Lance Creek Candowie catchment plan 2010-15.

Bass Coast Landcare Network partnership program

Westernport Water continues to have a strong working relationship with the Bass Coast Landcare Network as the groups look for ways to improve drinking water supplies from the Candowie catchment. The Corporation assisted on three projects this year resulting in the planting of 13,700 tube stocks and installation of

3.3km of fencing, covering 6.8 hectares of private land. Two of these properties link to Melbourne Water stream frontage works creating an integrated management of catchment revegetation works.

Pest plant management

Westernport Water engages Bass Coast Landcare Network on a fee-for-service arrangement to undertake weed management works on Westernport Water revegetation and tree planting sites at Candowie Reservoir and the CWWTP. These works are managed through an annual operational plan and a memorandum of understanding between the two project partners. Westernport Water has implemented pest plant management to meet its biodiversity objectives of maintaining indigenous biodiversity, and to ensure that the impacts of pest plants do not adversely affect the community.

Victorian biodiversity strategy

Westernport Water has adopted an asset-based approach to biodiversity management. The Corporation develops an annual operational plan with its project partner, the Bass Coast Landcare Network, and continues to maintain the Westernport Water biodiversity asset register. The annual operational plan is developed out of key recommendations from this register.

The register identifies significant flora and fauna including any threatened or endangered species. In addition to the register, additional individual environmental assessments were undertaken to assess the areas for the Class A recycled water pipeline alignment and the proposed new high water level at the Candowie Reservoir. The role of the operational plan is to minimise loss and enhance district biodiversity in accordance with *Victoria's Biodiversity Strategy*.

Victorian river health strategy

In 2010-11, Westernport Water only needed to pump a low volume of water (37ML) from the Bass River due to high inflows from Tennent Creek to Candowie Reservoir. Under the *Bulk Entitlement (Westernport Water – Bass River) Order 2009*, in October 2010 the Corporation proposed a program to manage the environmental effects of taking water from the Bass River. The program outlined how Westernport Water could manage the impacts on the waterway beds and banks on the aquatic biota and manage the operation of the pump station to improve water quality.

In November 2009, the Minister for Water issued guidelines for the development of meter programs under the Corporation's current bulk entitlements to be completed by November 2010. The metering program for *Bulk Entitlement (Westernport Water) Conversion Order 2007* and *Bulk Entitlement (Westernport Water – Bass River) Order 2009* was submitted to the Minister for Water in October 2010 in accordance with these guidelines. The program outlines how Westernport Water maintains the meters that measure the water flow and volume from all its water sources. The program also details how the metering accuracy may be improved in the future, ensuring that Westernport Water can accurately measure its water source entitlement and the environment's share of that water source.

Westernport Water monitors the Bass River supply before commencing any pumping to Candowie Reservoir. This monitoring includes tests on physical water properties, human health indicators, nutrients, metals and radiation. In association with Melbourne Water and the Port Phillip and Westernport Catchment Management Authority (PPWPCMA), a revision of the original flow study was undertaken in 2010-11 to update information on the environmental flows in the Bass River and Tennent Creek. This study was undertaken by consultants, Lloyd Environmental, to determine the environmental flows and the water regime required to sustain flora and fauna in their aquatic habitats.

Environmental Management System (EMS)

In 2010-11, Westernport Water continued to implement the outcomes recommended in a major review of the Corporation's EMS in 2009-10. Programs have continued to be developed to embed the revised environmental policy within the Corporation and to expand the Corporation's internal environmental focus. Westernport Water is on track to seek EMS accreditation and certification under AS/NZS ISO 14001:2004 in the future. The EMS will identify, control and reduce the impacts on the environment from the Corporation's activities while at the same time improve its environmental performance.

Blue-green algae blooms

Westernport Water monitors its blue-green algae indicators via its water quality risk management plan. A blue-green algae (*Anabaena Circinalis*) event occurred in late February 2011 and was successfully treated.

River and aquifer health

As part of the Candowie upgrade and associated review of the bulk entitlement extensive studies were completed on the environmental condition of Tennent Creek downstream of Candowie. The studies were discussed by a working party consisting of representatives from the DSE's Water Entitlement and River Health sections as well as waterway managers from Melbourne Water and affected landholders. The bulk entitlement review will subsequently incorporate the need for an environmental flow regime that will help restore the condition of Tennent Creek after raising the dam wall.

During 2010-11 Westernport Water did not undertake any extractions from the Corinella Aquifer. To help maintain the integrity and quality of groundwater in the aquifer two test boreholes were decommissioned in Feb 2011. Initially, these boreholes were test sites established to identify possible sources of groundwater during the recent drought. The subsequent development of the Corinella Borefield meant these sites were no longer required, and with the approval of Southern Rural Water these boreholes were capped.

Greenhouse gas emissions (Tonnes CO₂-e)

	2010-11	2009-10	2008-09	2007-08	2006-07
Vehicle fleet	234	233	203	266	231
Wastewater treatment ²	2,614	2,187	2,334	2,464	2,259
Water supply and treatment ¹	1,253	1,665	1,709	1,906	1,818
Waste disposal (new)	143	–	–	–	–
Other	243	232	244	236	231
Total tonnes CO ₂ -e	4,487	4,317	4,490	4,872	4,509
Offsets Purchased (new)	–	–	–	–	–

1 Reduced emissions due to reduced pumping requirements

2 Increased aeration to meet licence requirements

During the year Westernport Water undertook a vehicle replacement program for some of its fleet cars and maintenance vehicles. The aim was to replace with 'fit for purpose' cars with low fuel consumption and low greenhouse gas emissions (particularly smaller diesel fuelled vehicles).

Social sustainability

Westernport Water offers a range of assistance programs to customers experiencing temporary or chronic financial difficulties. In addition, the customer charter and hardship policy are reviewed each year by the Customer Consultative Panel to ensure they continue to meet changing community needs.

Management of social and economic impacts

The Corporation's Customer Relations Coordinator works with customers to identify appropriate solutions to their unique circumstances, such as offering alternative payment arrangements; assisting with access to government concessions and financial assistance programs; and referral to free independent accredited financial counselling services.

Westernport Water also offers in-home visits for those community members who find it difficult to discuss sensitive matters over the phone or require assistance in completing the paperwork associated with the government assistance programs. In addition, during these visits staff can conduct free water audits to identify ways to help save water and reduce water consumption costs.

In addition Westernport Water offers a high water usage policy to customers experiencing a sudden increase in their account as a result of a leak at their property. Under this policy customers can be offered flexible payment plans.

Education

Driving water education in the region was a focus for Westernport Water this year. Community groups and several local primary schools enjoyed excursions to the Corporation's treatment facilities to learn how 'water works' in the region. This learning was also supported through providing local schools and teachers with the water educational resource kit – *water, live it, learn it*. The success of these initiatives was amply demonstrated by the quality and volume of posters received for the *National Water Week* competition promoting – "Many Sources, Many Uses, Everyone's Responsibility". San Remo Primary School grade 6 student, Aisha Hermanto, won in the 2010 State-level most popular poster category.

Community service obligations

Value of community service obligation provided	2010-11	2009-10
Concessions to pensioners	520,516	476,573
Rebates for not-for-profit organisations under the water and sewerage rebate scheme	25,220	25,774
Utility relief grant scheme payments	12,557	16,295
Water concession for life-support machines	–	–
Hardship relief grant scheme (sewerage connection scheme)	4,410	0
Total community service obligation provided	562,704	518,643

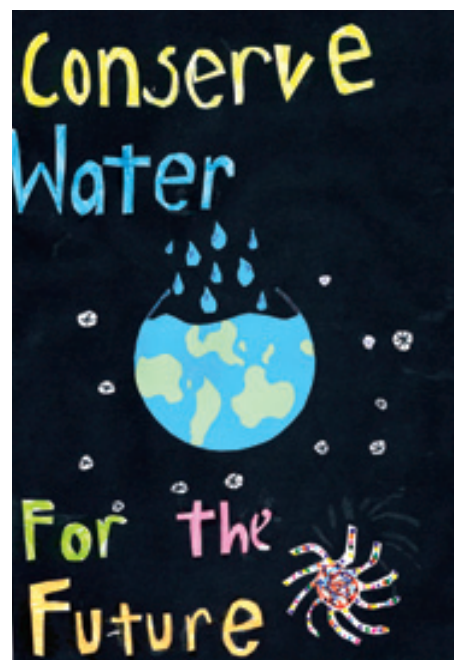
For the second consecutive year, Westernport Water staff took part in the local secondary colleges' careers expos.

Sponsorship and community inclusiveness

Westernport Water community sponsorship policy is underpinned by the understanding that Westernport Water receives recognition and enhances its reputation as an integral member of the local community. The Corporation largely provides in-kind support and adds value in the community through community partnerships.

During 2010-11 the Corporation partnered with Phillip Island Urban Landcare to deliver a number of education seminars and the Sustaining Coastal Communities project. This project aimed to increase sustainability outcomes for home owners and business participants. Further to this the Corporation assisted urban Landcare and its members by supplying and promoting the use of water wise indigenous plants.

Early 2010-11 Westernport Water hosted the National Ploughing Championships, where twenty of the country's best ploughmen converged on the Corporation's farmland on Phillip Island to compete for the opportunity to represent Australia at the world titles.



Created by Aisha Hermanto Grade 6 San Remo Primary School



Created by Bianca Neal Grade 5/6 San Remo Primary School



Westernport Water’s new mobile hydration station began taking bookings in August 2010 and has been a great way to include the community in its operations. Available as part of the Corporation’s Sponsorship Policy, the hydration station was used most weekends by community groups, sports clubs and not-for-profit organisations to provide water to the local community and visitors at events.

The Corporation’s social responsibility extends beyond the immediate community through its support to the You Are My Sunshine (YAMS) Foundation which was established to raise funds for research into Neuroblastoma in children.



Customer Consultative Panel

Westernport Water board of directors engages with the community through its Customer Consultative Panel (CCP). CCP members represent the interests of all water users, providing insights on customer needs and assisting in bringing about the best possible outcomes for the community and the environment.

The CCP comprises eight members who represent a diverse array of community and geographic interests, including permanent and non-permanent residents, commercial customers, high water users and tourism.

CCP members are community volunteers appointed by the Board and meet bimonthly. In the past the CCP has provided feedback on various projects and the effectiveness of the Corporation’s communication approaches. In 2010-11 the CCP members were: Terry Heffernan (Chair), David Pearson (Deputy Chair), Glenda Salter, Edgar Runge, Ian Samuel, Neil Beddoe, Phil Dixon and Frank Adamo.

This year the CCP considered projects such as the development of the new corporate logo, the corporate plan, the water supply demand strategy and the 2013-18 water plan.

Community engagement forums

Other community engagement forums held in 2010-11 were well attended. These consisted of community information evenings, project update information sessions, morning teas, plumbers’ forum and the Corporation’s second annual open forum.

Community consultation forums currently meet to discuss the Candowie Reservoir upgrade, San Remo–Newhaven underchannel pipeline and Cowes WWTP Class A water utilisation.

Community access

Despite having a low proportion of customers with a non-English speaking background, Westernport Water provides free access to a telephone interpreter service. This ensures we can effectively assist our non-English speaking customers on their water and wastewater services.

Cultural Heritage Management Plans

Westernport Water is aware of its obligations to prepare Cultural Heritage Management Plans under the *Aboriginal Heritage Act 2006* in situations where all or part of the activity is listed as high impact, resulting in significant ground disturbance; or is an area of cultural heritage sensitivity, which has not been subject to ground disturbance.

The key indigenous group in the district is the Bunurong. When managing major projects during 2010-11, Westernport Water worked closely with Aboriginal Affairs Victoria to ensure there was no impact on cultural or heritage areas. The Corporation engages the services of expert consultants to undertake cultural heritage surveys and to build management action plans in order to identify and protect areas of potential likely cultural significance.





Bulk entitlements, transfer of waste entitlements, allocations and licences, and irrigation water usage

				Relevant sections of the BE									
Westernport				14.1(a)	14.1(b)	14.1(c)	14.1(d)	14.1(e)	14.1(f)	14.1(g)	14.1(h)	14.1(i)	14.1(j)
System	Storages	Towns serviced	Bulk entitlement ML/year	Max rate of extraction ML/d	Water storages ML ¹	Amount taken ML/y ²	Amendment of programs	Entitlement transfer from ³	Entitlement transfer to ³	Entitlement amendment ⁴	New entitlement	Failure to comply	Difficulties & remedial actions
Tennent Creek	Candowie Reservoir	WPW region	2,911	13.9	2,263	2,389	Metering program ⁶	Nil	37	19 October 2010	No	Nil	Minor amendment
Bass River				11.1(a)	11.1(b)	11.1(c)	11.1(d)	11.1(e)	11.1(f)	11.1(g)	11.1(h)	11.1(i)	11.1(j)
					Daily flow in waterway ⁷								
		WPW region	3,000	13.5	Yes	37	Completed ⁶	37	Nil	Nil	No	Nil	Nil
Melbourne Headworks System – Westernport Water⁵				13.1(a)	13.1(b)	13.1(c)	13.1(d)	13.1(e)	13.1(f)	13.1(g)	13.1(h)		
					Restrictions period & degree								
		WPW region	1000		Nil	Nil	Nil	Nil		Nil	Nil	No	No

1 Water storage level at 30 June 2011.

2 Annual amount of water taken in ML.

3 Water transferred from the Bass River to Candowie Reservoir.

4 Minor amendment to Bulk Entitlement (Westernport) was gazetted 19 October 2010 by Minister for Water to allow the storage of water from other sources in Candowie Reservoir.

5 New Bulk Entitlement for Melbourne Headworks System gazetted 14 October 2010 but will not commence operation until construction of the connection and certified notice is given to the Minister.

6 Provided metering programs for two existing Bulk Entitlements in October 2010 and environmental program for Bass River Bulk Entitlement in October 2010.

7 Daily flow in waterway exceeded 40ML/d during extraction periods.

Major non-residential water users

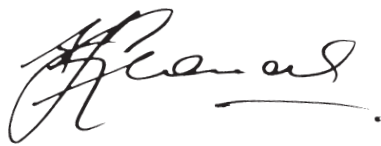
During 2010-11 Westernport Water did not have any non-residential customers that consumed a quantity of water greater than 200ML.

Appendices: Westernport Region Water Corporation Certification of Performance Report for 2010-11

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

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

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



Anthony Leonard
Chairperson
Westernport Region Water Corporation



Murray Jackson
Managing Director
Westernport Region Water Corporation

Dated 31 August 2011



Performance report

	2009-10 Result	2010-11 Result	2010-11 Target	Trend/ Variance
Financial performance indicators				
Internal financial ratio – (Net operating cash flow – dividends) / Capital expenditure ¹	124%	90%	71%	26%
Gearing Ratio – Total debt / total assets ²	1.2%	1.2%	2.3%	-48%
Interest Cover (EBIT) – Earning before net interest and tax expense / net interest expense ¹	-71.1	54.7	17.6	211%
Interest Cover (Cash) – Cash flow from operations before net interest and tax payments / net interest payments ¹	-160.9	199.38	103.0	93%
Service and environmental performance indicators				
Water supply indicators				
No. of customers receiving at least one unplanned interruption in the year ³	6,000	3,758	4,500	37%
Interruption time indicators				
Avg duration of unplanned water supply interruptions (minutes) ⁴	65	118	100	-82%
Avg duration of planned water supply interruptions (minutes) ³	120	158	190	-32%
Restoration of water supply				
Unplanned water supply interruptions restored within five hours	98%	100%	99%	2%
Reliability of sewerage collection services indicators				
Sewer spills from reticulation and branch sewers – Priority 1	0	1	–	-100%
Sewer spills from reticulation and branch sewers – Priority 2	11	15	–	-36%
Sewage spilt from emergency relief structures and pumping stations (% of volume transported)	2%	0%	–	100%
Containment of sewer spillages				
Sewage spills contained within five hours ⁵	90%	88%	100%	-12%
Reuse indicators				
Total treated water at King Road (ML) ⁶	145.5	202	–	39%
Effluent reuse water King Road (ML)	89	118	100%	33%
Total treated water at Cowes (ML)	1,038	1,232	–	19%
Effluent reuse water Cowes (ML) ⁷	91.5	44.5	–	-51%
Biosolids reuse (dry mass, tonnes) – Cowes	0	507	–	100%
Biosolids reuse (dry mass, tonnes) – King Road	0	0	–	
Sewage treatment standards				
Number of analyses complying with licence agreements – Cowes and King Road ⁸	100%	82%	–	-18%
Total reuse (ML)	180.5	162.5	–	
Total flow from Cowes and King Road	1,180.1	1,350.6	–	
Total reuse (%)	15.3%	12%	–	
Customer complaints indicators (per 1,000 customers)⁹				
Water quality	2.75	1.44	–	48%
Water supply reliability	0.23	0.28	–	-22%
Sewerage service quality and reliability	0.00	0.00	–	
Affordability	0.17	0.17	–	
Billing	0.99	0.28	–	72%
Pressure	0.17	0.17	–	
Sewage odour	0.35	0.05	–	86%
Other	1.17	1.21	–	3%

• Trend or variance is measured against target or prior year

1. Additional cash flow due to funding and lower than expected debt levels in 2010-11 is contributing to the variance from targets reported for internal financial ratio and interest cover ratios.
2. In addition to the lower than expected debt levels [as per note above], the gearing has been affected by the significant increase in asset values resulting from fair value revaluation of land, buildings and infrastructure assets
3. Planned maintenance on water mains completed under target.
4. Major single event.
5. One sewer spill out of 14 that was contained with minimal impact
6. Additional irrigation
7. Reduction in reuse sales due to wet weather
8. Two licence breaches during the period
9. 2010-11 Complaint indicators are based on 9½ months data from 1 July 2010–16 April 2011



Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Westernport Region Water Corporation

The Performance Report

The accompanying performance report for the year ended 30 June 2011 of the Westernport Region Water Corporation comprises the performance indicators, the related notes and the certification.

The Board Members' Responsibility for the Performance Report

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

Auditor's Responsibility

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

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

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

Independence

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



Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Opinion

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

Matters Relating to the Electronic Publication of the Audited Performance Report

This auditor's report relates to the performance report of the Westernport Region Water Corporation for the year ended 30 June 2011 included both in the Westernport Region Water Corporation's annual report and on the website. The Board Members of the Westernport Region Water Corporation are responsible for the integrity of the Westernport Region Water Corporation's website. I have not been engaged to report on the integrity of the Westernport 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
7 September 2011

for 
D D R Pearson
Auditor-General

Financial Statements

Table of contents

Financial Statements

Operating Statement for the reporting period ended 30 June 2011	26
Statement of Comprehensive Income for the reporting period ended 30 June 2011	26
Balance Sheet as at 30 June 2011	27
Statement of Changes in Equity for the reporting period ended 30 June 2011	28
Cash Flow Statement for the reporting period ended 30 June 2011	28

Notes to the Financial Report

Note 1	Significant Accounting Policies	29
Note 2	Financial Risk Management Objectives and Policies	38
Note 3	Critical accounting estimates and judgements	39
Note 4	Operating Statement – disclosures	39
Note 5	Cash and Cash Equivalents	40
Note 6	Receivables	40
Note 7	Inventories	41
Note 8	Other Current Assets	41
Note 9	Property, Plant and Equipment and Infrastructure	41
Note 10	Intangible Assets	43
Note 11	Payables	43
Note 12	Interest Bearing Liabilities	44
Note 13	Employee Benefits	45
Note 14	Deferred Tax Liabilities	45
Note 15	Contributions by Owners	45
Note 16	Reserves	45
Note 17	Accumulated Funds	46
Note 18	Financial Instruments	46
Note 19	Commitments	47
Note 20	Contingent liabilities and contingent assets	47
Note 21	Superannuation	47
Note 22	Responsible Persons Related Party Disclosures	48
Note 23	Reconciliation of Profit / (Loss) to Net Cash Flows from Operating Activities	50
Note 24	Dividends	50
Note 25	Events Occurring After the Balance Sheet Date	50

Appendices

Statutory Certification	51
VAGO Independent Auditor's Report	52

Operating Statement

for the reporting period ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Revenue from operating activities			
Service charges	1(c), 4(a)	13,225	12,372
Water usage charges	1(c), 4(a)	2,220	2,263
Interest	1(c)	63	54
Developer contributions	1(c), 4(a)	621	423
Trade waste	4(a)	139	158
		16,268	15,270
Revenue from non-operating activities			
Government grants and contributions	1(c), 4(a)	310	382
Net gain / (loss) on disposal of non-financial assets	4(b)	126	31
Other income	1(c), 4(a)	536	387
Gifted Assets	4(a)	432	340
		1,404	1,140
Total Revenue		17,672	16,410
Expenses from operating activities			
Borrowing costs	1(d)	24	89
Depreciation	1(f), 4(c), 9(b)	3,683	3,411
Amortisation	1(f), 4(c)	143	129
Employee benefits	1(k), 4(c)	4,702	4,343
Repairs and maintenance expense	1(e)	759	889
Environmental Contributions	1(n)	547	547
Impairment of assets	1(e)	311	10
Outsourced Services	4(c)	2,662	2,174
Other		2,683	2,338
Total expenses		15,514	13,920
Net result before tax		2,158	2,490
Income Tax expense	1(l)	-	-
NET RESULT FOR THE PERIOD		2,158	2,490

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

Statement of Comprehensive Income

for the reporting period ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Net results for the period		2,158	2,490
Revaluation of PP&E		44,222	
Deferred tax on revaluation		(15,396)	
Net gain/(loss) on revaluation of PP&E	14, 16	28,826	-
Total comprehensive income for the period		30,984	2,490

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

Balance Sheet

as at 30 June 2011

	Notes	2011 \$'000	2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	1(g), 5	22	179
Receivables	1(h), 6	2,673	2,123
Inventories	1(i), 7	543	554
Other current assets	8	183	128
Total current assets		3,421	2,984
Non-current assets			
Receivables	1(h), 6	111	111
Property, plant and equipment	1(f), 9	166,860	117,649
Intangible assets	1(f), 10	461	509
Total non-current assets		167,432	118,269
TOTAL ASSETS		170,853	121,253
LIABILITIES			
Current liabilities			
Payables	1(j), 11	4,020	1,591
Interest bearing liabilities	1(q), 12	2,010	1,400
Employee benefits	1(k), 13	685	734
Total current liabilities		6,715	3,725
Non-current liabilities			
Interest bearing liabilities	1(q), 12	–	–
Employee benefits	1(k), 13	430	200
Deferred tax liabilities	1(l), 14	15,396	–
Total non-current liabilities		15,826	200
TOTAL LIABILITIES		22,541	3,925
NET ASSETS		148,312	117,328
EQUITY			
Contributions by owners	15	51,323	51,323
Reserves	16	35,925	7,099
Accumulated funds	17	61,064	58,906
TOTAL EQUITY		148,312	117,328

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

Statement of Changes in Equity

for the reporting period ended 30 June 2011

	Notes	Contributions by owners \$'000	Reserves \$'000	Accumulated funds \$'000	Total \$'000
Balance at 1 July 2009		51,323	7,099	56,416	114,838
Total comprehensive income for the year		–	–	2,490	2,490
Balance at 30 June 2010		51,323	7,099	58,906	117,328
Balance at 1 July 2010		51,323	7,099	58,906	117,328
Total comprehensive income for the year	l(e), 9, 16		28,826	2,158	30,984
Balance at 30 June 2011		51,323	35,925	61,064	148,312

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

Cash Flow Statement

for the reporting period ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Cash Flows from Operating Activities			
Receipts			
Service and usage charges		14,542	15,100
Interest received		63	20
Developer contributions		621	423
Other receipts			579
Receipts from Government		382	–
GST Received from ATO		714	889
Payments			
Payments to suppliers and employees		(7,947)	(10,743)
Interest and other costs of finance paid		(23)	(89)
Environmental contributions		(547)	(547)
GST Paid to ATO		(44)	(35)
Net cash (outflow) / inflow from operating activities	23	7,761	5,597
Cash Flows from Investing Activities			
Payments for infrastructure, property, intangibles, plant & equipment		(8,667)	(4,500)
Proceeds from sale of infrastructure, property, plant & equipment		139	177
Net cash (outflow) / inflow from investing activities		(8,528)	(4,323)
Cash Flows from Financing Activities			
Proceeds from borrowings		6,340	700
Repayment of borrowings		(5,730)	(1,931)
Proceeds from contributions of owners		–	–
Net cash (outflow) / inflow from financing activities		610	(1,231)
Net increase / (decrease) in cash and cash equivalents		(157)	43
Cash and cash equivalents at the beginning of the financial year		179	136
Cash and cash equivalents at the end of the financial year	5	22	179

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

Notes to the Financial Report

for the year ended 30 June 2011

Note 1: Significant Accounting Policies

(a) Basis of Accounting

General

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

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

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

Functional and presentation currency

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

Accounting policies

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

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 1(k) for a variation in relation to employee benefits.

Rounding

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.

Financial statement presentation

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

(b) Changes in accounting policies

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

Notes to the Financial Report

for the year ended 30 June 2011

(c) Revenue Recognition

Service and usage charges

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

Water usage charges by measure are recognised as revenue when the water is provided. Meter reading is undertaken on a trimester basis (three times per year). An estimation of usage up to the end of the accounting period is calculated by multiplying the number of days since the last reading by each customer's average service usage in respect of meters which have not been read at balance date.

Developer contributions / Fees paid by developers

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

Government grants and contributions

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

Interest and rents

Interest and rental income are recognised as revenue when earned or the service provided.

(d) 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, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and finance lease charges.

(e) Recognition and Measurement of Assets

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

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

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

Repairs and maintenance

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

Measurement of Non-Current Physical Assets

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

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

Note 1: Significant Accounting Policies (cont'd)

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

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

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

The initial fair value assessment for water infrastructure in the current period was undertaken by AECOM ("the valuer"). The valuer was engaged by VGV to conduct a review of water corporation's infrastructure assets to determine current replacement cost of assets, the useful life of assets, and remaining useful life of infrastructure assets to provide an independent report on the fair value of infrastructure assets for the Victorian Water Industry. Current replacement costs for infrastructure assets were determined by the valuer using available asset records, industry knowledge of water and sewer assets, and drawing on the expert skills and knowledge of the valuer. The assessment of useful lives and remaining useful life of each *component (or type)* of infrastructure asset were derived using representative data samples provided by water corporations, reviewing asset performance history records and maintenance plans, as well as conducting site inspections for specific complex assets only. The impact of the valuer's report for recognising Westernport Water infrastructure assets at fair value has increased the asset values by 50%. Details of the fair valuation results and change from previous year valuation, are provided in Note 9.

Revaluation of non-current physical assets

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

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

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

Revaluation reserves are not transferred to accumulated funds on 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;
- financial instrument assets;
- investment property that is measured at fair value;
- intangible assets – patents and licences;
- certain biological assets related to agricultural activity; and
- non current assets held for sale.

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 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.

Notes to the Financial Report

for the year ended 30 June 2011

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 operating statement, a reversal of that impairment loss is also recognised in the operating statements.

Non-current Assets Classified as Held for Sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount or fair value less costs to sell, as their carrying amount will be recovered principally through a sale transaction, rather than through continuing use. The Corporation considers that the sale is highly probable and the asset is available for immediate sale in its present condition. Non-current assets are not depreciated or amortised while they are classified as held for sale.

Westernport Water does not hold any non-current assets for sale.

(f) 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.

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

Infrastructure		Other Assets	
	Periods		Periods
Water		Equipment	5–10 years
Storages	20–100 years	Machinery	5–10 years
Distribution Network	15–80 years	Furniture & computers	2.5–13 years
Treatment Plants	15–70 years	Motor Vehicles	4 years
Wastewater		Buildings	40–70 years
Storage	10–70 years	Intangible Assets	15–70 years
Distribution Network	25–70 years	Software licences	3–5 years
Treatment Plants	15–70 years	Patents and Licences	Indefinite
		Development costs	10 years

(g) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities on the Balance Sheet.

(h) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impaired receivables. Trade receivables are due for settlement no more than 28 days from the date of recognition for water utility debtors, and no more than 30 days for other debtors.

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

Note 1: Significant Accounting Policies (cont'd)

(i) Inventories

Inventories comprise stores and materials used in the construction of new works and for the repair and maintenance of existing assets. All inventories are measured at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date on a 'first in first out' (FIFO) basis.

Inventories held for distribution are measured at the lower of cost and current replacement cost.

(j) Other Payables

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

Payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured at amortised cost.

(k) Employee Benefits

Wages and salaries, annual leave and sick leave

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

Long service leave

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

The components of this current LSL liability are measured at:

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

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

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

Superannuation

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

The amount charged to the operating statement in respect of superannuation represents the contributions made to the superannuation plan, adjusted by the movement in the defined benefit plan liability or surplus.

Employee Benefit On-Costs

Employee benefit on-costs, including payroll tax and worker's 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 terms of the contracts to balance date.

Notes to the Financial Report

for the year ended 30 June 2011

(l) 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, and 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.

(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 years' 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 \$0 (30 June 2010 \$0).

(n) Environmental Contributions

The *Water Industry (Environmental Contributions) Act 2004* amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water supply corporations. The Act establishes an obligation for 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 2008 until 30 June 2012.

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

The environmental contributions are disclosed separately within expenses.

(o) 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.

Note 1: Significant Accounting Policies (cont'd)

(p) Financial Instruments

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.

Loans and receivables

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

(q) Interest Bearing Liabilities

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

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

(r) Provisions

Provisions for legal claims and land remediation are recognised when the Corporation has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

(s) Comparative Amounts

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

'Other' expenditure in the operating statement has been reclassified to exclude outsourced services. Outsourced services include costs for contractor, consultants, laboratory services, agency collection, and legal services.

No other material changes required to reinstate prior year balances.

(t) 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.

Notes to the Financial Report

for the year ended 30 June 2011

(u) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. As at 30 June 2011, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2011. The Corporation has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 <i>Financial Instruments</i> , AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> and AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	AASB 9 <i>Financial Instruments</i> addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 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 group has not yet decided when to adopt AASB 9.	1 January 2013	The entity is yet to assess its full impact. However, initial indications are that it may affect the entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
Revised AASB 124 <i>Related Party Disclosures</i> and AASB 2009-12 <i>Amendments to Australian Accounting Standards</i>	In December 2009 the AASB issued a revised AASB 124 <i>Related Party Disclosures</i> . It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party.	1 January 2011	The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.
AASB 2009-14 <i>Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement</i>	In December 2009, the AASB made an amendment to Interpretation 14 <i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i> . The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.	1 January 2011	The entity does not make any such prepayments. The amendment is therefore not expected to have any impact on the entity's financial statements.
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i> and AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.	1 July 2013	The impact of this standard will depend on instructions provided by DTF on its applicability to the entity. The entity will assess its impact once DTF has provided guidance on this standard.

Continued...

Note 1: Significant Accounting Policies (cont'd)

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2010-4 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project.	1 January 2011	These amendments are not expected to have any significant impact on the entity's disclosures.
AASB 2010-6 <i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets</i> [AASB 1 & AASB 7]	In November 2010, the AASB made amendments to AASB 7 <i>Financial Instruments: Disclosures</i> which introduces additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.	1 July 2011	These amendments are not expected to have any significant impact on the entity's disclosures.
AASB 2010-8 <i>Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets</i> [AASB 112]	In December 2010, the AASB amended AASB 112 <i>Income Taxes</i> to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale.	1 January 2012	The entity will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.
AASB 2010-9 <i>Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> [AASB 1] and AASB 2010-10 <i>Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters</i> [AASB 2009-11 & AASB 2010-7]	AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> was amended in December 2010 by eliminating references to fixed dates for one exemption and one exception dealing with financial assets and liabilities. The AASB also introduced a new exemption for entities that resume presenting their financial statements in accordance with Australian Accounting Standards after having been subject to severe hyperinflation.	1 January 2011/1 January 2013	Neither of these amendments will affect the financial statements of the group.

Note 2: Financial Risk Management Objectives and Policies

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Risk management is carried out by finance department under policies developed in conjunction with Treasury Corporation (Vic) and approved by the Board of Directors.

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

(a) 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 minimal exposure to foreign exchange risk and insignificant exposure to other price risks.

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

(i) Interest Rate Risk

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

The interest rate on the Corporation's borrowings is at a floating interest rate. Due to the temporary status the Corporation is not exposed to any material interest rate risk.

The Corporation has a short term loan facility up to a maximum of \$5 million which is at a floating interest rate, but does not present a material interest rate risk.

The Corporation has minimal exposure to interest rate risk through its holding of cash assets and other financial assets. The Corporation manages its interest rate risk by maintaining a diversified investment portfolio.

(ii) Foreign Exchange Risk

The Corporation has no exposure to changes in the foreign exchange rate.

(iii) Other Price Risk

The corporation has no significant exposure to Other Price Risk.

Market Risk Sensitivity Analysis – The Corporation is not exposed to market sensitivity due to borrowings being a short term facility for a minimal amount.

(b) Credit risk

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

The Corporation's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential and 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 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 6.

(c) 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 with 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 18.

(d) 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. 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 instruments.

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 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.

	2011 \$'000	2010 \$'000
Note 4: Operating Statement – disclosures		
(a) Significant Revenues		
Service charges		
Water service charges	5,600	5,269
Sewerage charges	7,625	7,103
	13,225	12,372
Usage charges		
Government grants and contributions	2,220	2,263
Developer contribution:	310	382
Fees paid by developers	621	423
Assets gifted from developers	432	340
Trade waste charges	139	158
Other income	725	472
Total Income	17,672	16,410
(b) Net gains and expenses		
The surplus/(deficit) from ordinary activities includes the following specific net gains and expenses:		
Net gain/(loss) on disposal		
Property, plant and equipment	126	31
(c) Expenses		
Depreciation:		
Buildings	109	96
Water infrastructure	1,501	1,453
Wastewater infrastructure	1,309	1,213
Gas	6	6
Plant, equipment and motor vehicles	758	643
	<i>Total depreciation</i>	3,683
		3,411
Outsourced services:		
Contractors, Consultants, Laboratory Services, Collection Agency, and Legal Services	2,662	2,174
Bad and doubtful debts	161	52
Superannuation contributions	513	372
Impairment of assets	311	10
Auditors' remuneration:		
Auditor-General for audit of financial statements	32	28
Internal audit	37	62
Other audits (ESC, Tax, OH&S)	87	103
	<i>Total auditor remuneration</i>	156
		193
Employee benefits:		
Annual leave	292	41
Long service leave	22	74
Super contributions	513	
Other	165	7
	<i>Total employee benefits</i>	992
		122

2009/10 Employee benefit figures represented *change* in employee benefits, 2010/11 figures represent actual employee benefits paid.

Notes to the Financial Report

for the year ended 30 June 2011

Note 5: Cash and Cash Equivalents	2011	2010
	\$'000	\$'000
Cash and Cash Equivalents		
Cash at bank and on hand	22	179
(a) Reconciliation to cash at the end of year		
The above figures are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement, as follows:		
Balance as above	22	179
Bank overdraft	–	–
Balance as per Cash Flow Statement	22	179
(b) Cash at bank and on hand		
These funds attract interest at the floating interest rate between 4% and 5% (2010 4% and 5%)	22	179

Note 6: Receivables	2011	2010
	\$'000	\$'000
Current Receivables		
Trade receivables	1,824	979
Other receivables	902	1,144
Provision for impaired receivables	(53)	–
Total current receivables	2,673	2,123
Non-current Receivables		
Trade receivables	111	111
Provision for impaired receivables	–	–
TOTAL RECEIVABLES	2,784	2,234

(a) Past due but not impaired trade receivables

As at 30 June 2011, current trade receivables of the Corporation with a nominal value of \$1,787,599 (2010: \$1,112,332) were past due but not impaired, and are expected to be recovered within next 12 months. These relate to a number of independent customers for whom there is no recent history of default.

	2011	2010
	\$'000	\$'000
The aging of these receivables is as follows:		
3 to 6 months	888	151
Over 6 months	900	961
	1,788	1,112

The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

(b) Foreign exchange and interest rate risk for trade and other receivables

The carrying amounts of the Corporation's current and non-current receivables are denominated in the following currencies:

Australian Dollars		
Current receivables	2,673	2,123
Non Current receivables	111	111
	2,784	2,234

(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.

Note 7: Inventories	2011	2010
	\$'000	\$'000
Stores and consumables – at cost	478	463
Cattle – at fair value	–	61
Chemicals on hand	65	30
Total current inventories	543	554

Note 8: Other Current Assets	2011	2010
	\$'000	\$'000
Other Current Assets		
Prepayments	183	128
Total other current assets	183	128

Note 9: Property, Plant and Equipment and Infrastructure	2011	2010
	\$'000	\$'000
(a) Classes of property, plant and equipment and infrastructure		
Land		
at fair value (2006)		8,989
at fair value (2011)	8,242	
	8,242	8,989
Buildings		
at fair value (2006)	–	4,806
Less: accumulated depreciation	–	(588)
at fair value (2011)	2,448	–
	2,448	4,218
Water infrastructure		
at cost	–	52,916
Less: accumulated depreciation	–	(9,762)
at fair value (2011)	64,832	–
	64,832	43,154
Wastewater infrastructure		
at cost	–	62,525
Less: accumulated depreciation	–	(10,213)
at fair value (2011)	78,555	–
	78,555	52,312
Infrastructure – Other		
at fair value	270	289
Less: accumulated depreciation	(6)	(19)
	264	270
Equipment and motor vehicles		
at fair value	7,404	5,979
Less: accumulated depreciation	(3,958)	(3,498)
	3,457	2,481
Under Construction	9,062	6,225
Total Property Plant and Equipment and Infrastructure	166,860	117,649

Notes to the Financial Report

for the year ended 30 June 2011

Note 9: Property, Plant and Equipment and Infrastructure (cont'd)

Land and Buildings were revalued as at 30 June 2011 by an independent valuer, Egan National Valuers (Vic), as a representative of the Valuer General's Office (Vic). Fair value of land was determined using recent and local land sales to determine a per hectare rate, and applying a discounted factor to take into consideration community service obligation of holding land by water corporations. Fair value of buildings was determined using depreciated replacement cost, and applying condition based assessments to determine remaining useful life. The decrement in land and building value was reviewed by management and endorsed by the Board or Directors, as reflecting the fair value of the corporation's land and building assets.

Water and Wastewater infrastructure assets were revalued as at 30 June 2011 by an independent valuer AECOM, as a representative of the Valuer General's Office (Vic). Current replacement cost of infrastructure assets were determined based on the valuer's assessment of a representative sample size of assets, their condition, inspected assets, age, performance history, and specialist knowledge of water and sewer asset characteristics. Fair value was determined by AECOM by applying a general assessment of all infrastructure assets (based on a representative sample dataset) to determine useful lives and remaining useful lives across each infrastructure asset type to arrive at a depreciated replacement cost. AECOM have provided an independent report on the determination of depreciated replacement cost reflects the fair value of Westernport Water's infrastructure assets. Current replacement costs were depreciated in line with assessment of asset deterioration and remaining useful life. AECOM's methodology and fair value results for the Water Industry has been endorsed by the Valuer-General, Department of Treasury & Finance, and Department of Sustainability.

(b) Movements during the reporting period

	Opening WDV 1-Jul-10 \$'000	Additions \$'000	Disposals \$'000	Revaluation \$'000	Impairment	Transfers \$'000	Depreciation \$'000	Closing WDV 30-Jun-11 \$'000
2010-2011								
Land (at fair value)	8,989	1,127	–	(1,874)	–	–	–	8,242
Buildings (at fair value)	4,218	194	–	(153)	–	(1,702)	(109)	2,448
Water infrastructure (at fair value)	43,154	2,024	–	20,691	(300)	764	(1,501)	64,832
Wastewater infrastructure (at fair value)	52,312	1,073	–	25,558	–	921	(1,309)	78,555
Other infrastructure – Gas (at fair value)	270	–	–	–	–	–	(6)	264
Plant & equipment (at fair value)	2,481	1,744	(29)	–	–	12	(751)	3,457
Under construction (at fair value)	6,225	8,673	–	–	–	(5,836)	–	9,062
Total movements in assets 2010-11	117,649	14,835	(29)	44,222	(300)	(5,841)	(3,676)	166,860

	Opening WDV 1-Jul-09 \$'000	Additions \$'000	Disposals \$'000	Revaluation \$'000	Impairment \$'000	Transfers \$'000	Depreciation \$'000	Closing WDV 30-Jun-10 \$'000
2009-2010								
Land (at fair value)	8,989	–	–	–	–	–	–	8,989
Buildings (at fair value)	4,228	86	–	–	–	–	(96)	4,218
Water infrastructure (at cost)	43,382	1,364	(139)	–	–	–	(1,453)	43,154
Wastewater infrastructure (at cost)	53,065	460	–	–	–	–	(1,213)	52,312
Other infrastructure – Gas (at cost)	276	–	–	–	–	–	(6)	270
Plant & equipment (at fair value)	2,311	830	(7)	–	(10)	–	(643)	2,481
Under construction	4,142	4,500	–	–	–	(2,417)	–	6,225
Total movements in assets 2009-10	116,393	7,240	(146)	–	(10)	(2,417)	(3,411)	117,649

Note 10: Intangible Assets	Software \$'000	Total \$'000
Year ended 30 June 2011		
At 1 July 2010, net of accumulated amortisation	365	509
Additions	105	105
Impairment	(10)	(10)
Amortisation	(143)	(143)
At 30 June 2011, net of accumulated amortisation	317	461
Year ended 30 June 2010		
At 1 July 2009, net of accumulated amortisation	478	621
Additions	17	17
Impairment	–	–
Amortisation	(130)	(129)
At 30 June 2010, net of accumulated amortisation	365	509
Note 11: Payables		
	2011 \$'000	2010 \$'000
Current Payables		
Trade Payables	2,845	1,253
Accrued expenses	389	248
Unearned revenue	570	–
Other Creditors	216	90
Total Current Payables	4,020	1,591

Notes to the Financial Report

for the year ended 30 June 2011

	2011 \$'000	2010 \$'000
Note 12: Interest Bearing Liabilities		
Current		
Unsecured		
Other loans [<i>Treasury Corporation of Victoria</i>]	2,010	1,400
Total current unsecured interest bearing liabilities	2,010	1,400
Non-current		
Unsecured		
Other loans [<i>Department of Treasury & Finance</i>]	–	–
Total non-current unsecured interest bearing liabilities	–	–
Total interest bearing liabilities	2,010	1,400
Credit Standby Arrangements		
Unused at balance date	2,990	1,600
Total available	5,000	3,000
	Carrying amount \$'000	Fair value \$'000
On Balance Sheet		
Total interest bearing liabilities	2,010	1,400
The exposure of the Corporation's borrowings to interest rate changes and the contractual re-pricing dates at the balance dates are as follows:	2011 \$'000	2010 \$'000
6 months or less	2,010	1,400
6-12 months	–	–
1-5 years	–	–
Over 5 years	–	–
Total interest bearing liabilities	2,010	1,400

The carrying amounts of the Corporation's trade and other payables are denominated in AUD\$. For an analysis of the sensitivity of borrowings / interest bearing liabilities to foreign currency and interest rate risk, refer to Note 2.

Note 13: Employee Benefits	2011	2010
	\$'000	\$'000
Current		
Annual leave and unconditional long service leave entitlements, representing 7 years of continuous service:		
Short term benefits that fall due within 12 months, measured at nominal value	409	466
Other long term benefits that do not fall due within 12 months, measured at present value	276	268
Total Current	685	734
Non Current		
Conditional Long Service Leave	430	200
Total Non Current	430	200
Total Employee Benefits	1,115	934

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

Weighted average increase in employee costs	4.60%	4.45%
Weighted average discount rates	5.3%	5.48%
Weighted average settlement period	10 yrs	13 yrs

Note 14: Deferred Tax Liabilities	2011	2010
	\$'000	\$'000

(a) The balance comprises temporary differences attributable to:

Revaluation of property, plant & equipment:

Infrastructure	14,800	
Land	214	
Buildings	382	
	15,396	–

Movements:

Opening balance at 1 July	–	–
Credited / (debited) to other comprehensive income	15,396	–
Closing balance at 30 June	15,396	–
Deferred tax liabilities to be recovered after more than 12 months	15,396	–

Note 15: Contributions by Owners	2011	2010
	\$'000	\$'000
Opening balance at 1 July	51,323	51,323
Owner capital contributions in the year	–	–
Closing balance at 30 June	51,323	51,323

Note 16: Reserves	2011	2010
	\$'000	\$'000
Asset Revaluation Reserve:		
Opening balance at 1 July:		7,099
Land	3,148	–
Buildings	872	–
Infrastructure	3,079	–
Revaluation increments/(decrements) on non current assets:		
Land (net of tax)	(2,256)	–
Buildings (net of tax)	(372)	–
Infrastructure (net of tax)	31,454	–
Closing balance at 30 June	35,925	7,099

Notes to the Financial Report

for the year ended 30 June 2011

Note 17: Accumulated Funds	2011	2010
	\$'000	\$'000
Opening balance at 1 July	58,906	56,416
Net result for the period	2,158	2,490
Closing balance at 30 June	61,064	58,906

Note 18: Financial Instruments

Interest rate risk exposures

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

2010-11	Non interest bearing \$'000	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years to \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	Total
Financial Assets									
Cash	–	22	–	–	–	–	–	–	22
Trade debtors	1,882								1,882
Other receivables	902								902
Total financial assets	2,784	22							2,806
Financial Liabilities									
Payables	4,020								4,020
Bank overdrafts and loans	–	2,010	–	–	–	–	–	–	2,010
Other Loans	–	–	–	–	–	–	–	–	–
Total financial liabilities	4,020	2,010							6,030
Weighted average interest rate		4.5%							

2009-10	Non interest bearing \$'000	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years to \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	Total
Financial Assets									
Cash	–	179	–	–	–	–	–	–	179
Trade debtors	1,090								1,090
Other receivables	1,144								1,144
Total financial assets	2,234	179							2,413
Financial Liabilities									
Payables	1,591								1,591
Bank overdrafts and loans	–	1,400	–	–	–	–	–	–	1,400
Other Loans	–	–	–	–	–	–	–	–	–
Total financial liabilities	1,591	1,400							2,991
Weighted average interest rate		4.65%							

None of the classes of interest bearing liabilities are readily traded on organised markets in standardised form, and therefore the carrying value represents fair value. The fair value of borrowings is based upon market prices, where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles. Fair value is inclusive of costs which would be incurred on settlement of a liability.

Note 19: Commitments	2011	2010
	\$'000	\$'000
Capital commitments		
At 30 June 2011, the Corporation had the following capital commitments (ex GST):		
Various projects	1,474	805
Outstanding capital commitments are to be paid as follows:		
<i>within one year</i>	1,474	805
	1,474	805
Significant Operating Commitments		
At 30 June 2011, the Corporation had the following significant operating commitments (ex GST):		
Environmental Contribution commitments		
<i>within one year</i>	547	547
<i>one to five years</i>		547
	547	1,094

Note 20: Contingent liabilities and contingent assets

An action has been initiated against the Corporation for unspecified damages to property. The matter is working towards a resolution through the Victorian Civil and Administrative Tribunal. The extent of any potential liability is yet to be determined.

Note 21: Superannuation

Post-employment Benefit

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

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

Defined Benefit Plan

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

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

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

The Fund surplus or deficit (ie the difference between fund assets and liabilities) is calculated differently for funding purposes (ie calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in the Corporation's financial statements. AAS 25 requires that the present value of the defined benefit liability 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.

Notes to the Financial Report

for the year ended 30 June 2011

Note 21: Superannuation (cont'd)

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

Accounting Standard Disclosure

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

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

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

Net Investment Return	8.50% p.a.		
Salary Inflation	4.25% p.a.		
Price Inflation	2.75% p.a.		
		2011 \$'000	2010 \$'000
Employer contributions to Local Authorities Superannuation Fund (Vision Super)		169	183
Employer contributions payable to Local Authorities Superannuation Fund (Vision Super) at reporting date		40	27

As at the reporting date, there were no outstanding contributions payable to the above funds.

Note 22: Responsible Persons Related Party Disclosures

a) Responsible persons

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

- The Hon Tim Holding MP, Minister for Water (1 July 2010 to 2 December 2010)
- The Hon Peter Walsh MP, Minister for Water (2 December 2010 to 30 June 2011)
- Anthony Leonard (Chairperson)
- Jane Bell (Deputy Chairperson)
- Leigh Hocking (Director)
- Leah Young (Director)
- Chris Pattas (Director) – (1 July 2010 to 14 July 2010)
- Trevor Nink (Director)
- Alison Von Bibra (Director)
- Murray Jackson (Managing Director)

	2011 \$'000	2010 \$'000
Remuneration received, or due and receivable from the Corporation in connection with the management of the Corporation (includes termination payments and bonuses paid).	336	361

Note 22: Responsible Persons Related Party Disclosures (cont'd)

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

Income band (\$)	2011 No.	2010 No.
0 – 9,999	1	–
10,000 – 19,999	5	6
20,000 – 29,999	–	–
30,000 – 39,999	1	1
220,000 – 229,999	–	1
230,000 – 239,999	1	

- There were no amounts paid by the Corporation in connection with the retirement of responsible persons of the Corporation during the financial year.
- 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.
- The remuneration for the Minister for Water is disclosed in the annual report of the Department of Premier and Cabinet.

b) Executive officers' remuneration

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

Income band (\$)	Total Remuneration		Base Remuneration	
	2011 No.	2010 No.	2011 No.	2010 No.
100,000 – 109,999	–	–	–	–
110,000 – 119,999	–	–	–	–
120,000 – 129,999		–	1	1
130,000 – 139,999		–	–	–
140,000 – 149,999	1	1	1	1
150,000 – 159,999	1	1	–	–
Total Amount	300	301	289	268
Total Numbers	2	2	2	2

Notes to the Financial Report

for the year ended 30 June 2011

Note 23: Reconciliation of Profit / (Loss) to Net Cash Flows from Operating Activities

	2011 \$'000	2010 \$'000
Net result for the period after income tax	2,158	2,490
Add (profit)/loss on disposal of non-current assets	(126)	(31)
Add Depreciation and amortisation	3,826	3,540
Less Developer contributions for capital purposes	(432)	(340)
Less Inventory Adjustments	10	–
Add Bad debts write off	108	52
Add Impairment of non-current assets	311	10
	5,855	5,721
Changes in Assets & Liabilities		
Decrease/(Increase) in trade receivables	(605)	11
Decrease/(Increase) in inventories	10	(123)
Decrease/(Increase) in other current assets	(55)	(35)
Decrease/(Increase) in other receivables	(55)	(15)
(Decrease)/Increase in payables	2,430	(20)
(Decrease)/Increase in provisions		
(Decrease)/Increase in employee benefit liabilities	181	58
	1,907	(124)
Net cash flows from Operating Activities	7,761	5,597

Note 24: Dividends

The Board's resolved at the August 2011 meeting that the dividend payment for 2010/11 period will be \$0.

Note 25: Events Occurring After the Balance Sheet Date

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

Appendices: Westernport Region Water Corporation Statutory Certification

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

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

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



Anthony Leonard
Chairperson
Westernport Region Water Corporation



Murray Jackson
Managing Director
Westernport Region Water Corporation



Kylie White
General Manager Business Services
Westernport Region Water Corporation

Dated 31 August 2011



Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Westernport Region Water Corporation

The Financial Report

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

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Westernport Region Water Corporation as at 30 June 2011 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Westernport Region Water Corporation for the year ended 30 June 2011 included both in the Westernport Region Water Corporation's annual report and on the website. The Board Members of the Westernport Region Water Corporation are responsible for the integrity of the Westernport Region Water Corporation's website. I have not been engaged to report on the integrity of the Westernport 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
7 September 2011

for 
D D R Pearson
Auditor-General

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The Hon. Peter Walsh, MP
Minister for Water

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By Agent WHK Armitage Downie

Insurers

Jardine Australian Insurance
Brokers Pty Ltd

Solicitors

Russell Kennedy

Industry Associations

Victorian Water Industry Association
Australian Water and Wastewater
Association
Institute of Water Administration
Water Services Association of Australia
Water Industry Operators Association

Design

Jayne Melville
Salt Marketing and Design

Disclosure index

Legislation	Requirement	Page
Report of Operations		
Charter and purpose		
FRD 22B	Manner of establishment and the relevant Ministers	1
FRD 22B	Objectives, functions, powers and duties	1
FRD 22B	Nature and range of services provided	1
Management and structure		
FRD 22B	Organisational structure	7
Financial and other information		
FRD 10	Disclosure index	55
FRD 12A	Disclosure of major contracts	13
FRD 22B	Operational and budgetary objectives and performance against objectives	8
FRD 22B	Employment and conduct principles	10
FRD 22B	Occupational health and safety policy	10
FRD 22B	Summary of the financial results for the year	12
FRD 22B	Significant changes in financial position during the year	13
FRD 22B	Major changes or factors affecting performance	13
FRD 22B	Subsequent events	13
FRD 22B	Application and operation of the <i>Freedom of Information Act 1982</i>	11
FRD 22B	Compliance with building and maintenance provisions of the <i>Building Act 1993</i>	11
FRD 22B	Statement on National Competition Policy	13
FRD 22B	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	6
FRD 22B	Details of consultancies over \$100 000	13
FRD 22B	Details of consultancies under \$100 000	13
FRD 22B	Statement of availability of other information	6
FRD 25	Victorian Industry Participation Policy disclosures	13
FRD 27B	Presentation and reporting of performance information	22
FRD 29	Workforce Data disclosures	9
FRD 30A	Standard requirements for the design and print of annual report	–
SD 4.5.5	Risk management compliance attestation	9
SD 4.2(g)	General information requirements	1, 54
SD 4.2(j)	Sign-off requirements	21
Ministerial Reporting Directions		
MRD 01	Performance Reporting	22
MRD 02	Reporting on water consumption and drought response	14
MRD 03	Environmental and social sustainability reporting	15
MRD 04	Disclosure of information on bulk entitlements, transfers of water entitlements, allocations and licences, irrigation water usage and licence requirements	20
MRD 05	Annual reporting of non-residential major water users	20
Financial Statements		
Financial statements required under Part 7 of the FMA		25
SD4.2(a)	Statement of changes in equity	28
SD4.2(b)	Operating statement	26
SD4.2(b)	Balance sheet	27
SD4.2(b)	Cash flow statement	28

Disclosure index (cont'd)

Legislation	Requirement	Page
Other requirements under Standing Directions 4.2		
SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	52
SD4.2(c)	Compliance with Ministerial Directions	52
SD4.2(d)	Rounding of amounts	30
SD4.2(c)	Accountable officer's declaration	51
SD4.2(f)	Compliance with Model Financial Report	52
Other disclosures as required by FRDs in notes to the financial statements		
FRD 03A	Accounting for Dividends	35
FRD17A	Long service leave wage inflation and discount rates	34
FRD 19	Private provision of public infrastructure	–
FRD 21A	Responsible person and executive officer disclosures	49
FRD 102	Inventories	42
FRD 103D	Non current physical assets	42
FRD 104	Foreign currency	39
FRD 105A	Borrowing costs	31
FRD 106	Impairment of assets	32
FRD 109	Intangible assets	44
FRD 107	Investment properties	–
FRD 110	Cash flow statements	28
FRD 112C	Defined benefit superannuation obligations	48
FRD 113	Investments in subsidiaries, jointly controlled entities and associates	–
FRD 114A	Financial Instruments – General Government Entities and public non financial corporations	39
FRD 119	Contributions by owners	40
FRD 120	Accounting and reporting pronouncements applicable from 2009-10 reporting period	37
FRD 121	Infrastructure assets	42
Legislation		
	<i>Freedom of Information Act 1982</i>	11
	<i>Building Act 1993</i>	11
	<i>Whistleblowers Protection Act 2001</i>	6
	<i>Victorian Industry Participation Policy Act 2003</i>	13
	<i>Multicultural Victoria Act 2004</i>	19



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Bentley Systems *International Be Inspired Awards* October 2010
– Westernport Water's Systems Engineer Dean Jagoe accepting 1st prize in the category for Innovation in Water and Wastewater for the integration of corporate systems, creating a live, accurate and sustainable water model.



National Water Week Poster competition 2010 – Many Sources, Many Uses, Everyone's Responsibility. Mr Steve Bird, CEO Victorian Water Industry Association, presenting Aisha Hermanto from San Remo Primary School with the 1st prize award for the Victorian grade 5 and 6 poster competition.

