



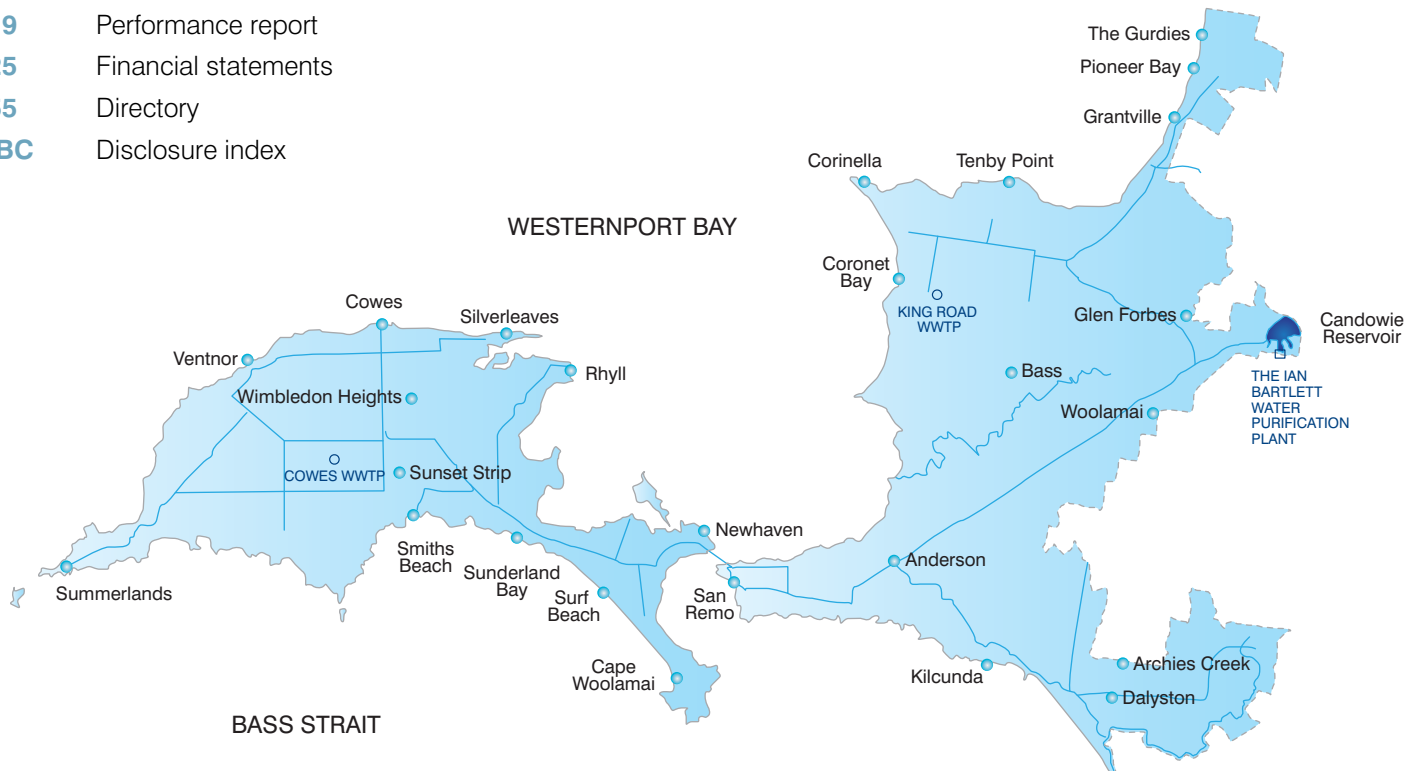
WESTERNPORT WATER

Annual Report
2010



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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 relevant 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 2009/10 reporting period, the responsible Victorian minister was the Honourable Tim Holding MP, Minister for Water.

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 Water 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 41 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 Water 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 ("WPW") 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 (60,000 in peak holiday periods) in an area covering 300 square kilometres encompassing Phillip Island and the 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 and then pumped to the San Remo basin for distribution to Westernport Water customers. Average annual customer demand is approximately 2,000 megalitres (ML) or two 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 1,100ML 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 secondary plant, treating approximately 10 per cent of volume, is the King Road Wastewater Treatment Plant (KRWWTTP) located in Coronet Bay. This plant services the Corinella, Coronet Bay and Grantville districts on the east coast of Westernport Bay. Wastewater from the townships of Kilcunda and Dalyston is treated under an agreement with South Gippsland Water at its Wonthaggi treatment plant.

In addition, the Corporation provides the following services:

- The sale of recycled water for dual-pipe systems and other activities
- Removal of minor trade wastes (greasy wastes)
- A liquid waste disposal facility at 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 KRWWTTP

Chairman and Managing Director's Report of Operations

We are pleased to present the 2009/10 annual report to our customers, stakeholders and the community.

Security of supply

Security of supply remains paramount to Westernport Water. Permanent water saving measures that were announced in August 2008, remain in place. From 33 per cent capacity in July 2009, Candowie Reservoir increased to 100 per cent of active storage (2263ML) on 26 September 2009, and 75 per cent on 30 June 2010.

The Victorian Minister for Water signed the Corporation's Bass River bulk entitlement application on 23 August 2009. This entitlement allows Westernport Water to operate pumps on the Bass River when river flow is above 40ML per day for the period 1 May to 30 November each year – capped at 3000ML each year. In addition, Southern Rural Water granted Westernport Water a draft groundwater licence on 29 March 2010 for three years, with a maximum daily flow rate of 3.65ML and a maximum annual (financial year) volume of 491ML to all towns in the Westernport region.

Groundwater extracted for 2009/10 was for test purposes only. No pumping occurred in 2009/10. Total water flow metering has been used in conjunction with each customer meter read to identify non-revenue water supply, which is now estimated at 11.2 per cent across our entire water grid.

Westernport Water has entered into discussion with AquaSure and the Department of Sustainability and Environment to secure access to up to 1000ML of metropolitan pool water each year (if required because of drought or other supply constraints) commencing in 2011/12. Metropolitan pool water is a combination of desalinated water and Melbourne water from Cardinia Reservoir.

The Corporation currently markets Class B recycled water for reuse. On 8 June 2010, the Federal Minister for Water, Senator Penny Wong, announced funding to develop the Phillip Island Class A Recycled

Water Scheme under the *National Water Security Plan for Cities and Towns*. The Scheme is planned for commissioning in 2013.

Water quality improvements

An external audit of Westernport Water's risk management plan for water quality compliance was conducted on 6 November 2009 by external auditors, Parsons Brinckerhoff Australia-Pacific. Total compliance was achieved – a very pleasing outcome. This was as a result of a proactive program of water quality improvement that included the following:

>Regulatory monitoring

Monitoring is done on a weekly basis under contract with ALS Environmental (Water Resources Group) – formerly 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* to ensure delivery of safe drinking water.

>Chloramination

Chloramination is commonly used by water companies around the world. It involves the safe addition of chlorine and small amounts of ammonia to potable water to improve the taste and odour and reduce the need for other treatment products.

Westernport Water conducted a successful chloramination trial in the Kilcunda district in 2009. Customers receiving chloraminated water in the Kilcunda district were surveyed and the results influenced the decision to continue this treatment process. As a consequence, at the end of 2009 Westernport Water extended the trial to include the Corinella basin district. This trial has also proven to be successful and is continuing.

>Filter upgrade

As part of the Corporation's ongoing commitment to maintenance and water quality, an upgrade was conducted on the filters at the Ian Bartlett Water Purification Plant over several months in the latter part of 2009. This has resulted in further improvement in water quality compliance.

>Fluoride

The Secretary of the former Department of Human Services, now known as Department of Health instructed Westernport Water to introduce fluoride under section 5(1) of the *Health Fluoridation Act 1973* to improve the dental health of residents and visitors. Funding was received from the Department of Health to implement a fluoride dosing system. Fluoride was introduced in February 2010. Management has included fluoridation in its risk management planning for provision of safe drinking water in accordance with the *Safe Drinking Water Act 2003*.

>Air scouring

An air scouring program is conducted every year with specific areas identified to be cleaned. High pressure air and water are released into the mains to scour the inside of the pipes. This results in cleaner mains and enables the use of less chlorine in the treatment process. In November 2009, this program covered several mainland towns including San Remo.

>Valve replacement program

A valve replacement program on the 600mm main supply pipeline was conducted in May/June 2010 to improve air release and water quality.



Enhanced business systems

Over the past 12 months Westernport Water has implemented many state-of-the-art knowledge management systems including a Geographic Information System (GIS), Supervisory Control and Data Acquisition (SCADA) systems and real time water modelling.

The GIS has significantly improved field maintenance and essential services reporting efficiencies, as well as facilitated more timely delivery of higher quality customer information statements and asset management plans.

SCADA provides improved water quality control and a more accurate measurement of chlorine requirements.

The implementation and integration of new asset management and billing systems are planned for the year ahead.

Financial

The Corporation recorded a net profit of \$2.5 million for the year from revenue of \$16.4 million, which was achieved by less reliance on outsourced services and commitment to the development of a skilled workforce. In 2009/10 the Corporation received additional State Government funding for the fluoridation plant of \$382,000. The capital cost of this project was fully funded by the Victorian Government at a cost of \$1.2 million.

Environment

Westernport Water has introduced a number of new initiatives aimed at reducing the Corporation's environmental footprint. These include revegetation of water catchments, increased farmland use of recycled effluent to reduce discharge to the ocean, the introduction of a worm farm for organic waste, and initiation of a new office waste management system.

Biodiversity

Westernport Water has continued its commitment to the biodiversity of the land it owns and support for local Landcare groups working to build the biodiversity value of the region. Highlights through the year included a major push to decrease the number of willow trees growing in the lower reaches of Tennent Creek, and the maintenance and ongoing revegetation work at the Corporation's three main sites.

Sponsorship/education

Westernport Water has partnered with Phillip Island Urban Landcare to deliver the Sustaining Coastal Communities project. This project aims to increase sustainability outcomes for home owner and business participants. In addition, the Corporation works with local schools on projects for World Environment Day, the Sustainable Living Festival and National Water Week.

Customers

Residential customer numbers were 13,705 at the end of June 2010, a growth of 2 per cent from the previous year. Our commercial customer numbers were 1,103 at the end of June 2010, a growth of 0.9 per cent from the previous year. This growth was within forecast levels for the year and despite the growth, our residential customers this year consumed 2 per cent less water than the previous year and our non-residential customers 4 per cent less.

Occupational health and safety

The Corporation has managed a safe and healthy work environment achieving 12 months without any lost time injuries. Regular toolbox meetings, workplace safety audits and lunchtime exercise programs have also contributed to the wellbeing of staff at Westernport Water.

Staff development and employee relations

Two directors have completed the VicWater director training program and five executive managers to date have undertaken the Australian Institute of Company Directors (AICD) residential corporate governance program. Arrangements are being made for further director training to occur in 2010/11.

Staff numbers totalled 66.87 full time equivalent (FTE) at 30 June 2010.

Staff development continues with the following training courses underway:

- Australian Inter-service Incident Management System
- Geographic Information Systems
- Certificates II/III/IV Water Operations/ Water Treatment
- Certificate IV in Training and Assessment

We are also supporting one of our maintenance team members to complete a plumbing apprenticeship, with assistance from the State Government and local plumbing contractors.

Enterprise Agreement

Our current Enterprise Agreement (EA) concludes on 7 July 2010 and we have been negotiating the arrangements for a new EA since March 2010. The negotiations have been conducted in an open manner with the aim of having a positive outcome for the business and the employees. The negotiating team has agreed to submit the proposed new EA to an agreement in principle by all staff covered by it.

Chairman and Managing Director's Report of Operations

Continued

Corporate social responsibility

The You Are My Sunshine (YAMS) Foundation, chaired by the Managing Director, was successfully launched on 20 September 2009 in Cowes. The Foundation has the task of raising \$150,000 to fund a two-year research project run by the Royal Children's Hospital into the cause, early detection and treatment of neuroblastoma in children. Various charity events have been organised in the community and Westernport Water continues to supply support-in-kind to the YAMS Foundation.

The Managing Director presented 20 computer screens and hard-drive units to Newhaven College on 11 May 2010. Newhaven College has agreed to its Year 9 environmental science students conducting the future annual water balance for Phillip Island using Westernport Water's GIS database and metered consumption data.

An open forum for the public was conducted in November 2009 complete with management presentations on various Corporation projects. Westernport Water directors, executive managers and selected staff were on hand to answer queries from the public at this event.

The Relay-for-Life 24-hour event in support of the Cancer Council Victoria and the YAMS Foundation was held on 7 and 8 November 2009 in Cowes with two teams participating from Westernport Water.

Thanks

Westernport Water is once again extremely appreciative of the involvement and support of its Board members who provide strategic direction and guidance to the organisation. The 2009/10 year brought a series of reviews and long-term planning opportunities to shape the future of the Corporation, which the Board has embraced.

After six years of service, Board member Chris Pattas, completed his tenure at the Corporation on 30 June 2010. Chris's expertise as a member of the Board and the Audit and Risk Committee has been invaluable.

Westernport Water continues to enjoy strong working relationships with regulatory organisations. We would like to thank the Office of the Minister for Water, Department of Sustainability and Environment, Department of Human Services, Environmental Protection Authority, Essential Services Commission, VicWater, Electricity and Water Ombudsman Victoria, Melbourne Water, Southern Rural Water and each of the regional water corporations for their help and support during the year.

We also thank our fellow directors and senior management for their advice and encouragement throughout the year and express our gratitude to all employees for their total commitment to serve the people of the region. Success in meeting customer needs and expectations in 2009/10 year would not have been possible without the focus and dedication of our management team and staff. Westernport Water continues to have a great team and a great culture.

In accordance with the *Financial Management Act 1994*, we are pleased to present the Report of Operations for the Westernport Region Water Corporation for the year ending 30 June 2010.

Anthony J Leonard, Chairman
20 August 2010

Murray Jackson, Managing Director
20 August 2010



The Board, Committees and structure

The Board

Key functions of the 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 a time he was the appointed insurance broker and risk manager for the Victorian Government. He is a member of the AICD, Australian Water Association, 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 of experience in international banking and finance in senior legal roles in Australia, United Kingdom, Canada and the USA, including Wesfarmers (Melbourne and Brisbane), Canadian Imperial Bank of Commerce (Toronto), Norton Rose (London), Chartered WestLB (London), Mallesons Stephen Jaques (Melbourne) and Corrs Chambers Westgarth (Melbourne) and eight years as a non-executive director. Jane is also a non-executive director of WorkSafe Victoria, Melbourne Health (Royal Melbourne Hospital) and the Prince Henry's Institute of Medical Research. Jane holds a Bachelor of Laws, Bachelor of Economics, 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 Institute 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 Australian Institute of Company Directors. 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.

Leigh Hocking

Leigh Hocking was appointed to the Board of Westernport Water in June 2005 and also serves on the Remuneration Committee. He was formerly the Chair of the Board of Rural Ambulance Victoria and the ministerial delegate to the Board of Ambulance Victoria. Leigh's background is in human resources and management consulting. He is a founding director of Magellan Consulting Pty Ltd a human resource and organisational development consultancy specialising in major organisational change, leadership training, organisational development and employee relations. 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 commercial directorships are Trackaxle Ltd and Blanter Pty Ltd. Previous senior executive roles were with Kodak, ACI, BTR Nylex and KONE Elevators in Australia, USA and Europe.

The Board, Committees and structure

Continued

Leah Young

Leah Young provides support in business management and strategic planning to the Board. She holds a Bachelor of Business, a Graduate Diploma in Business, and is a Fellow of the AICD and a member of the Australian Institute of Management. Ms Young has been Business Manager 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 of 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 is a member of the Audit and Risk Committee and is a director of the Central Gippsland Water Corporation, a position she has held for the past 10 years.

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.

Chris Pattas

Chris Pattas is the General Manager at AVG, an organisation which provides internet security solutions to enterprises and home users worldwide. He holds a Bachelor of Engineering degree, a Master of Business Administration and is a Member of the AICD. He was previously a Board member with Eastern Health, a

network of hospitals in the eastern suburbs of Melbourne. As a former councillor and Mayor of the City of Boroondara, Chris also has extensive experience with local government. Previous roles include senior executive positions with MYOB, Ericsson, NEC and Sensis. Chris's appointment to the Board concluded on 30 June 2010.

Remuneration Committee

The Remuneration Committee meets, when required, to review the performance and remuneration of senior executives. Remuneration Committee members for the 2009/10 year were: Tony Leonard (Chair), Leigh Hocking and Alison von Bibra.

The Committee ensures compliance with the requirements of the Government Sector Executive Remuneration Panel. Two meetings were held during the year.

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 four independent members: Trevor Nink (Chair), Leah Young, Jane Bell and Chris Pattas. Meetings are attended by management staff as required. The General Manager Customer Relations Meryll Todd provides secretarial services.

During the year, the Audit and Risk Committee:

- Reviewed the outcomes from the Essential Services Commission's water performance regulatory audit
- Performed a review of the Audit and Risk Committee internal audit program and the Audit and Risk Committee charter
- Performed the five-year Dam Safety audit of Candowie Reservoir and established action plans for all recommendations
- Undertook an annual self assessment in accordance with the Standing Directions of the *Financial Management Act 1994*
- Monitored the Corporation's regulatory external reporting obligations
- Participated in the review of the Corporation's risks as detailed in Westernport Water's 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. The Committee also reviews regulatory reporting obligations.

Internal audits undertaken during the year were as follows:

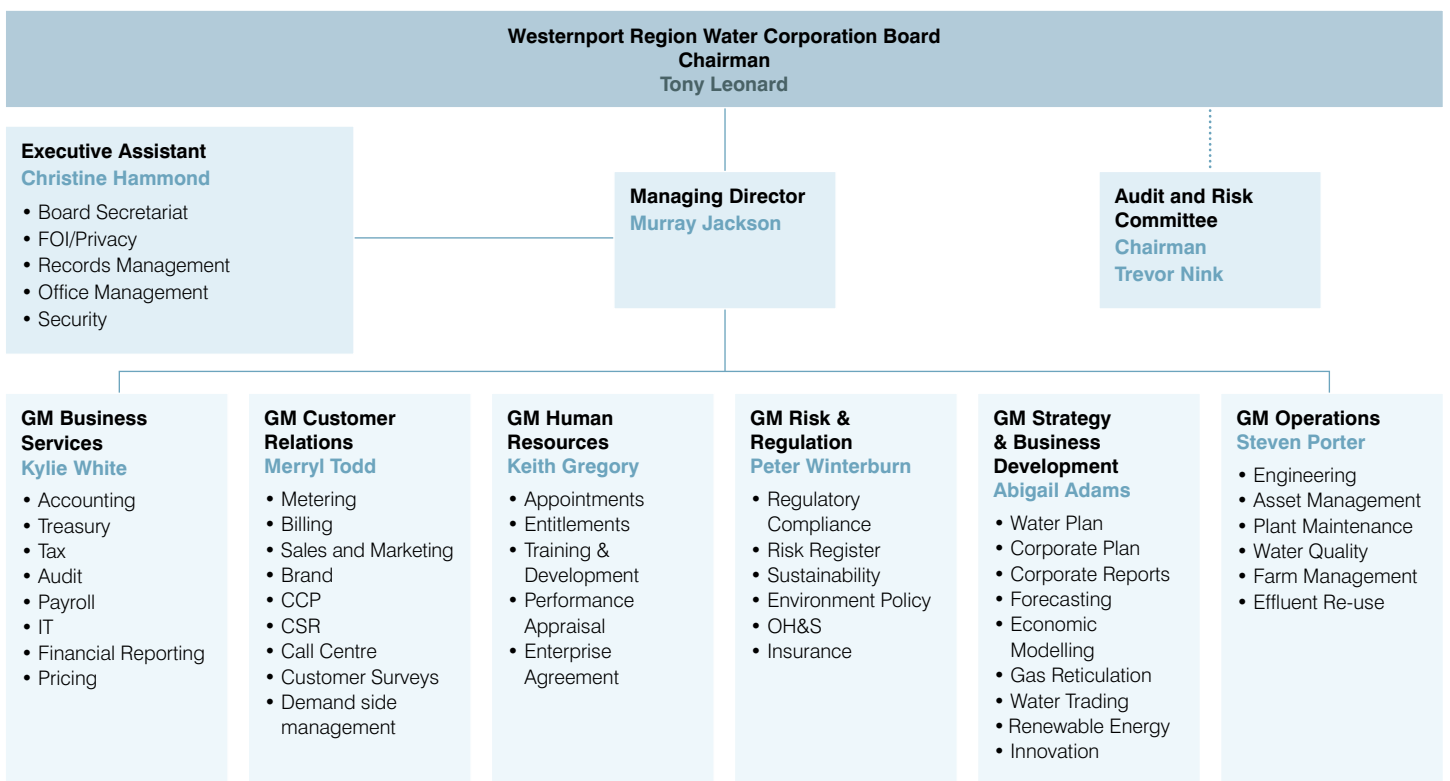
- Compliance (with *Financial Management Act 1994*)
- Human resources and payroll
- Contract management
- Environmental Management System
- Incident and Emergency Management System



Table of 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			2	2
Jane Bell <i>(Deputy Chair)</i>	11	10	7	7		
Murray Jackson <i>(Managing Director)</i>	11	11				
Leigh Hocking	11	10			2	2
Trevor Nink	11	11	7	7		
Leah Young	11	9	7	6		
Alison von Bibra	11	9			2	2
Chris Pattas	11	9	7	5		

Organisational structure



Operational and budgetary objectives and performance against objectives



Corporate plan report card

ENSURING THE SECURITY OF OUR WATER SUPPLY

Progress towards total recycled water supplied and a percentage of recycled water (percentage of effluent recycled) Water Plan 2008–13 target: 23 per cent	<i>Ongoing</i>
Progress towards per capita water consumption reduction as per Central Region Sustainable Water Strategy	<i>Ongoing</i>
Capital project milestones met: 100 per cent	<i>Completed</i>

DELIVERING QUALITY WATER

Achieve compliance with <i>Safe Drinking Water Act 2003</i> : 100 per cent	<i>Ongoing¹</i>
Reduce water quality complaints (per 1000 properties) as measured against national water indicators	<i>Completed</i>

BUILDING STRONGER BUSINESS SYSTEMS

Systems implemented, operating as expected and all users trained: 100 per cent	<i>Completed</i>
Formal procedures for compliance in place and being used: 100 per cent	<i>Completed</i>

ACHIEVING FINANCIAL SUSTAINABILITY

Operating expenditure per connected property (15,379): \$940	<i>Completed</i>
Productivity improvement realised: Three-year cumulative \$270,000	<i>Completed</i>
Capital projects delivered in accordance with the Corporation's investment gateway process: 100 per cent	<i>Completed</i>
Positive net operating position	<i>Completed</i>

CORPORATE SOCIAL RESPONSIBILITY

Established corporate social responsibility plan	<i>Planned</i>
Improve customer satisfaction survey results	<i>Completed</i>
Reduce total net greenhouse gas emissions (net tonnes CO ₂ equivalent)	<i>Completed</i>

STAFF DEVELOPMENT

Performance and development plans for all employees implemented and aligned with Corporate Plan	<i>Planned</i>
Complete negotiations for EA	<i>Planned</i>

SUPPORTING CURRENT OPERATIONS

Continue to meet SoO objectives through efficient use of resources.	<i>Completed</i>
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Risk management enhanced at Westernport Water

On a day-to-day basis, the executive management team is responsible for reviewing and acting on identified risks. The majority of operational risks are managed through structured management systems such as those relating to occupational health and safety, the environment, drinking water quality, incidents and emergencies, assets and financial management framework. Members of the Board, executive and operations teams provide a continual review of the organisation's risk profile by participating in a number of targeted workshops throughout the year.

Westernport Water conducted a re-evaluation of its strategic focus areas during 2009/10 to align these focus areas across the risk profile. In addition, Westernport Water embraced the state-wide risk clusters developed by the Department of Sustainability and Environment and has embedded these clusters into the Corporation's integrated risk information system.

The Corporation is a member of the Department of Sustainability and Environment Risk Management Network Group (formed in late 2009) and sees this as an opportunity to learn and share experiences across the water industry.

⁽¹⁾ The Corporation met 8 out of 9 drinking water quality parameters as per the Safe Drinking Water Regulations 2005 for 2009/2010 with single exceedences reported for THM and e.coli.



Statement of workforce data

The Corporation's workforce numbered 66.87 full-time equivalent employees in 2009/10. The breakdown is set out below compared to 2008/09.

Risk management attestation

"I, Anthony Leonard certify that Westernport Region Water Corporation has risk management processes in place consistent with the Australian/New Zealand Risk Management Standards AS/NZS 4360:2004 and an internal control system is in place that enables the executive 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

Westernport Water employees work within the Code of Conduct for the Victorian public sector that amplifies the values contained in the *Public Administration Act 2004*. We also work within our own behavioural charter that covers four principles of behaviour valued by the business. These are aligned with the public sector Code of Conduct.

Overall workforce

Department	Total Full Time Equivalent		Male Full Time Equivalent		Female Full Time Equivalent	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
Governance	3	3	1	1	2	2
Operations	30	32	28	29.05	2	2.95
Customer Relations	8.96	8.95	1	2.01	7.96	6.94
Business Services	8.8	8.9	4	3	4.8	5.9
Risk and Regulation	3	1.5	2	1.5	1	-
Planning and Development	2	1	2	1	0	-
Human Resources	1	1.5	1	1.5	0	-
Total FT/PT	56.76	56.85	39	39.06	17.76	17.79
Casual	10.11	7.38	5.47	4.14	4.64	3.24
TOTAL FTE	66.87	64.23	44.47	43.2	22.40	21.03

Executive officer disclosures

Department	Total Full Time Equivalent		Male Full Time Equivalent		Female Full Time Equivalent	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
Governance	1	1	1	1		
Operations	1	1	1	1		
Customer Relations						
Business Services	1	1			1	1
Risk and Regulation						
Planning and Development						
Human Resources						
TOTAL	3	3	2	2	1	1

Senior managers

Department	Total Full Time Equivalent		Male Full Time Equivalent		Female Full Time Equivalent	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
Governance						
Operations						
Customer Relations	1	1			1	1
Business Services						
Risk and Regulation	1	1	1	1		
Planning and Development	1	1			1	1
Human Resources	1	1	1	1		
TOTAL	4	4	2	2	2	2



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. We continuously review our 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

Once again the business has been active in pursuing process improvement and this has led to significant improvements and increased efficiencies in the organisation. Of particular note was the wide ranging and valuable input from staff across the business.

Training

Westernport Water continues to invest significant resources into staff training, development and the welfare of its people.

Such investment is designed to ensure that employees have the necessary skills to undertake their roles, also to ensure we provide opportunities for their personal advancement.

Major training activities

Incident management

Nine employees completed the Australian Inter-service Incident Management System training program, testing responses to business scenarios including business continuity, terrorism and water incidents.

GIS

We have continued to invest in this new system. Formal external training and development has mainly been directed at those of our people managing the system and has included administrator training and operational 'Train the Trainer' programs. Internal operational staff training continues to be provided by GIS staff across the business.

Certificate III/IV water operations/water treatment

Two members of the maintenance team and two from the treatment team are completing the Certificate III requirements. The treatment plant supervisor is finalising his Certificate IV.

Certificate IV in training and assessment

Four employees are completing this course.

Plumbing apprenticeship

One maintenance team member will complete a general plumbing apprenticeship. We are grateful for financial support from the State Government for this initiative and for support from local plumbers who have agreed to provide practical on-the-job training.

Australian Institute of Company Directors Course

At the end of June 2010, five members of the management team will have completed the program. This provides better overall management and governance development for each member, as well as the opportunity for better interactions with the Board.

Development and employment opportunities for youth and indigenous students

Scholarship program

One of our recent tertiary scholarship holders graduated this year with a Bachelor degree in Environmental Science and the other is finalising his Bachelor degree in Engineering. Each was offered and accepted 12 month's postgraduate work experience. The environmental graduate has since taken up a full time offer at another business. The other has now been appointed to the position of project engineer – systems in Westernport Water's operations department.

Vacation employment program

We were again pleased to offer work experience to our regional secondary schools by having two students complete a one week work experience program. This program provides an opportunity for these students to clarify their career prospects and opportunities.

Newhaven College invited Westernport Water to join them in their first Careers Expo, which saw several staff speaking to students and advising them about roles and careers in the Corporation.

Health checks

We were pleased to adopt the State Government program of health checks for staff. This initiative was taken up by a large number of our people who appreciated the opportunity to participate.

Occupational health and safety

Ensuring the safety of staff, contractors and the public remains a priority for the Corporation. 'Westernport Water Workers Returning Home Safe Every Day' became our health and safety slogan in 2009/10. To reinforce this message the organisation developed a number of corporate health and safety objectives and targets. These included:

- Occupational health and safety (OH&S) regulatory compliance
- Zero lost time injuries
- Employee health and wellbeing programs
- Heightened focus on hazard and incident reporting
- Greater presence in the field and our sites on health, safety and the environment
- Increased focus on communication with internal stakeholders

The chart opposite (top) depicts the OH&S training conducted during 2009/10.

The OH&S statistics opposite (bottom) depicts significant results for 2009/10.

- Zero lost time injuries (LTI)
- Zero manual handling injuries
- 50 per cent reduction in over all injuries
- 36 per cent increase in workplace/site inspections

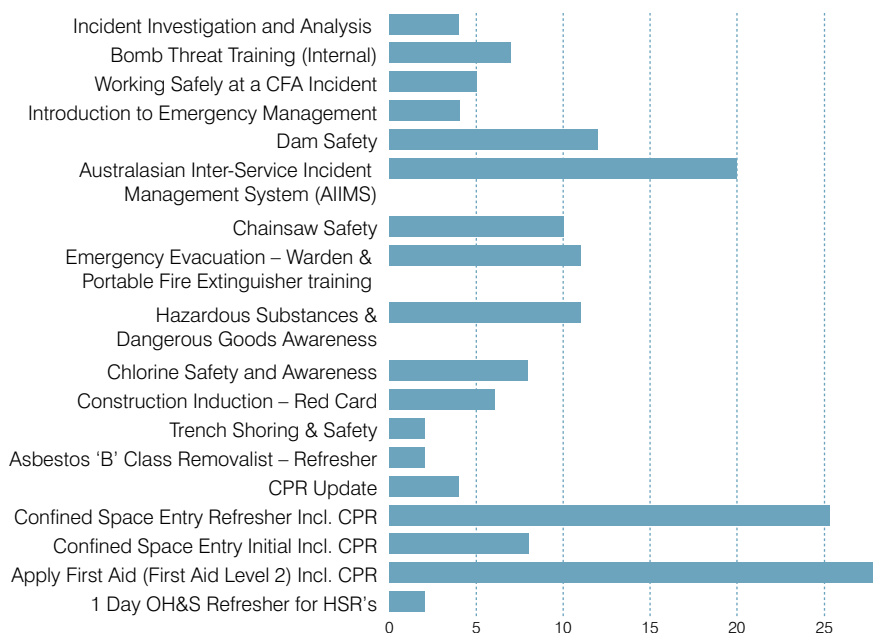
⁽¹⁾ OH&S training is down on 2008/09 figures (168 days down from 206 days) due to refresher training not due in this period. Refresher training is required every second year.

⁽²⁾ Minor incident with a farm fence.

⁽³⁾ Vehicle incidents 50 per cent parking related.

⁽⁴⁾ Manual handling currently identified as a top 10 injury risk for water industry. Zero manual handling injuries a significant achievement.

OH&S Training – Sum of total number of days



OH&S performance indicators

OH&S statistics (1 July to 30 June 2009)	Current year 2009/10	2008/09	2007/08	2006/07	2005/06
HS&E committee meetings (held twice a month)	8	7	11	12	13
Workplace inspections	19	14	3	4	4
Staff training related to OH&S (person days) ¹	168	206	67	17	68
Incident statistics					
Injury incidents	6	12	15	2	6
LTI: (number of lost time injuries)	0	5	3	2	0
MTI: (medical treatment injuries)	4	2	7	2	2
Non-injury incidents	3	4	13	7	8
Vehicle incidents ³	6	2	4	2	2
Incident investigations carried out	4	4	8	3	6
Contractor incidents	1	1	0	0	1
Incident type					
Manual handling – lifting ⁴	0	4	2	0	1
Slip, trip or fall	3	4	1	0	1
Stress	0	0	0	0	0
Laceration	0	0	5	0	0
Electrical shock ²	1	0	0	1	1
Hit object	0	0	0	2	4
Other	2	3	3	4	2

Summary of financial results for the year

	2009/10 \$'000	2008/09 \$'000	2007/08 \$'000	2006/07 \$'000	2005/06 \$'000
Operating revenue	14,635	13,646	11,898	10,775	10,345
Government contributions	382	840	–	106	–
Developer contributions and gifted assets	763	1,009	877	975	777
Other revenue	630	1,295	706	716	619
Total revenue	16,410	16,790	13,481	12,572	11,741
Administration	3,629	3,660	3,545	3,209	3,440
Corporate expenditure	5,779	5,860	5,143	4,511	3,694
Other	4,512	4,285	3,583	3,826	3,478
Total expenditure	13,920	13,805	12,271	11,546	10,612
Current assets	2,984	2,831	2,028	2,595	5,361
Non-current assets	118,269	117,126	116,747	113,191	109,805
Total assets	121,253	119,956	118,775	115,786	116,166
Current liabilities	3,725	3,513	4,906	2,701	1,704
Non-current liabilities	200	1,605	2,016	2,442	3,839
Total liabilities	3,925	5,118	6,922	5,143	5,542

Significant changes in financial position during the year

The net profit figure of \$2.5 million reported for 2009/10 financial year is influenced by the amount of capital revenue recognised relating to:

- A \$0.38 million grant received from the Department of Health for the completion of a fluoridation project commenced in 2008/09
- \$0.34 million in-kind water and wastewater assets received from developer(s) of major subdivision

Major changes or factors affecting performance

The corporation's commitment to developing a skilled workforce has resulted in less reliance on outsourced services which has provided a positive \$0.2 million financial impact on expenditure against a \$2 million budget. It should also be noted that the State Government provided unbudgeted funding of \$0.38 million for the construction of a fluoridation plant which commenced in previous financial year.

Westernport Water has invested \$3.2 million in capital projects against a budget of \$3.9 million for year, with major spend on augmentation of bulk water supplies, water quality and sewer treatment improvement projects, and improving our telemetry and communications network. Project management principles and framework for assessing and reporting on projects, implemented over the last two years, has improved the utilisation of resources due to adoption of a risk-based approach to all investments.

There were no other major changes from the 2009/10 corporate budget.

Subsequent events

There were no events subsequent to 30 June 2010 that will affect operations in the 2010/11 financial year.

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. Westernport Water has determined that its authorised officer is **Christine Hammond – Executive Assistant.**

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 \$23.90 will apply from 1 July 2010. Requests should be forwarded to:

Christine Hammond
Executive Assistant
Westernport Water
2 Boys Home Rd
Newhaven Victoria 3925

In the reporting period no valid requests were received for information under the *Freedom of Information Act 1982*.

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*.

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, in particular to purchasing and procurement and sourcing funding opportunities.



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 and Environment
PO Box 500
East Melbourne Victoria 3002
Telephone: 9637 8697
Email: Jennifer.Berensen@dse.vic.gov.au

The Ombudsman Victoria
Level 22, 459 Collins Street
Melbourne Victoria 3000
Telephone: 9613 6222
Toll free: 1800 806 314

Victorian Industry Participation Policy disclosure

Under the *Victorian Industry Participation Policy Act 2003*, there were no contracts awarded to which this policy applies.

Details of consultancies

A number of consultants were engaged to carry out specific tasks during 2009/10. 9 consultants under \$100,000 were engaged during the period for a cost of \$215,000. Specific consultant contracts greater than \$100,000 are detailed below :

Consultant	Project details	2009/10 Consultant costs (\$'000)	Expected future costs (\$'000)
GHD Pty Ltd	<ul style="list-style-type: none"> Water supply demand strategy Supply augmentation options analysis 	\$194	\$56
Sinclair Knight Merz Pty Ltd	Detailed design for supply augmentation project	\$318	
	Geotechnical investigation		
	Hydro assessment for bores		
	Bore licence		
Odysseus Pty Ltd	Strategic asset management plan	\$122	\$50

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 Minister, Members of Parliament and the public on request, subject to the *Freedom of Information Act 1982*.

This information includes :

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers;
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary;
- details of publications produced and how these can be obtained;
- details of changes in prices, fees, charges, rates and levies charged;
- details of any major external reviews carried out;
- details of major research and development activities undertaken by the entity;

- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- details of major promotional, public relations and marketing activities undertaken to develop community awareness and its services;
- details of assessments and measures undertaken to improve the occupational health and safety of employees;
- a general statement on industrial relations and details of time lost through industrial accidents and disputes, and
- a list of major committees, the purposes of each committee and the extent to which the purposes have been achieved.

Disclosure of major contracts

Westernport Water has not awarded any major contracts (greater than \$10 million) in 2009/10.

Our environment

The Corporation's business objectives include being an environmentally sustainable organisation and wherever possible reducing our environmental footprint. We aim to achieve this by:

- Increasing investment in sustainable energy sources
- Striving for efficient use of natural resources and driving environmental efficiencies into our business decisions
- Reusing wastewater and biosolids and minimising ocean outfall
- Improving biodiversity

Our Water Our Future

A number of water source diversification options listed in Westernport Water's supply demand strategy have been implemented. These include the Bass River bulk entitlement and the application from Southern Rural Water to license the Corinella aquifer (borefields) to take 491ML. There are also a number of options currently being investigated including expansion of the recycled water network and consolidation of the borefields as an augmentation to supply.

During the 2009/10 reporting period Westernport Water customers did not experience any periods of water restrictions apart from permanent water saving measures.

Extensive community consultation was employed during the development of the 2007 business water supply demand strategy, and further consultation occurred during the development of the 2009 amended strategy.

Water recycling

Westernport Water currently operates a Class B recycled water network on Phillip Island to irrigate the main recreation reserves in Cowes and Newhaven, the Phillip Island Golf Club, a native plant nursery, a private school oval and farmland. Recycled water reduces potable water use in the community and also reduces the volume of wastewater discharged to the ocean outfall.

All new major residential subdivisions in the Cowes area are being mandated under clause 56 of Victoria's residential subdivision provisions to provide recycled water to each individual lot in the subdivision. This provides a dual pipe system that is connected to the individual lots to be used when the recycled water is upgraded to Class A. A \$2.85 million federal grant has been approved for Westernport Water to upgrade the existing recycled water treatment plant to Class A and extend the recycled water system to proposed new residential subdivisions west of Cowes. This program will increase the overall use of recycled water, but more importantly will allow recycled water to be used all year round and not just in the summer months.

Westernport Water uses recycled water in its own treatment plants where the recycled water is 'fit for purpose' and has started installing well washers that use pumped wastewater rather than potable water in sewer pump stations. Large water users will be encouraged to connect to recycled water where the water is of suitable quality for their usage.

Water conservation targets

In accordance with Victoria's Central Region Sustainable Water Strategy, 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 to average water use in 1990). Westernport Water's customers achieved a 29 per cent reduction in per capita usage in 2009/10.

Water conservation with local government

Westernport Water has worked with the Bass Coast Shire Council to promote water conservation. Wherever practicable, potable water use has been reduced. This was achieved through the use of recycled water to irrigate the Shire's recreation sports grounds in Cowes and Newhaven, and the Council's support in implementing water sensitive urban design in its new residential subdivisions. The Council has also supported Westernport Water in mandating dual pipe networks for recycled water in new residential subdivisions so households can reduce their reliance on potable water.

Water supply demand strategy

Westernport Water completed a water supply demand strategy in 2007 in accordance with the State Government's *Our Water Our Future* policy. The water supply demand strategy was updated in 2009 to include the outcomes from various augmentation projects that Westernport Water had completed since 2007.

Additional new supply options (upgrading the Bass River pump station, further development of the Corinella groundwater and the potential supply from the Wonthaggi desalination plant) were incorporated into the updated strategy.

The strategy identified five conservation plans to be implemented or developed over a short to medium-term time frame to reduce the use of potable water:

- Permanent water savings measures – these have been implemented and the effects of the savings in water consumption are being monitored for future reporting



- Improved system efficiency and leak detection – systems have been improved by pumping water from the sludge process at the water treatment plant and returning the water to the reservoir; and the installation of system metering and pressure recording has improved the water supply system by allowing operators to quickly identify any leaks and to isolate the network area where the leak is occurring
 - Education and public awareness – Westernport Water has maintained local awareness through news releases to local media outlets, issuing customer newsletters every four months, updating its website, participating in local event displays and continuing the popular 'Water Saving Never takes a Holiday' promotion
 - Water efficiency at home – Westernport Water has ensured water efficiency in the home by providing water efficient replacement shower heads, trigger hose nozzles and application of the State Government's rebates for local customers
 - Improved industrial/commercial water usage – Westernport Water has been encouraging local industrial and commercial customers to reuse their own water or stormwater and, where it is available, to use recycled water
- articulate the importance and sensible use of, our water
- Sustainable Living Festival – held annually in May 2010 this year's event attracted over 120 visitors with Westernport Water offering free water audits and showcasing its water saving initiatives and devices
 - World Environment Day – 300 local school children from Grade Prep through to Grade 6 attended this year's World Environment Day and participated in active learning sessions about river health and water conservation
 - Recycled water – the continuation and development of our recycled water distribution system has greatly assisted local sporting clubs attract visitors from outside the district. Australian Football League clubs have used the grounds and the local golf course has benefited from the availability and use of recycled water
 - Ongoing delivery of water savings – via customer exchange programs providing customers the opportunity to replace old showerheads and trigger nozzles and tap connectors with more efficient flow restricting water saving devices
 - Partnering – with Phillip Island Urban Landcare to deliver the Sustaining Coastal Communities project aimed at increasing the sustainability of home owners and businesses throughout the Bass Coast region

Community education and water awareness campaigns

Westernport Water's conservation and efficiency programs (as listed in our water supply demand strategy) include our participation in, and sponsorship of, many community initiatives:

- National Water Week – a competition that encourages local students to creatively demonstrate their understanding of, and

Regional Catchment Management Strategy

In 2009/10 Westernport Water participated in discussions with community and government agencies from the Westernport region on the development of the 2010/15 Port Phillip and Westernport Catchment Management Authority Regional Catchment Strategy.

Victorian biodiversity strategy

Westernport Water continues with its commitment to the biodiversity of land management and with its support for local Landcare groups to build the biodiversity value of the region. The Corporation supports the Victorian Biodiversity Strategy through implementation of actions outlined in the Westernport Water Biodiversity Asset Register (BAR) 2008. The 2008 study area is broadly situated within the Bass Coast Shire boundary. There are 36 threatened species and 41 migratory species listed within this area. In 2013, Westernport Water will again carry out a biodiversity study to measure the impacts of its land management operations. The maintenance, development and restoration of these natural assets are important. A number of the recommendations from this report became the foundation of Westernport Water's 2009/10 land management operations plan. The plan includes ongoing pest and plant eradication and revegetation programs at our wastewater treatment sites. The land management operations plan ensures Westernport Water maintains and enhances the viable remnants of native vegetation and habitats on Westernport Water land and, through partnership, on private land. Investment in land management ensures Westernport Water is meeting its obligations as a 'good neighbour' and that its land management does not cause negative impacts on surrounding areas or properties.



In 2009/10, Westernport Water employed a dedicated environment and sustainability co-ordinator. This position assists in the incorporation of biodiversity goals into work programs and ensures that skills and knowledge are retained to help achieve continuing improvements in the Corporation's biodiversity performance.

Westernport Water has also undertaken a study of the marine environment directly impacted by the outfall into Bass Strait. Outcomes of this study will assist Westernport Water in determining a mixing zone for the receiving water and also in the assessment of the outfall impacts on marine biota.

Victorian river health strategy

In 2009/10, Westernport Water has pumped a total of 941ML from the Bass River during high flow events while still maintaining sufficient environmental flows to support river health. This is the second year it has successfully operated the Bass River water supply diversification project under the *Bulk Entitlement (Westernport Water – Bass River) Order 2009*.

Westernport Water undertakes an extensive monitoring program of the Bass River during rainfall events, prior to pumping to Candowie Reservoir. This monitoring includes a suite of parameters to detect physical property of the water, human health indicators, nutrients, metals and radiation. Monitoring is used to report on the health of the Bass River and tributary systems.

Corporate water consumption

	2009/10	2008/09	2007/08
Total volume-metered corporate water consumption (kilolitres per annum)	39,911	25,034	30,857
Administration offices and depot – (kilolitres per annum)	1,506	1,492	295
Depot – (kilolitres per annum) (This includes water consumption used for major roadwork construction)	10,927	N/A	N/A
Water treatment plant (kilolitres per annum)	20,986	16,689	22,633
Wastewater treatment plants (kilolitres per annum)	6,492	6,853	7,929
Volume-metered water consumption (kilolitres) per FTE	35.31	28.8	5.6
Units of metered water consumed in offices per unit of office space (litres/m ²)	1.56	1.54	0.3

Greenhouse gas emissions

Westernport Water must strive to continually improve its business practices in order to meet the challenges of global climate change. Some of the initiatives introduced in 2009/10 to meet these challenges included:

- Installing a solar-powered pump to return water from sludge beds back to Candowie Reservoir
- Completing the upgrade to the IBWPP filters to improve the process efficiency
- Trialling different aerators at Cowes WWTP to identify the most suitable type for the treatment process,
- Progressing improvements to the Cowes WWTP treatment process

	2009/10	2008/09	2007/08	2006/07	2005/06
Vehicle fleet	233	203	266	231	232
Wastewater treatment	2187	2334	2464	2259	2845
Water supply and treatment	1665	1709	1906	1818	1388
Office based energy consumption	232	244	236	231	196
Total tonnes CO₂-e	4317	4490	4872	4509	4661

Note: 2009–2010 year NGA emission factor, 1.22 t CO₂-e/kWh used

Statement of Obligations

Environmental Management System (EMS)

During the 2009/10 reporting period, Westernport Water began a major review of its EMS. A revised environmental policy was issued in March 2010 and a major audit of the EMS was undertaken. Based on the audit findings, review and amendment of the system is planned. Westernport Water has also made a commitment to develop the EMS with the aim of being accredited under AS/NZS ISO 14001:2004 in the future.

Blue-green algae blooms

Westernport Water monitors blue-green algae indicators via its water quality risk management plan. A potential blue-green algae event prior to Christmas 2009 was identified and prevented through the application of established processes and procedures.

River and aquifer health

Westernport Water wants to see a healthy Bass River and Tennent Creek system to ensure a high quality water source for customers. That is why Westernport Water contributed to the Bass River Environmental Flows Study with Melbourne Water and will continue this partnership to improve the ecological condition of the region's rivers.

This year, as part of obtaining use of the Corinella aquifer for water supply, an underground water study was completed by specialist consultants on the allowable pumping in this aquifer. The study was completed under the direction of Southern Rural Water. Southern Rural Water is in the process of issuing Westernport Water with a licence to extract water from this underground reservoir to augment the surface water resources. The ongoing monitoring of this resource will provide valuable data on underground water and its interaction with the surrounding surface water.



Community service obligations

	2008/09 \$	2009/10 \$
Concessions to pensioners	412,718.06	476,573.75
Rebates for not-for-profit organisations under the water and sewerage rebate scheme	24,960.00	25,774.21
Utility Relief Grant Scheme payments	3,176.27	16,295.29
Water concession for life-support machines	0.00	0.00
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	4,268	0.00
Total community service obligation provided	445,123.33	518,643.25

Westernport Water looks forward to completing further studies and management strategies with the various water resource managers.

Customer Consultative Panel (CCP)

The Customer Consultative Panel (CCP) represents the interests of the local community on a range of issues including:

- Customer service, including pricing
- Water quality
- Environment and social issues
- New and alternative business initiatives

The CCP members are community volunteers appointed by the Board. The CCP currently has eight members who meet every two months to discuss issues and provide valuable feedback on Westernport Water customer matters. Over the 2009/10 financial year the CCP has:

- Conducted a review of the CCP code of conduct, charter and strategy
- Provided input to the water quality strategy and 2010/11 corporate plan
- Raised the profile of the CCP in the community
- Developed a matrix of community reference groups
- Provided input into the redesign of the direct debit form
- Provided support for charities

- Championed the use of recycled paper for Westernport Water's publications where applicable

The primary objectives for the CCP members for the upcoming year include:

- Providing input into the re-design of our website
- Reviewing the corporate social responsibility program
- Continuing to provide a voice for the community and to raise awareness of Westernport Water's functions and challenges

Current CCP members are: Terry Heffernan (Chairperson), Phil Dixon, Glenda Salter, David Pearson, Edgar Runge, Ian Samuel, Neil Beddoe and Frank Adamo.

Management of social and economic impacts

Westernport Water offers a range of assistance programs to customers experiencing temporary or chronic financial difficulties. In addition, our customer charter and hardship policy are reviewed each year by the CCP to ensure they continue to meet the changing needs of our community especially with consideration to the impact of the global financial crisis.

Our customer relations co-ordinator 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 and independent and accredited financial counselling services.

We also conduct in-home visits for those members of our community who find it difficult to discuss sensitive matters over the phone or require assistance in completing the paperwork associated with the government assistance programs. During these visits we can offer free water audits to identify ways to help save water and reduce customer water consumption costs.

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

Westernport Water continued its support of the local community through the provision of sponsorships including local youth sporting clubs, Landcare, and awards such as the Environment and Sustainable Business Award.

Water consumption report

District	Residential customers*		Non-residential customers		Other†		Non-revenue water (ML)	Total consumption (ML) (includes non-revenue water)	Average annual consumption (ML)^
	Number	Volume consumed (ML)	Number	Volume consumed (ML)	Number	Volume consumed (ML)			
Candowie Reservoir	13,705	966	1,103	573	198	59	205	1803	1945

* Residential and non-residential customers as per Essential Services Commission definition

† Owners corporations

^ Average calculated between 2007/09

Drought response report

During 2009/10 Westernport Water completed a detailed hydrogeological study on the Corinella aquifer and submitted this to Southern Rural Water. After consideration by Southern Rural Water a draft licence to extract up to 491ML each year from the aquifer was issued. As at 30 June 2010 the draft licence was still being processed by the Department.

The value of the Bass River augmentation project was again proven as up to 941ML of water was transferred to Candowie Reservoir in 2009/10. A future challenge for Westernport Water will be to continue developing processes and systems that maximise the efficient use and transfer of low-cost water for the benefit of our customers.

In September 2009, Westernport Water submitted a request to the Victorian Minister for Water to access up to 1000ML of water from the metropolitan pool. In accordance with the *Our Water Our Future* – The Next Stage of the Government's Water Plan an interconnection with the metropolitan pool will provide Westernport Water with 'less rainfall-dependent' insurance against extreme dry weather events.

Bulk Entitlement

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	New Entitlement ⁴	Failures to Comply	Difficulties & remedial action ⁵
Tennent Creek	Candowie Reservoir	WPW region	2911	13.929	1694	1796	Nil	Nil	941	Nil	No	Nil	Yes

BE (Westernport – Bass River)			11.1 (a)	11.1 (b)	11.1 (d)	11.1 (c)	11.1 (e)	11.1 (f)	11.1 (g)	11.1 (h)	11.1 (i)	11.1 (j)	
				Daily flow in waterway ⁶									
Bass River		WPW region	3000	14.738	Yes	941	Nil	941	Nil	Nil	Yes	Nil	Nil

(1) Water storage level as at 30 June 2010

(2) Annual amount of water taken in ML




(3) Water transferred from the Bass River to Candowie Reservoir

(4) Bulk Entitlement (Westernport – Bass River) 2009 approved by Minister on 23 August 2009

(5) The Corporation has commenced discussions with the Department seeking a minor amendment to the Bulk Entitlement (Westernport) to recognise that water from sources other than Tennent Creek are being transferred into Candowie Reservoir. The Corporation will be pursuing further amendments to the Bulk Entitlement (Westernport) during 2010/2011.

(6) Daily flow in waterway exceeded 40ML/d during extraction periods

Performance Reporting






 trend decreasing
 trend increasing
 no trend

Where no target has been set, the results are highlighted with a trend based on from last year's results:

Performance Indicators 2009–10				
Performance Indicator	2008/09 Result	2009/10 Result	2009/10 Target	Variance + / (-)
Long term profitability¹				
Earnings before net interest and tax divided by average total assets	2.50%	2.10%	1.7%	21.60%
Owner's investment¹				
Net profit after tax divided by average total equity	2.63%	2.10%	1.5%	43.00%
Long term financial viability²				
Total debt divided by total assets	2.19%	1.20%	3.3%	71.10%
Liquidity and debt servicing (interest cover)²				
Earnings before net interest divided by net interest	28.2	72.1	7	931%
Immediate liquidity and debt servicing (cash cover)²				
Cash flow from operations before net interest and tax payments divided by net interest payments	52.0	160.9	18	794%

⁽¹⁾ Additional unbudgeted state government funding (Dept of Health) for fluoride plant construction received during 2009/10

⁽²⁾ Settlement of all fixed term loans during 2009/10, reduced total debt of \$1.2million has improved the financial viability and liquidity indicators

Operating Efficiency Measures 2009–10				
Performance Indicator	2008/09 Result	2009/10 Result	2009/10 Target	Variance + / (-)
Operations, maintenance and administration costs per ML treated water				
Water supply bulk	\$504	\$622	no target	
Water supply reticulation	\$1069	\$1,184	no target	
Water supply treatment	\$597	\$1,035	no target	
Sewerage reticulation	\$346	\$1,972	no target	
Sewerage treatment	\$1874	\$873	no target	

Service and environmental indicators

Performance Indicator	2008/09 Result	2009/10 Result	2009/10 Target	Variance + / (-)
Water supply indicators				
No. of customers receiving at least one unplanned interruption in the year	3960	6000	4500	33%
Interruption Indicators³				
Avg duration of unplanned water supply interruptions (minutes)	110	65	110	-41%
Avg duration of planned water supply interruptions (minutes)	177	120	210	-43%
Restoration of water supply				
Unplanned water supply interruptions restored within 5 hours	98%	98%	99%	-1%
Reliability of sewerage collection services indicators				
Sewer spills from reticulation and branch sewers – Priority 1	0	0	no target	—
Sewer spills from reticulation and branch sewers – Priority 2	13	11	no target	↘
Sewage spill from emergency relief structures and pumping stations (per cent of volume transported)	1%	2%	no target	↗
Containment of sewer spillages				
Sewerage spills contained within five hours ⁴	100%	90%	100%	-10%
Reuse Indicators				
Total treated water at King Rd (ML)	135.488	145.5	no target	↗
Effluent reuse water produced King Road (ML)	95.43	142.06	no target	↗
Effluent reused (volume) King Road ⁵	95.433	89.047	100%	
Total treated water at Cowes (ML)	936.03	1038	no target	↗
Effluent reuse water produced Cowes (ML)	106.99	91.459	no target	↘
Effluent reused (volume) Cowes	106.99	91.459	no target	↘
Biosolids reuse (dry mass) – Cowes	0%	0%	no target	—
Biosolids reuse (dry mass) – King Road	0%	0%	no target	—
Sewage treatment standards				
Number of analyses complying with licence agreements – Cowes	100%	100%	100%	100%
Number of analyses complying with licence agreements – King Road	100%	100%	100%	100%
TOTAL REUSE (ML)	202.43	180.51	no target	↘
TOTAL FLOW FROM COWES AND KING ROAD	1071.52	1180.15	no target	↗
TOTAL REUSE (per cent)⁵	18.9%	15.3%	20%	-24%

⁽³⁾ Extensive mains cleaning program prior to summer peak period in 2009 affecting the number of customers interruption variances reported for 2009/10.

⁽⁴⁾ Late detection of two sewer spills due to system failure – now rectified.

⁽⁵⁾ Variances recorded for reuse indicators due to higher rainfall resulting in additional inflows recorded at treatment plants.

⁽⁶⁾ Overall reuse at each location less than the 20% due to higher rainfall than recorded in 2008/09, resulting in decreased demand for reuse product.

Customer complaints indicator

	2008/09 Result	2009/10 Result	2009/10 Target	Variance + / (-)
Water quality complaints per 1000 customers	2.60	2.75	no target	↗
Water supply reliability complaints per 1000 customers	0.35	0.23	no target	↘
Sewerage service quality and reliability complaints per 1000 customers	0.05	0.00	no target	—
Affordability complaints per 1000 customers	0.35	0.17	no target	↘
Billing complaints per 1000 customers	1.00	0.99	no target	—
Pressure complaints per 1000 customers	0.29	0.17	no target	↘
Sewerage odour complaints per 1000 customers	0.82	0.35	no target	↘
Other complaints per 1000 customers	2.13	1.17	no target	↘

Westernport Water has no major non-residential water users as defined under section 122ZJ of the *Water Act 1989*.

Communications

Water conservation was a key customer communication focus this year. Road signage and mobile billboards were used to promote water conservation messages and exchange programs encouraged customers to upgrade old showerheads and trigger nozzles. These programs were publicised via customer newsletters, flyers, local media outlets and the website.

Website development was the focus behind the scenes for the majority of the year, the launch of the refurbished website was well received, and customers and stakeholders found the new functionality faster and more user friendly. Monthly board meeting notes, news releases and customer information is regularly updated on the site.

Westernport Water supported a local student of Newhaven College in her efforts to make a difference to communities in Cambodia and Vietnam. Combining cultural diversity and education, the student group embarked on a four-week expedition and mountain trek, providing students with experience of some of the challenges that face these countries in delivering clean water and sanitation.

Our first open forum held in November 2009 was a success. Customers who attended the forum had the opportunity to talk to specialists in water supply, water quality and wastewater.

Local plumbers and tradespeople supported the Corporation's annual plumber's forum. The forum featured discussion on changes in codes for plumbing and gas regulations. Presentations were made by members of Energy Safe and the Plumbing Industry Commission and were well received by all those who attended.

A commemoration ceremony was held in honour of past employee Ian Bartlett, after whom the water purification plant was named in 1996. This event recognised his achievements and contribution to Westernport Water and the community.

Community inclusiveness

Community inclusiveness at Westernport Water is demonstrated through community representation on our Customer Consultative Panel (CCP), our involvement in community activities and sponsorships, and via our human resources policies and procedures. (and in accordance with the *Multicultural Victoria Act 2004* No.100. The CCP include both male and female representatives from across our customer base, covering a range of age groups, social, economic and cultural backgrounds.

The 2006 census shows that only 3.9% of people in the Bass Coast Shire speak a language other than English at home with the most dominant language being Italian.

Despite the low proportion of our customers with a non-English speaking background, to ensure that we are able to assist all ethnic groups on water and waste water services, we provide free access to a telephone interpreter service.

In addition to our participation in careers expos, Westernport Water actively encourages work experience for secondary students, vacation employment and scholarship opportunities for students undertaking or completing studies at universities and TAFE colleges.

Westernport Water is aware of its obligations under the *Aboriginal Heritage Act 2006* to prepare a Cultural Heritage Management Plan, if 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.

Westernport Water will work closely with indigenous peoples on projects that may have cultural and heritage impacts.

Key indigenous groups in our district are the Bunnerong and Boon Wurrung.



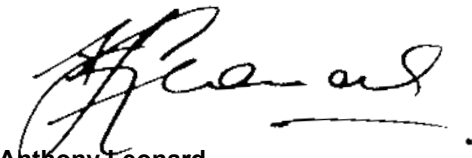
Appendices Westernport Region Water Corporation
Statutory Certification

Performance Statement

In our opinion, the accompanying Statement of Performance of Westernport Water in respect of the 2009/10 financial year is presented in accordance with the *Financial Management Act 1994*.

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

At the date of signing we are not aware of any circumstances which would render any particulars included in the Statement of Performance to be misleading or inaccurate.



Anthony Leonard
Chairperson
Westernport Region Water Corporation



Murray Jackson
Managing Director
Westernport Region Water Corporation

20 August 2010



Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Westernport Region Water Corporation

Performance Statement

The accompanying performance statement for the year ended 30 June 2010 of Westernport Region Water Corporation comprises the statement, the related notes and the statutory certification.

The Board Members' Responsibility for the Performance Statement

The Board Members of Westernport Region Water Corporation are responsible for the preparation and the fair presentation of the performance statement in accordance with the *Financial Management Act 1994*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the performance statement 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 statement based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the performance statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance statement. The audit procedures selected depend on judgment, including the assessment of the risks of material misstatement of the performance statement, 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 statement 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 statement.

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

Matters Relating to the Electronic Presentation of the Audited Performance Statement

This auditor's report relates to the performance statement published in both the annual report and on the website of Westernport Region Water Corporation for the year ended 30 June 2010. The Board Members are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statement named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this performance statement are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited performance statement to confirm the information included in the audited performance statement presented on the Westernport Region Water Corporation website.



Victorian Auditor-General's Office

Independent Auditor's Report (continued)

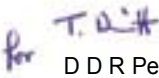
Independence

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

Auditor's Opinion

In my opinion, the performance statement of Westernport Region Water Corporation in respect of the 30 June 2010 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

MELBOURNE
24 August 2010


D D R Pearson
Auditor-General

Financial Report

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Operating Statement

for the reporting period ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
REVENUE FROM OPERATING ACTIVITIES			
Service charges	1(c), 4(a)	12,372	11,401
Water usage charges	1(c), 4(a)	2,263	2,191
Interest	1(c)	54	54
Developer contributions	1(c), 4(a)	423	234
Trade waste	4(a)	158	63
		15,270	13,943
Revenue from non-operating activities			
Government grants and contributions	1(c), 4(a)	382	840
Net gain / (loss) on disposal of non-financial assets	4(b)	31	20
Other income	1(c)	387	1,212
Gifted Assets	4(a)	340	775
		1,140	2,847
Total Revenue		16,410	16,790
EXPENSES FROM OPERATING ACTIVITIES			
Borrowing costs	1(d)	89	160
Depreciation	1(f), 4(c)	3,411	3,405
Amortisation	1(f), 4(c)	129	95
Employee benefits	1(k)	4,343	3,910
Repairs and maintenance expense	1(e)	889	761
Environmental Contributions	1(p)	547	547
Impairment of assets	1(e)	10	642
Other		4,502	4,285
Total expenses		13,920	13,805
Net result before tax		2,490	2,985
Income Tax expense	1(n)	-	-
NET RESULT FOR THE PERIOD		2,490	2,985

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

Statement of Comprehensive Income

for the reporting period ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
Net results for the period		2,490	2,985
Other comprehensive Income		-	-
Total comprehensive income for the period		2,490	2,985

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

Balance Sheet

as at 30 June 2010

	Notes	2010 \$'000	2009 \$'000
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	1(g), 5	179	136
Receivables	1(h), 6	2,123	2,171
Inventories	1(i), 7	554	431
Other current assets	8	128	93
Total current assets		2,984	2,831
<i>Non-current assets</i>			
Receivables	1(h), 7	111	111
Property, plant and equipment	1(e), 9	117,649	116,394
Intangible assets	1(s), 10	509	621
Total non-current assets		118,269	117,126
TOTAL ASSETS		121,253	119,956
LIABILITIES			
<i>Current liabilities</i>			
Payables	1(j), 11	1,591	1,611
Interest bearing liabilities	1(t), 12	1,400	1,154
Employee benefits	1(k), 13	734	748
Total current liabilities		3,725	3,513
<i>Non-current liabilities</i>			
Interest bearing liabilities	1(t), 12	–	1,477
Employee benefits	1(k), 13	200	128
Total non-current liabilities		200	1,605
TOTAL LIABILITIES		3,925	5,118
NET ASSETS		117,328	114,838
EQUITY			
Contributions by owners	14	51,323	51,323
Reserves	15	7,099	7,099
Accumulated funds	16	58,906	56,417
TOTAL EQUITY		117,328	114,838

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 2010

	Notes	Contributions by owners \$'000	Reserves \$'000	Accumulated funds \$'000	Total \$'000
Balance at 1 July 2008		51,323	7,099	53,431	111,853
Total comprehensive income for the year		–	–	2,985	2985
Transactions with the State in its capacity as owner:					
Dividends	24	–	–	–	–
Contributions by owners	14	–	–	–	–
Balance at 30 June 2009		51,323	7,099	56,417	114,838
Total comprehensive income for the year		–	–	2,490	2,490
Transactions with the State in its capacity as owner:					
Dividends	24	–	–	–	–
Contributions by owners	14	–	–	–	–
Balance at 30 June 2010		51,323	7,099	58,907	117,328

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 2010

	Notes	2010 \$'000	2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts</i>			
Service and usage charges		15,100	13,837
Interest received		20	53
Developer contributions		423	1,009
Other receipts		579	554
Receipts from Government		–	500
GST Received from ATO		889	818
<i>Payments</i>			
Payments to suppliers and employees		(10,743)	(9,799)
Interest and other costs of finance paid		(89)	(160)
Environmental contributions		(547)	(547)
GST Paid to ATO		(35)	(62)
Other		–	(545)
Net cash (outflow) / inflow from operating activities	23	5,597	5,658
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for infrastructure, property, intangibles, plant & equipment		(4,500)	(4,268)
Proceeds from sale of infrastructure, property, plant & equipment		177	30
Net cash (outflow) / inflow from investing activities		(4,323)	(4,238)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		700	–
Repayment of borrowings		(1,931)	(1,528)
Proceeds from contributions of owners		–	–
Net cash (outflow) / inflow from financing activities		(1,231)	(1,528)
Net increase / (decrease) in cash and cash equivalents		43	(108)
Cash and cash equivalents at the beginning of the financial year		136	244
Cash and cash equivalents at the end of the financial year	5	179	136

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

Notes to the Financial Report

for the year ended 30 June 2010

Note 1 Significant Accounting Policies

(a) Basis of Accounting

General

The financial report includes separate financial statements for 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 basis.

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* which became effective on 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

(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 contributions

Government grants and contributions are recognised as operating revenue on receipt or when an entitlement is established, 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 assets comprising land, buildings, water, sewerage and drainage infrastructure, gas infrastructure, heritage assets, 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 except land under declared roads and water infrastructure 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.

Plant, equipment and vehicles are measured at fair value.

Water infrastructure assets are measured at cost less any accumulated depreciation and any accumulated impairment losses. These assets comprise substructures or underlying systems held to facilitate the harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and drainage systems.

Notes to the Financial Report for the year ended 30 June 2010

For Whole-of-government reporting at 30 June 2009 and 30 June 2010, water infrastructure assets are measured at fair value less any accumulated depreciation and any accumulated impairment losses, in accordance with FRD 121 *Infrastructure Assets (Water/Rail)*. Annual review of land and building valuations is based on local land valuation indices and building cost index factors, as provided by Department of Treasury and Finance and Valuer-General's (Victoria) Office. No significant changes in value for 2009/10.

During 2009, the Minister for Finance issued two new FRDs in relation to non-current physical assets that are relevant to water infrastructure assets. FRD103D *Non-current Physical Assets ("FRD 103D")*, as revised in March 2009, requires all non-current physical assets to be measured using the revaluation model unless the entity has received prior written approval of the Minister for Finance to measure the assets at cost. FRD 103D is applicable for reporting periods commencing on or after 1 July 2008, superseding FRD 103C. However, in recognition of the initial workload and heavy demand on resources within a relatively tight timeframe for implementation, transitional dispensation was available to relieve measurement at fair value at the entity reporting level until the temporary exemption is withdrawn. This temporary exemption is made under FRD 121 *Infrastructure Assets (Water/Rail)*. During the year, this temporary exemption was extended until the financial year ending June 2011 at the direction of DTF.

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.

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.

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

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.

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

	Periods		Periods
<i>Buildings</i>	40-70 years	<i>Other assets</i>	
<i>Infrastructure</i>		Equipment	5-10 years
Water		Machinery	5-10 years
– <i>Storages</i>	20-100 years	Furniture & computers	2.5-13 years
– <i>Distribution network</i>	15-80 years	Motor Vehicles	4 years
– <i>Treatment plants</i>	15-70 years	Intangible assets	3-5 years
Wastewater			
– <i>Storage</i>	10-70 years		
– <i>Distribution network</i>	25-70 years		
– <i>Treatment plants</i>	15-70 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. Westernport Water has not provided for impaired receivables, as it is expected to recover all debts.

(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 valued 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) Trade and 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.

Notes to the Financial Report for the year ended 30 June 2010

(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 10 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.

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.

(l) Operating Results of Retail Services

The financial report includes a note reporting the retail services of the Corporation, in accordance with the Ministerial Direction under Section 51 of the *Financial Management Act 1994*.

(n) 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 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.

The Corporation's deferred tax assets exceed the level of deferred tax liabilities and therefore it is not required to bring to account tax expense, tax assets and tax liabilities in the Operating Statement, Statement of Comprehensive Income, Balance Sheet and Statement of Changes in Equity as it is not probable that future taxable amounts will be available to utilise those temporary differences.

(o) 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 2009 \$0).

(p) 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.

(q) 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 cashflows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.

(r) 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

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for the year ended 30 June 2010

(s) Intangibles

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

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

	Software Licences	Patents and Other Licences	Development Costs
Useful lives	5 years	Indefinite	Finite
Amortisation method used	Straight line	Not amortised or re-valued	10 years – straight line
Internally generated / acquired	Acquired	Acquired	Internally generated
Impairment test / Recoverable amount testing	Amortisation method reviewed at each financial year-end; Reviewed annually for indicators of impairment	Annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end; Reviewed annually for indicators of impairment

(t) 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.

(u) 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.

(v) Comparative Amounts

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

(w) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. As at 30 June 2010, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2010. 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 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	In May 2009, the AASB issued a number of improvements to existing Australian Accounting Standards. The entity will apply the revised standards from 1 July 2010.	1 January 2010	The entity does not expect that any adjustments will be necessary as a result of applying the revised rules.
AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	AASB 9 <i>Financial Instruments</i> addresses the classification and measurement of financial assets and is likely to affect the entity's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.	1 January 2013	The entity is yet to assess its full impact. However, initial indications are that it may affect the entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards	In December 2009 the AASB issued a revised AASB 124 <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	When the amendments are applied, the entity and the parent will need to disclose any transactions between its subsidiaries and its associates. However, it has yet to put systems into place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.
AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19	AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.	1 July 2010	It is not expected to have any impact on the entity's financial statements since it is only retrospectively applied from the <i>beginning of the earliest period presented (1 July 2009) and the entity has not entered into any debt for equity swaps since that date.</i>
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	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.

Notes to the Financial Report for the year ended 30 June 2010

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 no 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 long term borrowings and funds invested on the money market.

The interest rate on the Corporation's borrowings is fixed and therefore the Corporation is not exposed to any material interest rate risk. The Corporation has a short term loan facility up to a maximum of \$3 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 as majority of borrowings are fixed term loans, and short term borrowing facility is 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 17.

(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.

Note 4 Operating Statement – disclosures

(A) SIGNIFICANT REVENUES

	2010 \$'000	2009 \$'000
<i>Service charges</i>		
– Water service charges	5,269	4,776
– Sewerage charges	7,103	6,625
	12,372	11,401
<i>Usage charges</i>	2,263	2,191
<i>Government contributions</i>	382	840
<i>Developer contribution:</i>		
– Fees paid by developers	423	234
– Assets received from developers	340	775
Trade waste charges	158	63
Other income	472	1,286
Total Income	16,410	16,790

Payment from Department of Health for the construction of a Fluoride Plant in 2009/10 (\$382,000) and 2008/09 (\$840,000). Receipt of contribution treated as capital revenue in the year of receipt which is in line with reporting standard for appropriations.

(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	31	20
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(C) EXPENSES

<i>Depreciation</i>		
– Buildings	96	94
– Water infrastructure	1,453	1,395
– Wastewater infrastructure	1,213	1,279
– Gas	6	6
– Plant, equipment and motor vehicles	643	631
Total depreciation	3,411	3,405

Amortisation	129	95
Bad and doubtful debts	52	31
Superannuation contributions	372	305
<i>Auditors' remuneration:</i>		
– Auditor-General for audit of financial statements	28	25
– Internal audit	62	24
– Other audits (ESC, Tax, OH&S)	103	47

(D) MOVEMENTS IN EMPLOYEE BENEFITS

– Annual leave	41	100
– Long service leave	74	69
– Other	7	10
Total movements in employee benefits	122	180

Notes to the Financial Report

for the year ended 30 June 2010

Note 5 Cash and Cash Equivalents

	2010 \$'000	2009 \$'000
CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	179	136

(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	179	136
Balance as per Cash Flow Statement	179	136

(b) Cash at bank and on hand

These are funds are attract interest at the floating rate	179	136
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Note 6 Receivables

	2010 \$'000	2009 \$'000
CURRENT RECEIVABLES		
Trade receivables	979	1,042
Provision for impaired receivables	–	–
Other receivables	1,144	1,129
Total current receivables	2,123	2,171
NON-CURRENT RECEIVABLES		
Trade receivables	111	111
Provision for impaired receivables	–	–
TOTAL RECEIVABLES	2,234	2,282

(a) Provision for past due but not impaired receivables

As at 30 June 2010, current receivables of the Corporation with a nominal value of \$1,112,332 (2009: 1,004,665) 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.

The ageing of these receivables is as follows:

3 to 6 months	151	392
Over 6 months	961	613
	1,112	1,005

(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	2,123	2,171
– Non Current receivables	111	111
	2,234	2,282

(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

	2010 \$'000	2009 \$'000
INVENTORIES		
Stores and consumables – at cost	463	318
Cattle – at fair value	61	96
Chemicals on hand	30	17
Total current inventories	554	431

Note 8 Other Current Assets

	2010 \$'000	2009 \$'000
OTHER CURRENT ASSETS		
Prepayments	128	93
Total other current assets	128	93

Note 9 Property Plant and Equipment

	2010 \$'000	2009 \$'000
(a) Classes of property, plant and equipment		
<i>Land</i>		
At fair value (as at 30 June 2006)	8,989	8,989
	8,989	8,989
<i>Buildings</i>		
At fair value (as at 30 June 2006)	4,806	4,719
Less: accumulated depreciation	(588)	(491)
	4,218	4,228
<i>Water infrastructure</i>		
At cost	52,916	51,364
Less: accumulated depreciation	(9,762)	(7,982)
	43,154	43,382
<i>Wastewater infrastructure</i>		
At cost	62,525	61,489
Less: accumulated depreciation	(10,213)	(8,424)
	52,312	53,065
<i>Infrastructure – Other</i>		
At cost	289	289
Less: accumulated depreciation	(19)	(13)
	270	276
<i>Equipment and motor vehicles</i>		
At fair value	5,979	5,278
Less: accumulated depreciation	(3,498)	(2,968)
	2,481	2,311
<i>Under Construction</i>		
	6,225	4,142
Total Property Plant & Equipment	117,649	116,393

Land and Buildings were revalued as at 30 June 2006 by an independent valuer Mr K Cundall (AAPI Certified Valuer, Australian Property Institute) from the firm Valueit Pty Ltd. Annual review of land and building valuations is based on local land valuation indices and building cost index factors, as provided by Valuer-General's (Victoria) Office. Land and buildings reported at fair value, and no material changes from 2006 valuation reported.

Note 10 Intangible Assets

	Software \$'000	Total \$'000
<i>Year ended 30 June 2010</i>		
At 1 July 2009, net of accumulated amortisation	621	621
Additions	17	17
Impairment	–	–
Amortisation	(129)	(129)
At 30 June 2010, net of accumulated amortisation	509	509
<i>Year ended 30 June 2009</i>		
At 1 July 2008, net of accumulated amortisation	301	301
Additions	414	414
Impairment	–	–
Amortisation	(94)	(94)
At 30 June 2009, net of accumulated amortisation	621	621

Note 11 Payables

	2010 \$'000	2009 \$'000
CURRENT PAYABLES		
Trade Payables	1,253	1,049
Accrued expenses	248	548
Other Creditors	90	14
Total Current Payables	1,591	1,611

Notes to the Financial Report

for the year ended 30 June 2010

Note 12 Interest Bearing Liabilities

	2010 \$'000	2009 \$'000
CURRENT		
<i>Unsecured</i>		
Other loans [<i>Treasury Corporation of Victoria</i>]	1,400	1,154
Total current unsecured interest bearing liabilities	1,400	1,154
NON-CURRENT		
<i>Unsecured</i>		
Other loans [<i>Department of Treasury & Finance</i>]	–	1,477
Total non-current unsecured interest bearing liabilities	–	1,477
Total interest bearing liabilities	1,400	2,631
CREDIT STANDBY ARRANGEMENTS		
Total available	3,000	3,000
Unused at balance date	1,600	2,300
	Carrying amount \$'000	Fair value \$'000
<i>On Balance Sheet</i>		
Total interest bearing liabilities	1,400	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:

	2010 \$'000	2009 \$'000
6 months or less	1,400	1,430
6-12 months	–	40
1-5 years	–	1,161
Over 5 years	–	–
Total interest bearing liabilities	1,400	2,631

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

	2010	2009
	\$'000	\$'000
CURRENT		
Annual leave and unconditional long service leave entitlements, representing 10 years of continuous service:		
<i>Short term benefits that fall due within 12 months, measured at nominal value</i>	466	555
<i>Other long term benefits that do not fall due within 12 months, measured at present value</i>	268	193
Total Current	734	748
NON CURRENT		
Conditional Long Service Leave	200	128
Total Non Current	200	128
Total Employee Benefits	934	876

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

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

Note 14 Contributions by Owners

	2010	2009
	\$'000	\$'000
Opening balance at 1 July 2009	51,323	51,323
Owner capital contributions in the year	–	–
Closing balance at 30 June 2010	51,323	51,323

Note 15 Reserves

	2010	2009
	\$'000	\$'000
Asset Revaluation Reserve:		
Opening balance at 1 July 2009	7,099	7,099
Revaluation increments/decrements on non current assets	–	–
Closing balance at 30 June 2010	7,099	7,099

Note 16 Accumulated Funds

	2010	2009
	\$'000	\$'000
Opening balance at 1 July 2009	56,416	53,431
Net Surplus	2,490	2,985
Closing balance at 30 June 2010	58,906	56,416

Notes to the Financial Report

for the year ended 30 June 2010

Note 17 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.

2009/2010	Non interest Bearing \$'000	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<i>Financial Assets</i>									
Cash	–	179	–	–	–	–	–	–	179
Trade debtors	1,090	–	–	–	–	–	–	–	1,090
Other receivables	1,144	–	–	–	–	–	–	–	1,144
Total financial assets	2,234	179	–	–	–	–	–	–	2,413
<i>Financial Liabilities</i>									
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%	–	–	–	–	–	–	
2008/2009									
2008/2009	Non interest Bearing \$'000	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<i>Financial Assets</i>									
Cash	–	136	–	–	–	–	–	–	136
Trade debtors	1,153	–	–	–	–	–	–	–	1,153
Other receivables	1,129	–	–	–	–	–	–	–	1,129
Total financial assets	2,282	136	–	–	–	–	–	–	2,418
<i>Financial Liabilities</i>									
Payables	1,611	–	–	–	–	–	–	–	1,611
Bank overdrafts and loans	–	–	652	283	509	358	129	–	1,931
Other Loans	–	700	–	–	–	–	–	–	700
Total financial liabilities	1,611	700	652	283	509	358	129	–	4,242
Weighted average interest rate		3.17%	5.73%	5.73%	5.73%	5.73%	5.73%	5.73%	

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 18 Operating Results of Retail Services

	Wholesale		Retail	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<i>Revenue</i>				
Bulk water sales – urban retail	–	–		
Service Charges	–	–	12,372	11,401
Usage Charges	–	–	2,263	2,191
Recycled Water	–	–	13	29
Other	138	–	1,624	3,169
Total Revenue	138	–	16,272	16,790
<i>Expenses</i>				
Employee benefits	147	119	4,196	3,791
Depreciation	397	402	3,014	3,003
Supplies & services	914	526	4,532	4,666
Borrowing costs	–	–	89	160
Recycled Water	–	–	74	32
Other	–	4	557	1,102
Total Expenses	1,458	1,051	12,462	12,754
Net result for the period	(1,320)	(1,051)	3,810	4,036

	Water		Wastewater		Recycled Water		Other		Total Retail	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<i>Revenue</i>										
Sales	8,001	6,570	7,753	7,571	13	8	157	297	15,924	14,466
Unallocated sales	–	–	–	–	–	–	–	–	348	2,324
Total Revenue	8,001	6,570	7,753	7,571	13	8	157	297	16,272	16,790
<i>Expenses</i>										
Service Results	1,932	1,866	2,369	2,381	74	32	244	282	4,619	4,561
Unallocated expenses	6,069	4,704	5,384	5,190	(61)	(24)	(87)	15	7,843	8,193
Operating surplus from retail operations									3,810	4,036

Notes to the Financial Report

for the year ended 30 June 2010

Note 19 Commitments

	2010 \$'000	2009 \$'000
CAPITAL COMMITMENTS		
<i>At 30 June 2010, the Corporation had the following capital commitments:</i>		
Various projects	805	577
Outstanding capital commitments are to be paid as follows:		
<i>within one year</i>	805	577
	805	577
SIGNIFICANT OPERATING COMMITMENTS		
<i>At 30 June 2010, the Corporation had the following significant operating commitments:</i>		
Environmental Contribution commitments		
<i>within one year</i>	547	547
<i>one to five years</i>	547	1,094
	1,094	1,641

Note 20 Contingent liabilities and contingent assets

An action has been initiated against the Corporation for unspecified damages. 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).

Note 21 Superannuation (cont'd)

Fund surplus or deficit (ie the difference between fund assets and liabilities) are calculated differently for funding purposes (i.e. calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in a council's financial statements. AAS 25 requires that the present value of the benefit liability which is calculated in respect of membership completed at the calculation date makes no allowance for future benefits that may accrue. The actuarial investigation concluded that although the Net Market Value of Assets was in excess of Accrued Benefits at 31 December 2008, based on the assumptions adopted, there was a shortfall of \$71 million when the funding of future benefits was also considered. However, Westernport Water has been advised that no additional contributions will be required as at 30 June 2010. The Actuary will undertake the next actuarial investigation as at 30 June 2010 to ascertain if additional contributions are required.

Accounting Standard Disclosure

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

	2010	2009
	\$'000	\$'000
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	183	155
Employer contributions payable to Local Authorities Superannuation Fund (Vision Super) at reporting date	27	22

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

As at the reporting date, there were no loans to or from *Westernport Water* to any of the above funds.

Notes to the Financial Report

for the year ended 30 June 2010

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 Timothy Holding MP, Minister for Water (1 July 2009 to 30 June 2010)
- Anthony Leonard (Chairperson)
- Jane Bell (Deputy Chairperson)
- Leigh Hocking (Director)
- Leah Young (Director)
- Chris Pattas (Director)
- Trevor Nink (Director)
- Alison Von Bibra
- Murray Jackson
- Kylie White (Acting Managing Director 04/01/2010 – 10/01/2010, 7 days)

	2010 \$'000	2009 \$'000
Remuneration received, or due and receivable from the Corporation in connection with the management of the Corporation (includes termination payments and bonuses paid).	361	264

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

Income band (\$)	2010 No.	2009 No.
0 – 9,999	–	1
10,000 – 19,999	6	3
20,000 – 29,999	–	5
30,000 – 39,999	1	–
40,000 – 49,999	–	–
90,000 – 99,999	–	1
100,000 – 109,999	–	–
110,000 – 119,999	–	–
120,000 – 129,999	–	–
130,000 – 139,999	–	–
140,000 – 149,999	–	–
150,000 – 159,999	–	–
160,000 – 169,999	–	–
170,000 – 179,999	–	–
180,000 – 189,999	–	–
190,000 – 199,999	–	–
200,000 – 209,999	–	–
210,000 – 219,999	–	–
220,000 – 229,999	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	
	2010 No.	2009 No.	2010 No.	2009 No.
100,000 – 109,999	–	–	–	–
110,000 – 119,999	–	–	–	–
120,000 – 129,999	–	–	1	1
130,000 – 139,999	–	1	–	1
140,000 – 149,999	1	1	1	–
150,000 – 159,999	1	–	–	–
Total Amount	301	283	268	261
Total Numbers	2	2	2	2

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

	2010 \$'000	2009 \$'000
<i>Net result for the period after income tax</i>	2,490	2,985
<i>Add (profit)/loss on disposal of non-current assets</i>	(31)	(20)
<i>Add Depreciation and amortisation</i>	3,540	3,500
<i>Less Developer contributions for capital purposes</i>	(340)	(775)
<i>Less Inventory adjustments</i>	–	(33)
<i>Add Bad debts write off</i>	52	31
<i>Add Impairment of non-current assets</i>	10	642
	5,721	6,331
<i>Changes in Assets & Liabilities</i>		
<i>Decrease/(Increase) in trade receivables</i>	11	(263)
<i>Decrease/(Increase) in inventories</i>	(123)	(78)
<i>Decrease/(Increase) in other current assets</i>	(35)	(510)
<i>Decrease/(Increase) in other receivables</i>	(15)	3
<i>(Decrease)/Increase in payables</i>	(20)	494
<i>(Decrease)/Increase in provisions</i>	–	(101)
<i>(Decrease)/Increase in employee benefit liabilities</i>	58	(219)
	(124)	(673)
Net cash flows from Operating Activities	5,597	5,658

Note 24 Dividends

The Boards' resolved at the 20 August 2010 meeting that the dividend payment for 2009/10 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 Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2010 and the financial position of the Corporation as at 30 June 2010.

We are not aware of any circumstance 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

20 August 2010



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 2010 of Westernport Region Water Corporation which comprises the operating statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the statutory certification has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of 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*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

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. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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



Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of Westernport Region Water Corporation for the year ended 30 June 2010. The Board Members of Westernport Region Water Corporation are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Westernport Region Water Corporation website.

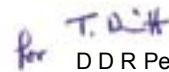
Independence

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.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Westernport Region Water Corporation as at 30 June 2010 and its financial performance and 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*.

MELBOURNE
24 August 2010


D D R Pearson
Auditor-General

Directory

Head office

2 Boys Home Road
Newhaven VIC 3925

Ph: (03) 5956 4100
Fax: (03) 5956 4101

Email:
westport@westernportwater.com.au

Website:
www.westernportwater.com.au

ABN: 63 759 106 755

Responsible Minister

The Hon. Tim Holding
Minister for Water

Bankers

National Australia Bank
Thompson Avenue
Cowes VIC 3922

Auditors

Auditor General, Victoria
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
#WWA103

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