



westernport water
annual report 2005

03	VISION AND MISSION
05	CHAIRPERSON AND CHIEF EXECUTIVE OFFICER REPORT
07	GOVERNANCE STRUCTURE
11	REPORT OF OPERATIONS
17	PERFORMANCE INDICATORS
25	PERFORMANCE INDICATOR CERTIFICATE
26	AUDITOR GENERAL'S CERTIFICATE
27	THE YEAR AHEAD
29	STATUTORY INFORMATION
32	FINANCIAL REPORTS
52	CERTIFICATION CERTIFICATE
53	AUDITOR GENERAL'S REPORT
	DIRECTORY
	INSIDE BACK COVER

customer profile

Within our district we have 15,357 properties that have water available to them.

This is made up as follows:

Houses and Flats	12,099
Vacant lots	2,316
Commercial customers	378
Farms	413
Other	151

The population served ranges from 12,600 people during winter to more than 55,000 people during peak holiday periods.

services provided

Westernport Region Water Authority (trading as Westernport Water) provides water and wastewater services to properties located within its district. Water is sourced from the Candowie Reservoir in the Bass Hills near Glen Forbes. Source water is treated at the Ian Bartlett Water Purification Plant, which uses advanced filtration techniques to enhance water quality, and distributed to communities through a network of supply mains. Wastewater services are provided to approximately 90% of properties that are connected to the water supply service.

The Authority has two major wastewater treatment plants. The Cowes Wastewater Treatment Plant serves the population of Phillip Island and the township of San Remo. The King Road Wastewater Treatment Plant, located near Coronet Bay, serves the various townships located on the east coast of Western Port. Wastewater from the townships of Kilcunda and Dalyston is treated under agreement by South Gippsland Water at its Wonthaggi Treatment Plant.

In addition, the Authority provides the following services:

- A liquid waste disposal facility installed at the Cowes Wastewater Treatment Plant.
- The sale of treated wastewater for recreational, horticultural and pastoral activities.
- Reticulated gas services.
- The removal of greasy waste.



VISION

That Westernport Water is the preferred multi-utility service provider in the South West Gippsland Region.

MISSION

Through being **customer driven** and **asset focused**, Westernport Water will provide quality water, wastewater and other utility services as required to the South West Gippsland Region. Through the provision of these essential services Westernport Water aims to enhance the social, environmental and competitive position of the region.

results at a glance

	2004/2005 \$ million	2003/2004 \$ million	2002/2003 \$ million	2001/2002 \$ million	2000/2001 \$ million
financial performance					
revenue*	11.9	11.3	12.6	10.6	10.0
expenses	9.1	9.2	8.3	7.5	6.2
borrowing costs	0.3	0.3	0.4	0.5	0.7
profit (before one off items)	2.5	1.8	3.9	2.6	3.1
one off items ¹	–	6.8	–	–	–
net profit	2.5	8.6	–	–	–
financial position					
total assets	113.9	108.0	99.0	96.1	87.8
total liabilities	6.4	6.7	6.0	6.6	9.4
total equity	107.5	101.3	93.0	89.5	78.4

* Revenue from tariffs and charges

1. The Authority took over the mains to meter assets of its customers on 30 June 2004. This income is the accounting treatment of the contributed capital from this action

significant changes in financial position

There are no significant changes relating to the financial position that warrant further explanation or comment other than as referred to in the accompanying notes to the Financial Statements.

chairperson and chief executive officer report



Dear Minister,

We have much pleasure in presenting the Annual Report for the 2004-2005 financial year.

The operating result for 2004/2005 is a profit of \$2.54 million. This is 5.9% below the projected result of \$2.70 million, reflecting the slowdown in development in the region.

The major highlights for Westernport Water during the 2004/2005 financial year were completion of the Water Plan pricing process, early 2004 winter rains restoring the water levels at Candowie Reservoir, continuation of the recycled water leadership program, connection of the Authority's first gas customers, and the high quality of water and wastewater service levels.

The Organisation Development Plan continued with the completion of a new performance management system, the restructure of two departments to better service customers and manage the financial challenges of economic regulation and the continuation of process improvement plans that delivered the second round of Enterprise Agreement salary increases for staff.

Customers and stakeholders have been engaged on significant issues that confront the Authority. The results have been incorporated by the Board in its policy development and strategic planning outcomes. Westernport Water's responses to the two main issues raised by customers in the latest customer survey, namely price and water quality, included the decision to adopt the Melbourne Water connection as the preferred water supply augmentation. This is due to be constructed in the 2007-2008 financial year and achieved on a modest 3.6% real price increase from the Essential Services Commission (ESC).

The pricing allowed by the ESC allows Westernport Water to complete a \$20 million capital expenditure program and undertake operational expenditure of \$30 million over three years.

The Authority successfully managed its water resources throughout the year and did not have to apply water restrictions at any stage. Our thanks go to South Gippsland Water for its continued cooperation in sharing the region's scarce water resources.

The Authority has focused on ensuring that water is valued. The continuing dry period provides the Authority with an opportunity to significantly progress recycled water use and stormwater mining. The Authority replaced 20 million litres of potable water at its Cowes Wastewater Treatment Plant and harvested 200,000 litres of rainwater to flush toilets at its administration and operations facility. The Authority completed the first year of its leadership program aimed at maximising the value of recycled water. This program is aimed at showing that the true cost of water is not a limiting factor to rural or urban businesses profitability.

Your requirement for Westernport Water to focus on the efficient delivery of quality services is reported to you in accordance with the Statement of Obligations. We are pleased to advise that the Authority continues to deliver on those obligations to customers, with ongoing improvements in environmental and social performance.

Pamela Cameron
Chairperson
Michael (Mike) Paine
Chief Executive Officer



sustainability

The Authority has adopted an energy policy for consultation purposes called "Close to Zero". The policy aims to reduce the Authority's net energy purchases from the grid in the long term to zero by investing in technologies to better manage our energy demand and use the region's abundant natural resources to produce renewable energy. This has the potential to reduce greenhouse gas emissions by 5,000 tonnes per annum. This policy is clearly aligned with your Government's commitment to increase to 10% by 2010 the amount of energy generated from renewable sources and the requirements of the White Paper *Our Water Our Future* for businesses to coordinate water and energy demand management initiatives.

This year the Authority considered a project to generate sufficient electricity from a solar panel system to have a zero net energy purchase for its King Road Wastewater Treatment Plant. Unfortunately, the triple bottom line assessment of the project showed that subsidies would be needed for this technology to be viable at this point in time.

The Authority has installed a major pressure reduction facility on the water mains that service to the towns of Corinella and Coronet Bay. This facility will reduce leakage and mains bursts and consequently preserve our precious water resources.

social initiatives

The Authority's new Mains to Meter Policy has been widely accepted by customers. The Authority's original estimate of savings of at least 5 million litres from this initiative continues to be achieved.

The Authority's scholarship for 2004/2005 has been awarded to a local student undertaking an Information Technology degree at Monash University, Clayton.

Westernport Water continues to sponsor the Cowes Golf Club's Pro Am in recognition of its longer term partnership with this major recycled water customer.

Westernport Water's commitment to training and development of its employees continued during the year. We currently have two employees undertaking part time university courses, fifteen employees studying their Certificate 2 and Certificate 3 Water and Wastewater Operations and five employees undertaking their Certificate III Gas Operations.

Westernport Water has also focused training on occupational health and safety issues. This year training in asbestos, first aid and confined space were undertaken.

process improvement program

The major platform for improved operational efficiency for the Authority is a program called "Better Teams". This year the organisation development program concentrated on performance expectations and communication to underpin the achievement of the rolling process improvement plans developed in 2004. The 2005-2008 Water Plan developed for the Essential Services Commission is based on this work and will continue to deliver end-to-end customer driven and asset focused process improvements.

disciplined capital spend

The prioritisation of the capital spend is crucial to improving the level of service delivered by the Authority's assets. Analysis of asset investment on a whole-of-life basis is undertaken to ensure capital investment decisions provide maximum benefit to our customers.

The Authority also relies on external contributions to fund its capital works. These funds may not be received and hence the planned capital works are not able to be undertaken. Allowing for works subject to external funding, the Authority completed 85% of its capital program during 2004-2005.

governance

The Board and Management Team have continued to ensure that the systems and practices of the Authority are managed to minimise risks. Major reviews of structure, delegations, purchasing policies and procedures and contract management were undertaken throughout the year. Education of the Board and Management Team members on leading-edge governance practice continued throughout the year.

employees, board members and associates

We would like to thank the Board, Management and Employees for their continued hard work and loyalty as we progress the Authority as a sustainable, multifaceted, customer driven and asset focused business. Thanks are directed to our consultants and to Government officials, who also have worked tirelessly to assist us with our journey to date.

governance structure

Westernport Region Water Authority was constituted on 22 December, 1994, by the former Minister for Natural Resources, the Hon. Geoff Coleman, by Order, under section 98(2)(a) of the *Water Act 1989*, published in the Victorian Government Gazette No S102. The Authority is responsible to the Victorian Government through the Minister for Water, the Hon. John Thwaites.

In accordance with Section 99(2)(d), 99(3) and Schedule 1(1) of the *Water Act 1989*, the Hon John Thwaites, Minister for Water, appoints members to the Board of Westernport Region Water Authority for varying terms.

Minister Thwaites appointed Members Pattas and Young and re-appointed Members Walpole, Dacy and Westwood for three years, effective 1 July, 2004.

Meetings are scheduled for each month, with special and standing committee meetings convened as required. The number of Board meetings, committee meetings, and the Members' attendance during 2004-2005 are detailed in the table on page 8.

corporate governance

The Board is responsible for the corporate governance of the Authority and derives its powers and functions from the *Water Act 1989*.

statement of obligations

The Statement of Obligations was issued by the Minister for Water, the Hon John Thwaites, under section 41 of the *Water Industry Act 1994* on 27 July, 2004. The purpose of the Statement of Obligations is to clarify the obligations of the Authority in relation to the performance of its functions and the exercise of its powers.

the board

key functions of the board include:

- Setting the strategic direction and policy framework by adopting, implementing and resourcing a Corporate Plan.
- Establishing measurable goals and objectives.
- Establishing and setting service levels and monitoring achievement.
- Ensuring operational, environmental and financial risk-management systems are in place.
- Ensuring compliance with legislative and regulatory obligations.
- Evaluating Board and Executive Officers' performance to ensure integrity of corporate governance practice and ethical conduct.

performance monitoring

The Authority has maintained rigorous performance reporting in respect to key aspects of its operations. The Board reviews monthly performance data in respect of key business process performance including water and wastewater quality, regulatory compliance and operational and capital budgetary performance.

board committees remuneration committee

The Remuneration Committee provides oversight and recommendations to the Board on the performance and remuneration of executives, development of the organisation and employees and development of workplace policies, procedures and management systems. Throughout the year the Remuneration Committee oversaw:

- the reorganisation of the Corporate Services and Business Processes departments.
- the recruitment of two executive managers including a new Chief Financial Officer.
- the reinvigoration of the performance management systems and extensive associated training program.
- the management of executive performance and remuneration arrangements.
- A comprehensive review of remuneration of employees and update of the remuneration policy.

The Remuneration Committee members for 2004-2005 were Pamela Cameron (Chairperson), Susan Walpole and Philip Westwood.

audit committee

The Audit Committee is a sub-committee of the Board, with responsibilities to review and recommend to the Board the acceptance of the Auditor General's audit report with or without comment, monitor the Internal Audit function, to recommend risk-management strategies and monitor the level of regulatory compliance. During the year the Audit Committee oversaw the extension of the Internal Audit Contract and the associated reappointment of Haines Norton as the Authority's Internal Auditor along with the ongoing implementation of the Internal Audit Plan.

The Audit Committee received reports from the Internal Auditor in relation to:

- Data Risk
- Contract Management
- Project and cost centre control
- Corporate Credit Card compliance
- Taxation Compliance

The Audit Committee also commissioned two special audits throughout 2004-2005, including an audit into Payroll and Creditor Payments control in December 2004 undertaken by Haines Norton.

A second special audit was undertaken in June 2005 by PricewaterhouseCoopers into the 2003-2004 annual accounts and disclosure processes.

The Audit Committee consists of three independent members. For 2004-2005 they were Clyde Paterson (Chairperson), Anthea Dacy and Leah Young.

board of directors

Pamela Cameron
Anthea Dacy
Clyde Paterson
Chris Pattas
Susan Walpole
Philip Westwood
Leah Young



pamela cameron (chairperson)

Pamela Cameron was appointed Chairperson on 30 June, 2001. Mrs Cameron is Manager of the Child, Family and Allied Health Team and Physiotherapist at Bass Coast Community Health Service Inc. She is a partner operating a family farm on Phillip Island. For many years Pamela has held several senior committee and director positions, providing local and regional knowledge and expertise. She is currently President of the Phillip Island Aquatic Centre Fund Inc., a Life Governor of Newhaven College, a Member of the Institute of Water Administration, the Australian Institute of Company Directors and an inaugural member of Phillip Island Landcare.

anthea dacy (deputy chairperson)

Anthea Dacy has a Bachelor of Arts (Asian Studies), Grad. Dip. Business Studies, and is currently undertaking part-time studies in Law. She does freelance writing and marketing consulting from the farm where she lives with her husband and two children. The property produces beef cattle and is in the process of conversion to organic status. A part of the farm is being turned over to a carbon sink. She holds a number of positions on Ministerial advisory panels and in local community organisations.

clyde paterson

Clyde Paterson is a qualified accountant, with more than 30 years experience in the water industry. Mr Paterson has special skills in finance, business management, auditing, budget control, capital works and construction and management of water and sewerage assets. He is also a Fellow of the Institute of Water Administration. Mr Paterson has sheep and cattle farming interests in South Gippsland

and is an active member of the Arawata Landcare Group. He has held the position as community representative and Chairman of the Audit Committee of the South Gippsland Shire Council for the past six years. Mr Paterson is also involved in community groups and voluntary service organisations in South Gippsland and is currently part-time Secretary/Manager of a 42 bed Aged Care Facility at Korumburra.

chris pattas

Chris Pattas is the Director, Enterprise Division for Ericsson Australia, a global organisation that provides infrastructure, applications and services to telecommunication companies and enterprises. He holds a Bachelor of Engineering, a Masters of Business Administration and is a Member of the Australian Institute of Company Directors. Mr Pattas is also 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, Mr Pattas also has extensive experience with local government. Previous roles include senior executive positions with NEC, Pracom and Sensis.

susan walpole

Susan Walpole, currently the Chief Executive Officer of the Legal Practice Board, holds a Bachelor of Jurisprudence (specialising in Industrial Relations), Bachelor of Laws, and a Graduate Diploma Media Management. Ms Walpole possesses extensive experience in superannuation, industrial relations and human resource management. Her previous employment includes Manager, Industry Fund and Business Development, Superpartners, Federal Sex Discrimination Commissioner and Federal Head of Human Resources, ABC TV. Ms Walpole is also a member of the Nurses Board of Victoria.

philip westwood

Philip Westwood is an Environmental Auditor. He is a primary producer and a self-employed Director of Blue Mountain Creek Pty Ltd, consulting in environmental management and public relations. He has a Diploma in Journalism and is a member of the Port Phillip and Westernport Catchment Management Authority, Bushland Research Council, Free Range Farmers Association Inc, Western Port Seagrass Partnership, Cardinia Environment Coalition and an alternate director of the Mornington Peninsula and Western Port Biosphere Project.

leah young

Leah Young provides support to the Board in business management and strategic planning. She holds a Bachelor of Business, a Graduate Diploma in Business, is a Fellow of the Australian Institute of Company Directors 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, Ms Young had more than 12 years experience in local government, holding senior positions in key areas such as financial and corporate planning, capital works development, administration and human resource management. Ms Young has been a Director of the Central Gippsland Water Authority for the past five years.

directors attendance at board and committee meetings

	Board Meetings		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Pamela Cameron (Chairperson)	12	12	-	-	4	4
Anthea Dacy (Deputy Chairperson)	12	12	8	8	-	-
Clyde Paterson	12	10	8	7	-	-
Chris Pattas	12	8	-	-	-	-
Susan Walpole	12	9	-	-	4	4
Philip Westwood	12	12	-	-	4	3
Leah Young	12	10	8	7	-	-

management team

Mike Paine
Andrew Kneebone
Gary Cossens
Steven Porter
James Young



roles & responsibilities

mike paine

chief executive officer

- Corporate governance
- Corporate planning
- Corporate support
- Water Plan
- Essential Services Commission
- Government liaison
- Water industry liaison
- Regional development
- Public affairs

andrew kneebone

manager corporate services

- Corporate reporting
- Customer relations
- Human resource management
- Occupational health and safety
- Organisation development
- Quality systems
- Regulation compliance
- Industrial relations
- Information technology
- Accounts management
- Customer service
- Billing
- Reception
- Records management
- New business opportunities
- Insurance

gary cossens

chief financial officer

- External audit
- Internal audit
- Finance
- Treasury and taxation
- Payroll
- Purchasing and stores

steven porter

manager asset planning and delivery

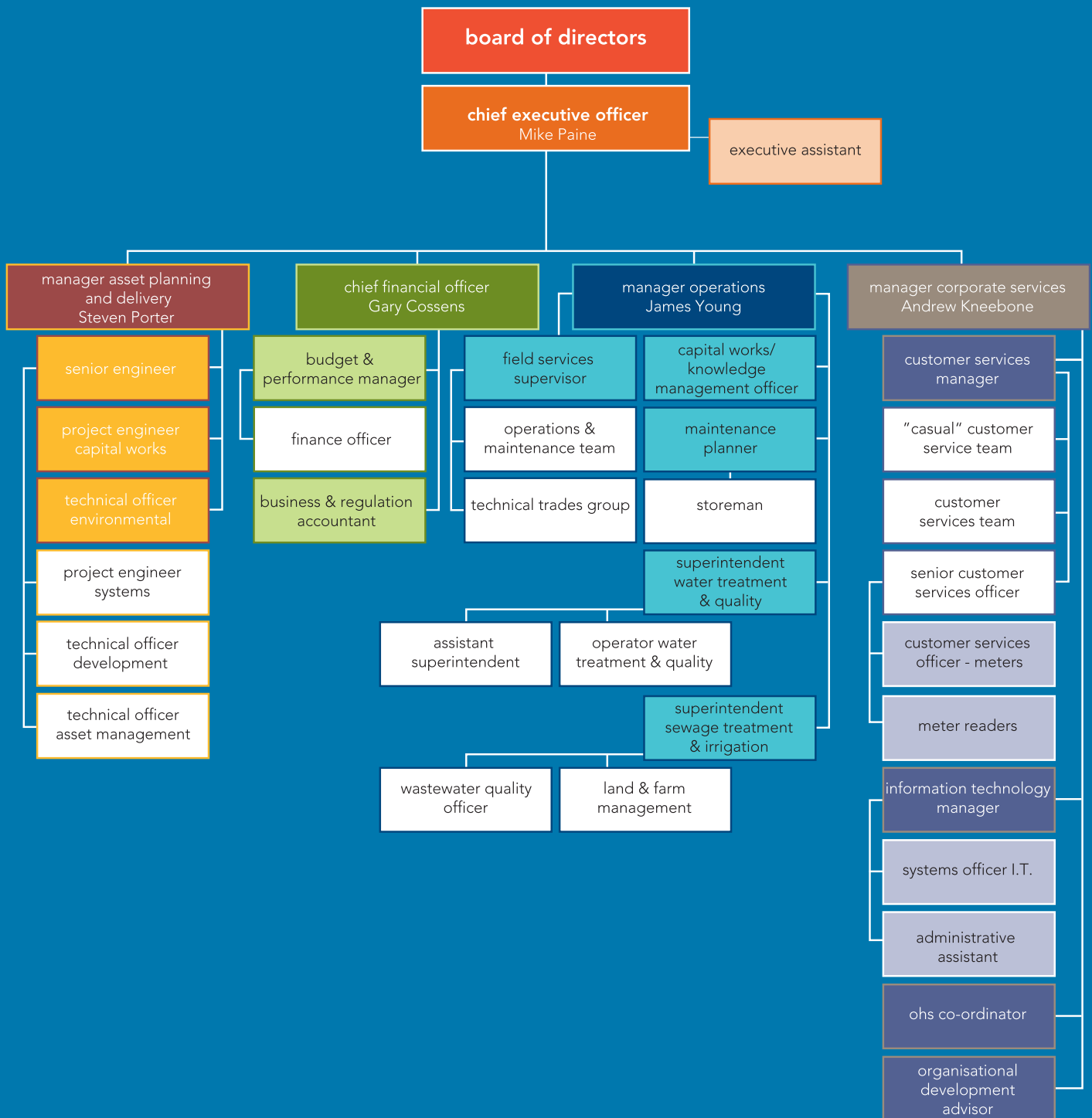
- Asset creation
- Asset management
- Asset planning
- Design
- Developer liaison
- Headworks policy
- Plumbing Industry Commission
- Trade waste
- Environment Protection Authority

james young

manager operations

- Effluent disposal operations and maintenance
- Emergency management
- Sewage treatment operations and maintenance
- Water conservation
- Water operations and maintenance
- Water quality
- Water treatment operations and maintenance
- Environmental management system
- Property management

organisational structure



2004-2005 performance report

Westernport Water developed and implemented a Strategic and Corporate Plan for 2004-2005 based on triple bottom line principles.

The Strategic Plan focused on the strategic priority areas of Customer Service, Physical Assets, Governance, the Environment, People and Systems and Regional Development.

A key consideration in developing the Corporate Plan for 2004-2005 was ensuring key government policies were advanced through the Plan's deployment. Following is a report on the Authority's 2004-2005 achievements in implementing its Strategic and Corporate Plan.

social sustainability

customer service

Westernport Water continued its quest to better understand its customers so the range of products and services on offer can be better tailored to meet their needs. To advance this understanding, Westernport Water began developing a comprehensive demographic profile. This process involved the commissioning of three reports profiling differing customer segments:

1. Major Customers
2. Permanent Residents
3. Non-Permanent and New Permanent Residents

Using data collated from the latest census, and a combination of one-on-one meetings and telephone surveys, the reports examined aspects of business and household composition, attitudes to the region and the characteristics of water usage. It also examined what has attracted non-permanent residents and new permanent residents to the Westernport Water region so that these strengths can be leveraged and enhanced.

The customer service function was reorganised in November 2004 to further strengthen the ability of the Authority to deliver the level of service required by customers. This involved streamlining the management of the group and maximising the available skill base. This was supplemented by an extensive training program for existing and new staff to increase the effective use of corporate customer service systems. The training process also addressed a series of data integrity issues, which led to a significant improvement in the data collection and retrieval processes associated with customer-related information.

In addition, several key service offerings were reviewed and improved throughout the year. These included ensuring that information statements were meeting the needs of customers in terms of information and timeliness. A new account format also was developed and implemented in June 2005, and a review of rural meter reading processes was undertaken. This led to substantial efficiency gains in this process and the implementation of a series of performance indicators.

A comprehensive Debt Management project also was undertaken from February 2005, involving a complete review of the account collection processes of the Authority. This project led to a substantial reduction

in the level of aged debt and the adoption by the Board in March 2005 of an Account Collection Policy and associated streamlined procedures. This process was undertaken in consultation with local financial advisors and customer advocate groups. The revised accounts collection policy included an updated "Hardship Policy" aimed at assisting customers experiencing genuine hardship.

Westernport Water staff played a key role in assisting the Essential Services Commission in developing its Customer Service Code, which was completed in early 2005. In response to the requirements of the Code, Westernport Water undertook a substantial review of its Customer Charter. The revised Charter was approved by the Essential Services Commission in June 2005.

The Westernport Water website also was substantially updated during 2004-2005 to improve the availability of information to customers.

customer reference/advisory committees

Westernport Water is committed to building partnerships with its customer base and the community. It is keen to incorporate community expertise and advice into its service planning and decision-making process. To this end, Westernport Water has appointed an advisory Customer Consultative Panel (CCP). The Panel members represent the interests of all water users. They provide a community voice.

During the year, the Panel met 10 times. Three Panel members retired following valuable service to the Authority. They were (long-serving Panel Chairman) George Mortimer, Roy Turner, and Joan Christie. Two Panel members were replaced following an Expression of Interest process. One vacancy exits. The current members of the CCP are Neil Beddoe – Chairman, Phil Dixon, Gwen McRae, Terry Heffernan, Glenda Salter, Frank Adamo and Charles Gentner.

This year the Panel assisted the Authority with:

- Development of the Drinking Water Quality Policy.
- The Authority's Water Plan and submission to the ESC.
- Amended Main to Meter Policy.
- Development of the Customer Charter.

- Development of the new customer letter and information pack.
- Development of the Account and Collection Policy.
- Development of the Backflow Prevention Protection Policy.
- Development of the initial customer satisfaction survey.

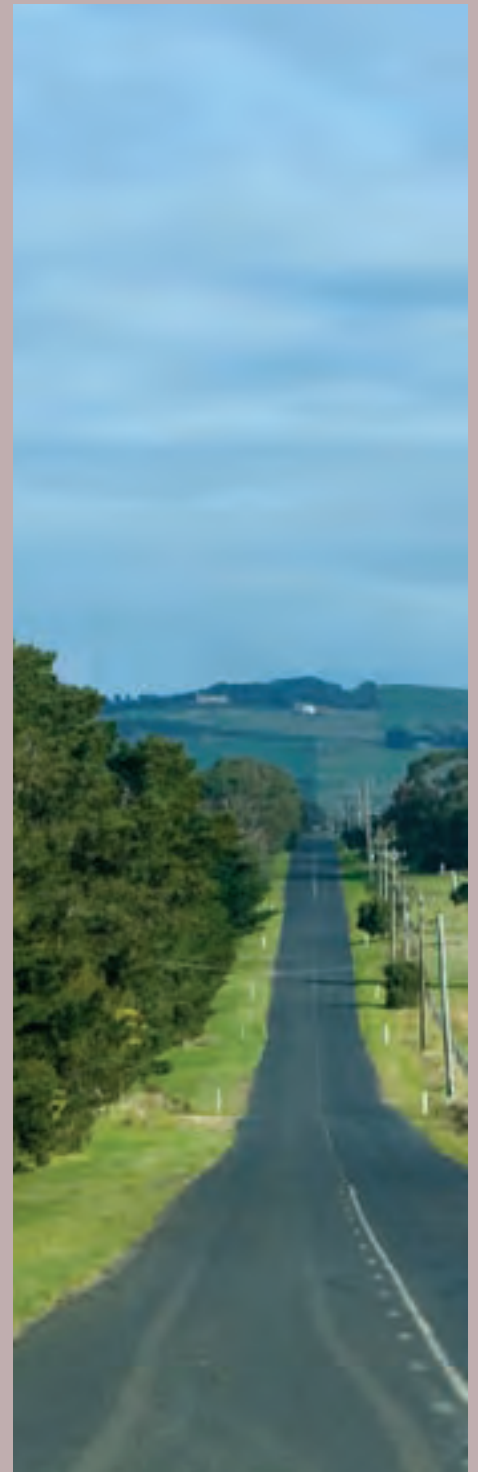
community education

The Authority continued its community education program throughout the year with the following activities:

- National Water Week, involving local schools and representatives of a number of community groups.
- World Environment Day Expo (two days), involving more than 600 students from local schools.
- Regular press releases promoting water conservation ideas.
- Promotion of the savewater.com.au website and regular updating of the Authority's page on the site.
- Visits to schools and community groups to talk about the Authority and water conservation.
- Community bus tours of the Authority's assets.
- Preparation of information sheets.
- Updating of the reservoir level on signage and the Authority's website.
- Account Newsletter.

community service obligations

	2004-2005 \$	2003-2004 \$	2002-2003 \$
pensioner concessions	340,548	261,642	233,500
rebates not for profit	22,825	22,686	21,677
utility relief grants	11,482	6,211	7,589
total	374,855	290,539	262,766



physical assets

Westernport Water remained focused on undertaking long-term asset improvements and upgrades in accordance with its corporate strategy of life-cycle management. The following are key achievements against the Strategic Plan objectives.

security of supply

The Authority established, after detailed assessment and comparisons, that connecting to the Melbourne Water system was the preferred option to ensure the long-term security of water supply to the region. This was communicated to the Authority's customers via a newsletter and media releases. A competitive tendering process was used to select GHD as the preferred consultant to undertake the development of the detailed design for this project.

asset management

The actions identified in the Authority's Strategic Asset Management Plan continued to be progressed. After extensive industry benchmarking and competitive tendering, the Authority selected Hansen AssetLife software as its preferred asset management solution. During the year the process of integrating the state-of-the-art system with the Authority's existing systems, including the customer relationship management software, was commenced. A review of the asset register, including preliminary identification of high-level asset data components, preceded its upload into the AssetLife package.

automation

The Authority completed the first stage of its strategic intent to maximise operational efficiencies at its key facilities by fully automating processes. The first stage, at the Cowes Wastewater Treatment Plant, involved an upgraded programmable logic controller, built-in redundancy and an advanced web-based interface function. These upgrades will allow multi-user access for remote monitoring and control of the plant. The completion of the first stage of the automation project has provided the template for similar upgrades at the Authority's Water Treatment Plant and the King Road Wastewater Treatment Plant over the period of the 2005-2008 Water Plan.

site security

In recognition of the high current regional growth and ongoing development requirements, the Authority has been pursuing a program of strategic land purchases around its key facilities. Two major purchases were completed during 2004-2005 that will help ensure the long-term viability of the King Road and Cowes Wastewater Treatment Plants.

water quality management

The Authority continued to develop the Water Quality Management System in 2004-2005. This system has helped ensure the requirements of the *Safe Drinking Water Act 2003* were complied with. The Management System contains risk-management plans to deal with water quality incidents. These plans will be refined over the next financial year.

farm management plan

Westernport Water continues to develop the Authority's land holding to balance the environmental need to irrigate treated effluent and maintain business sustainability. This involves irrigating pastures to provide fodder for beef cattle. The aim of this project is to demonstrate that the irrigation of treated effluent provides improved returns over traditional farming practices. It is hoped that this will help market recycled water to neighbouring farms.

capital works

During 2004-2005 the following major projects were undertaken:

Site Security at key facilities.....	\$1,190,000
Sewer Augmentation works (Cowes/San Remo).....	\$240,000
Cowes Wastewater Treatment Plant automation.....	\$225,000
Wastewater Pump Stations – Pump/Switchboard/ Facility upgrades.....	\$220,000
Purchase and implementation of Asset Management System.....	\$180,000
King Road Wastewater Treatment Plant Inlet Screen.....	\$130,000

The Authority will continue to focus on necessary asset investment that leads to service level improvements and reduced operational costs.

environmental sustainability

Westernport Water continued its proactive environmental activities throughout 2004-2005 and incorporated actions that advanced a number of key government strategies. These were:

- Water for the Future
- Regional Catchment Strategy
- Victorian Biodiversity Strategy
- Victorian River Health Strategy
- Victorian Greenhouse Strategy

Westernport Water continued to implement its Memorandum of Understanding (MOU) with Phillip Island Landcare aimed at increasing the level of alignment between the two organisations.

It is this partnership approach that underscores the Authority's environmental program and the significant investments made into the local area. Westernport Water and Phillip Island Landcare have developed and implemented a local Urban Landcare Award to encourage the biodiversity of urban areas through encouraging native flora and fauna in garden settings. The gardens that were judged for the award were also opened for inspection as part of a local urban Landcare seminar.

regional catchment strategy

Westernport Water continued its partnership with South Gippsland Water, Landcare and landholders within the Candowie Reservoir Catchment area and has developed a Community Catchment Management Group. The objectives of the group are to deliver water quality improvements by completing strategic land management improvements.

These improvements are jointly funded by Westernport Water and the landholders. Typical improvements include tree plantations, fencing of creek beds, and the allocation of buffer zones on properties to prevent top soil and fertiliser runoff.

victorian biodiversity strategy

Westernport Water engaged Phillip Island Landcare to develop a Biodiversity Asset Register, which was completed in June 2004. This register was maintained and updated throughout 2004-2005 by Phillip Island Landcare. Several sites owned and managed by Westernport Water were found to contain significant plant and animal species, making them of important habitat value. Significant plantings have been undertaken at the Cowes and King Road Wastewater Treatment Plants to support and improve the biodiversity that exist at these sites.

governance

victorian greenhouse strategy and renewable energy

The Authority has continued to explore alternative energy sources to implement its "Close to Zero" energy policy. This policy is aimed at reducing the Authority's net energy demand from the electricity grid to close to zero. An Energy Management Plan has been prepared and the Authority is investigating possible sources of renewable energy as it seeks to minimise its environmental impact. During 2004-2005 a feasibility study on a micro-hydro energy system was completed. It was assessed that current technology was not sufficiently developed to make this system economically viable within the Authority's water supply transfer or distribution network. The Authority will review this project as the hydro-power industry continues to develop and refine its technology.

A tender was also let for a 30 kilowatt solar energy system. The project did not meet the Authority's triple bottom line criteria and was deferred pending further investigations into the availability of government subsidies.

The Authority will continue to investigate these options as well as opportunities for reduced energy consumption through process improvements. These include the investment in the automation of the Cowes Wastewater Treatment Plant, which is expected to reduce energy consumption by around 25% at this plant.

The Authority planted 2,000 trees at the Cowes Wastewater Treatment Plant and a further 2,000 trees at the King Road reuse farm. These plantations are aimed at making Westernport Water a zero net contributor to greenhouse gas emissions from energy consumption.

The primary governance focus for 2004-2005 was the development and negotiation of the Authority's Water Plan with the Essential Services Commission. The original Water Plan was submitted on 1 September, 2004, and the Essential Services Commission's final decision was handed down in June 2005. The Water Plan sets the revenue path for the Authority, the associated service standards for the next three years and is fundamental to the ongoing viability of the Authority. The Board and management team dedicated significant resources, time and effort into ensuring that the Water Plan was comprehensive and reflected the ongoing requirements of the organisation.

To ensure that the highest levels of accountability and corporate governance were observed, the Board ensured that the following were also undertaken throughout the year:

- Review and update of the Strategic Plan and three-year objectives to a Balanced Scorecard Model.
- Implementation of the Internal Audit Plan, including a review of the adequacy of Board reporting.
- Restructure of the organisation to strengthen the focus on financial management.
- Completion of an externally facilitated review of Board performance.
- Gaining two Private Binding Rulings from the Australian Taxation Office to confirm the adequacy of internal policy.

The Board, through its Audit Committee, also commissioned two special audits throughout the year. These audits were aimed at ensuring that due process had been observed in relation to Payroll and Creditor Payments, and secondly in relation to the Annual Accounts and disclosure preparation process.

The Board also has overseen the transition to the International Financial Reporting Standards and ongoing implementation of the Financial Management Compliance Framework.

people & systems

organisation development

The organisational development focus in 2004-2005 was on building the capability of the Authority through the combination of people and systems. This meant a focus on understanding the key business processes of the Authority and giving employees the skills to evaluate and improve process performance.

In addition, some key reviews were completed during the year as a result of the Employee Opinion Survey. The results of the survey recommended several improvement opportunities for the organisation. The reviews included a remuneration benchmarking review and the subsequent development of a formalised reward and recognition policy and performance-based bonus scheme.

Employees were also involved in the development of a Behavioural Charter, which was adopted by the Board on behalf of the organisation in December 2004.

Westernport Water undertook its second comprehensive Employee Opinion Survey in April 2005. Disappointingly, the level of employee satisfaction had not improved from the last survey and had remained relatively stable, but still at a low level. This represents an ongoing challenge to the Authority during this period of growth and change.

performance management

Westernport Water made a significant investment in revitalising and restructuring its performance management system to improve two-way communication and planning between managers and employees. This involved a fundamental restructure of the established performance management system and the development of a long-term training program that reinforced and supported the required behaviours. This program has led to a much-improved focus on individual performance planning and monitoring, aligned with the strategic organisational objectives.

training

Westernport Water has continued to invest in training and development of staff in a range of areas.

One program of particular note is the Certificate 2 and 3 in Water Industry Operations. This program was developed in cooperation with other Gippsland water authorities to generate economies of scale and flexibility in training delivery. Operations and Maintenance personnel are now actively working towards a nationally accredited qualification through the development of individual training plans and work-based training delivery mechanisms. This is proving to be high-quality and cost-effective training and development.

The concept has been extended to the Reticulated Gas Project, with five personnel now undertaking gas reticulation training so Westernport Water has skilled employees to handle its first gas customers

health and safety

The continued improvement of the Occupational Health and Safety Management Systems also has been a highlight of the year. System processes and procedures were formalised along with the development of the Gas Safety Case, which is a key regulatory hurdle in the quest to become a reticulated gas company. The Occupational Health and Safety Management System has been reviewed and updated. Board reporting has been updated to ensure the Board is aware of the OH&S performance of the Authority. An emergency control organisation has been established to ensure critical incidents involving the main office and depot complex can be managed safely.

Emphasis has been placed on refresher training to ensure employees' skills in managing hazardous situations are up to date. In addition to the focus on employee safety, Westernport Water has let a contract for the provision of a proactive employee health monitoring program.

tertiary scholarship

The Board advertised a tertiary scholarship in October 2003, aimed at attracting local youth to a professional career within the water industry. Unfortunately there were no applications that met the established criteria in the first year. In 2004-2005, however, this scholarship was awarded to a local student Ben Hughes, who is studying Information Technology at Monash, Clayton. Ben will receive \$1,000 per year towards his study costs, guaranteed vacation work for the duration of his study and the offer of one year's employment at the end of his course.

information management strategy

The 2004-2005 year was busy for Westernport Water's Information Technology team, which has overseen the transition to Windows and Office XP. The team were also instrumental in the development of the IT Security Policy and Disaster Recovery and Business Continuity Plans. One of the most strategic IT purchases undertaken at Westernport Water occurred during the year with the selection and implementation of AssetLife as the Authority's integrated asset management software program. This program is progressively being implemented.

regional development

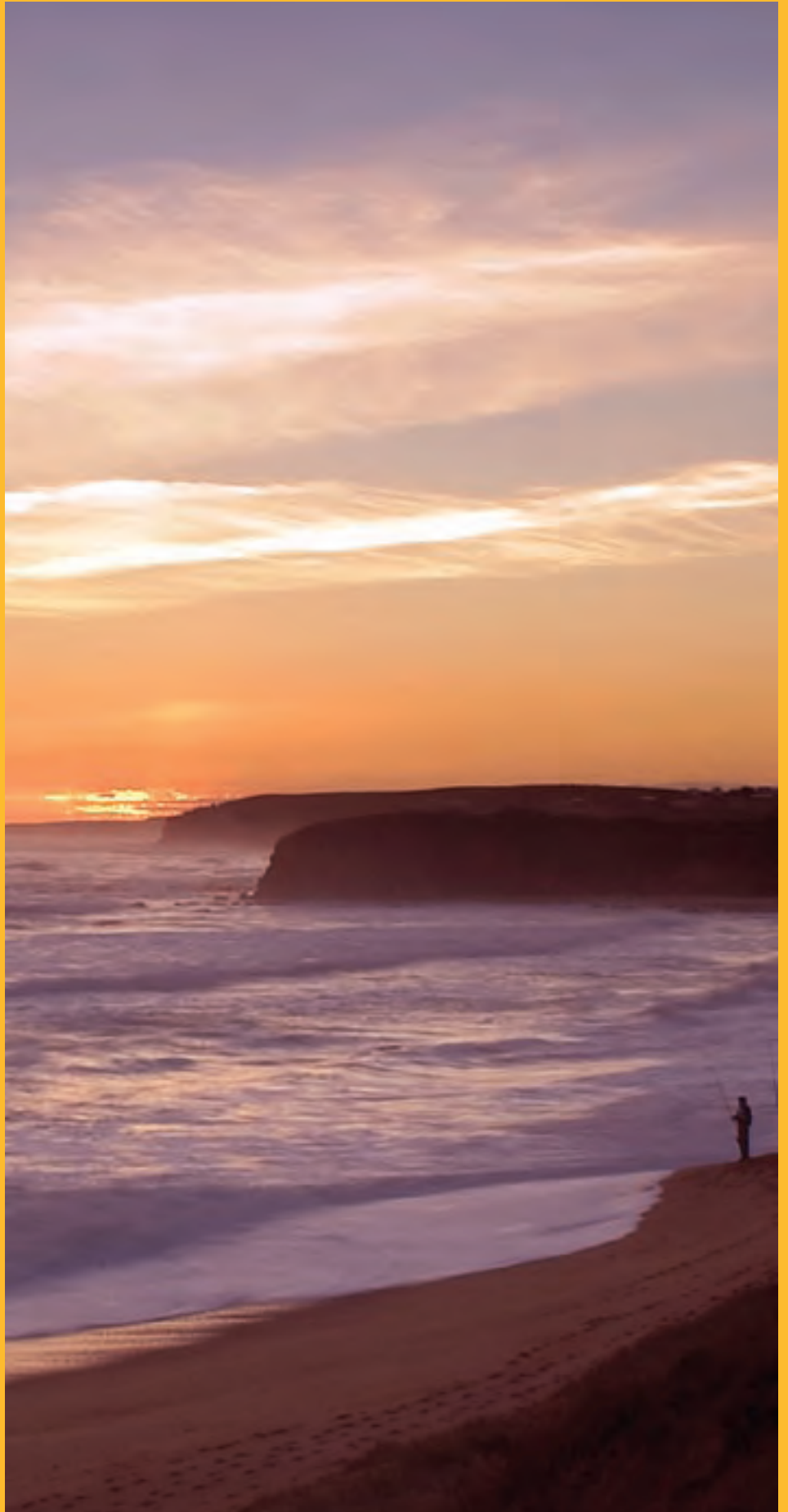
gas

Westernport Water continued its journey towards developing a reticulated gas business throughout the year. This included working towards gaining regulatory approvals, in particular the Gas Safety Case from the Office of Gas Safety. In addition, a contract was signed for the supply of bulk liquefied petroleum gas, and negotiations and designs progressed for the establishment of the first neighbourhood reticulated system in San Remo.

In June 2005, Westernport Water took over an existing network in Cowes, with the five associated customers becoming the first gas customers of Westernport Water and Gas. Westernport Water was able to deliver significant cost savings to these customers.

waterline project

Westernport Water is pleased to be a member of the Waterline Project steering committee. The project's goal is to develop a strong and sustainable community in the region between Jam Jerrup and Woolamai.





financial performance indicators

	Long Term Profitability EBIT/total assets	Owner's Investment Profit/Total Equity	Long Term Financial Viability Debt/Total Equity	Liquidity & Debt Servicing EBIT/Interest Expense
2004/2005 Target	2.90%	2.81%	5%	1019%
2004/2005 Results	2.50%	2.43%	4.32%	980%
Variance	-13.8%	-13.5%	-13.7%	-3.80%



Immediate Liquidity & Debt Servicing Cash/Interest Expense 31	Operating Efficiency Water Supply 0.244	Operating Efficiency Wastewater Collection 2.360	
25	0.261	2.816	2004/2005 Results
-18.7%	6.90%	19.30%	Variance 2004/2005 Target



service delivery performance indicators

		Reliability of Supply – Urban Supplies		Reliability of Wastewater Collection (by Sewerage Systems) Confirmed Spills Per 100km Sewer Main	
2004/2005 Results Variance	2004/2005 Target	1. Properties Interrupted Ratio	2. Interruption Time (Hours)	King Road	Cowes
		26%	1.5Hrs	5.40	6.10
		65.43%	1.82Hrs	1.68	4.10
		151%	21%	-69%	-33%



Quality of Wastewater Disposal (by Treatment or Disposal Facility)

Dalyston	King Road	Cowes	
0	100%	100%	2004/2005 Target
0	100%	100%	2004/2005 Results
Nil	0%	0%	Variance



service delivery performance indicators (cont...)

environmental performance indicators

2004/2005 Target
 2004/2005 Results
 Variance

Short Term/Persistent Compliance with EPA licence		Waste Management for Wastewater (By Treatment or Disposal Facility) Wastewater Effluent Re-used	
King Road	Cowes	King Road	Cowes
100%	100%	100%	15%
100%	100%	93.87%	7%
Nil	Nil	-6.15%	-53%



network reliability performance indicators

Waste Management for Wastewater (by Treatment or Disposal Facility) Wastewater Sludge Reused/Recycled

King Road	Cowes
0%	100%
0%	0%
Nil	100%

Network Reliability

Restoration of Water Supply (Within 5 Hours)	Containment of Sewer Spillages (Within 5 Hours)	
	Priority 1	Priority 2
100%	100%	100%
94%	100%	100%
6%	Nil	Nil

2004/2005
Results
Variance
2004/2005
Target



customer complaints performance indicators

Customer Complaints Per 1000 Customers					
	Water Quality Complaints	Water Supply Reliability Complaints	Sewage Service Quality and Reliability Complaints	Affordability Complaints	
2004/2005 Target	0.40	0.60	0.30	1.60	
2004/2005 Results	0.45	0.97	0.41	2.4	
Variance	12.50%	62%	37%	50%	



performance indicator variation report

The following statements explain the variations from the performance expected for the 2004-2005 financial year. As a qualitative observation it is considered that Westernport Water's performance was of a high standard when taking into account the explanation of variations. The explanations are presented where indicators have varied by more than 5%.

Long Term Profitability

The Authority returned a net surplus marginally below target with an increase in asset values due to capital works and a revaluation of land and this caused the variation of -13.8%.

Owners Investment

Equity increased above budget due to the land revaluation of \$3.7m with earnings after tax being under target and resulted in a -13.5% variation.

Long Term Financial Viability

The variation of -13.7% was caused by lower debt levels and higher equity levels.

Immediate Liquidity and Debt Servicing

Lower net interest expense and net cash from operations than targeted.

Operating Efficiency Water Supply Bulk

The variation of 6.9% resulted from expenditure and ML transported being lower than budget.

Operating Efficiency - Wastewater Reticulation

The variation of 19.3% resulted from expenditure and ML transported being above budget.

Properties Interrupted Ratio

The variation of 151% was not due to an increase in the number of mains bursts due to asset condition. Third party damage and road scheme at Cape Woolamai caused a large proportion of the variation.

Interruption Time

The variation of 21% is due to the inclusion of both planned and unplanned interruptions whereas the target was established solely on unplanned interruptions. The average time to repair unplanned interruptions was 1.58 hours compared with the targeted time of 1.50 hours, however planned interruptions, due to the nature of the work required, take longer to repair and consequently resulted in an average of 2.34 hours to restore planned interruptions. This indicator has been split into planned and unplanned interruption time for reporting to the Essential Services Commission.

Reliability of Wastewater Collection Services

The variation of 69% highlights a better than predicted performance in each wastewater collection area.

Wastewater Effluent Reuse

- King Road Wastewater Treatment Plant

The variation of 6.15% was due to 125ML of effluent produced compared to a target of 100ML. The actual volume of effluent reused was 117ML. The exclusion of evaporation from reuse figures has reduced usage as well as the wetter than expected irrigation season impacted the level of irrigation. The result in terms of stored water levels year on year was that there was an 0.4ML increase.

Wastewater Effluent Reuse

- Cowes Wastewater Treatment Plant

The variation of -53% was due to actual volume of reuse (79ML) being down by 50% on the target of 158ML and the actual volume of effluent produced (1123ML) being 7% higher than the target of 1050ML. A wetter than expected irrigation season also significantly impacted the level of demand for re-use.

Wastewater Sludge Re-use

- Cowes Wastewater Treatment Plant

The variation of 100% was due to low quantities of sludge being produced at the Cowes Wastewater Treatment Plant and that the sludge is stored on site. Reuse is not necessary on an annual basis and the sludge is available should an opportunity arise.

Restoration of water supply

Although the variation is 6%, in absolute terms 99 of the 103 interruptions were restored within five hours. The Authority experienced breaks on a section of main with a long drain time and is planning to make the sections shorter to reduce any future interruption time.

Customer Complaints

Water quality: the variation of 12.5% in this indicator was caused by one additional complaint (7 total) over the Corporate Plan estimate of 6.

Water supply reliability: the variation of 62% in this indicator was caused by six additional complaints (15 total) over the Corporate Plan estimate of 9.

Sewerage service quality and reliability: the variation of 37% in this indicator was caused by two additional complaints (6 total) over the Corporate Plan estimate of 4.

Affordability: With a variation of 50% this indicator was the poorest performing customer complaint. The majority of the complaints were received after each billing period.

Other complaints: In absolute terms the variation was caused by twelve additional complaints (37 total) over the Corporate Plan estimate of 25.

Other Complaints	
1.70	2004/2005 Target
1.62	2004/2005 Results
-4.7%	Variance

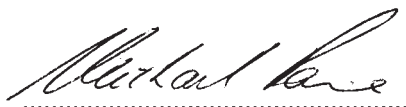
performance statement

STATUTORY CERTIFICATE WESTERNPORT REGION WATER AUTHORITY FOR THE YEAR ENDED 30 JUNE 2004

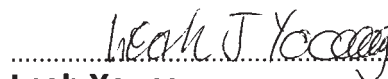
In our opinion the accompanying Statement of Performance of Westernport Water in respect of the 2004/2005 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

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 performance targets and these indicators and an explanation of any significant variation between the actual results and performance target.

As 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.



Michael Paine
Chief Executive Officer
Accountable Officer



Leah Young
Acting Chairperson

..... 26/9/05

Dated

auditor general's certificate



AUDITOR GENERAL VICTORIA

INDEPENDENT AUDIT REPORT

Westernport Region Water Authority

To the Members of the Parliament of Victoria and Members of the Board of the Authority

Scope

The Statement of Performance

The accompanying statement of performance for the year ended 30 June 2005 of Westernport Region Water Authority consists of the statement, the related notes and the supporting declaration.

Members' Responsibility

The Members of the Board of Westernport Region Water Authority are responsible for the preparation and presentation of the statement of performance and the information it contains.

Audit Approach

As required by the *Audit Act 1994*, an independent audit has been carried out in order to express an opinion on the statement of performance. The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the statement of performance is free of material misstatement.

The audit procedures included:

- examining information on a test basis to provide evidence supporting the amounts and disclosures in the statement
- obtaining written confirmation regarding the material representations made in conjunction with the audit
- reviewing the overall presentation of information in the statement of performance.

These procedures, which did not extend to an assessment of the relevance or the appropriateness of the performance indicators contained within the statement, have been undertaken to form an opinion as to whether, in all material respects, the statement of performance is presented fairly in accordance with the *Financial Management Act 1994*.

The audit opinion expressed in this report has been formed on the above basis.

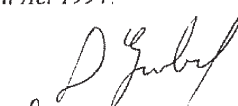
Independence

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 are to be exercised. The Auditor-General and his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

Audit Opinion

In my opinion, the statement of performance of Westernport Region Water Authority in respect of the 2005 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

MELBOURNE
10 October 2005


JW CAMERON
Auditor-General

the year ahead

customer service

The Authority will continue to pursue its vision of being "Customer Driven" throughout 2005-2006. This will involve continuing to survey customers to determine where the level of product or service being offered does or does not meet customers' expectations. Several major process reviews are planned for 2005-2006, including the account collection process, complaint handling, meter reading and billing frequency. The new account format will be implemented along with the Customer Charter.

Westernport Water also aims to improve the effectiveness of communication with customers and will be utilising the Customer Consultative Panel to assist in updating the various communication processes currently utilised.

The quality of the processes used to collect and collate customer data also will be reviewed to improve the accuracy of the customer database. This, combined with enhancements to the level of information system integration and a focus on related staff training, is designed to significantly improve the response times to customers and the quality of the data collected.

physical assets

The Authority has started to realise the benefits of its strategic direction of reducing operational costs by implementing process improvements, automation and developing renewable energy systems. There has been a 6% reduction in energy consumption since 2002-2003. Process mapping will continue during 2005-2006 and assist in further identifying operational and systemic improvements.

asset management

The Asset Management Strategic Plan will continue to be implemented during 2005-2006. The Authority will complete the implementation and integration of the AssetLife Asset Management System. There will be a focus on extending the identification of asset components within the asset register, preparing detailed asset management plans and reviewing the need for a Graphical Interface System (GIS). Workflow mapping completed to date has identified that a significant organisation-wide improvement in service delivery will be realised out of this project. The preparation of asset management plans will precede targeted scheduled maintenance programs. The AssetLife system will provide the over-arching means for recording and leveraging off collected corporate and operational knowledge.

renewable energy

In line with the Authority's "Close to Zero" Policy, investigations and works will commence on developing renewable energy systems. Subject to triple bottom line analysis, the following projects will be initiated:

- wind turbine feasibility studies
- installation of power factor correction equipment

Further work also will be undertaken to ascertain the availability of subsidies to assist in the economic viability of the solar energy tender developed during 2004-2005.

capital works

A \$4.35 million capital works program (regulated and non-regulated) is planned for 2005-2006. The major projects include:

- Completing the detailed design and preliminary easement negotiations for the connection to the Melbourne Water system.
- Completion of upgrades to sludge handling and automation at the Ian Bartlett Water Purification Plant.
- Commencing the first stage of the King Road Wastewater Treatment Plant upgrade.
- Continuing the treatment process upgrades approved for the Cowes Wastewater Treatment Plant.

gas

The Authority has received Ministerial approval to undertake the first stage of a three stage project involving the installation of local neighbourhood reticulated LPG schemes in new subdivisions and retro-fitting in existing subdivisions.

governance

There will be a continued focus on strong governance within the Authority during the financial year.

The Board and Management Team will undertake a series of scenario planning workshops throughout the financial year as an aid to strategic planning and test service delivery norms.

environment

The Authority's 2004-2005 greenhouse gas production was 4,500 tonnes. The Authority has planted in excess 10,000 trees in the last five years and intends to plant a further 4,000 trees in the 2005-2006 financial year to further offset its greenhouse gas production.

The Authority also will undertake operational process improvement works to reduce energy consumption at our major facilities. It is expected that savings of the order of 20% could be realised.

people & systems

organisation development

The Authority will continue to invest in the development of the organisation to improve efficiency and effectiveness. The focus of the Organisation Development Plan is to refine and continuously improve the key business processes of the Authority in terms of delivery to customers. Supporting this program will be an increased emphasis on consolidation of the various management systems and increasing the level of employee capability through increased training in the systems.

Internal communication effectiveness will be enhanced with the development of a corporate intranet. In addition, the Authority aims to implement a reporting system aimed at improving aspects of external reporting to stakeholders in terms of data accuracy and preparation time. The Electronic Records Management System is to be updated along with a Risk Management and Human Resource Information system.

risk management

One of the main focuses for Westernport Water in the coming year is to consolidate the various risk management components into a comprehensive risk-management system based on AS 4360. This activity had been budgeted and specifically allowed for in the Water Plan.

occupational health and safety

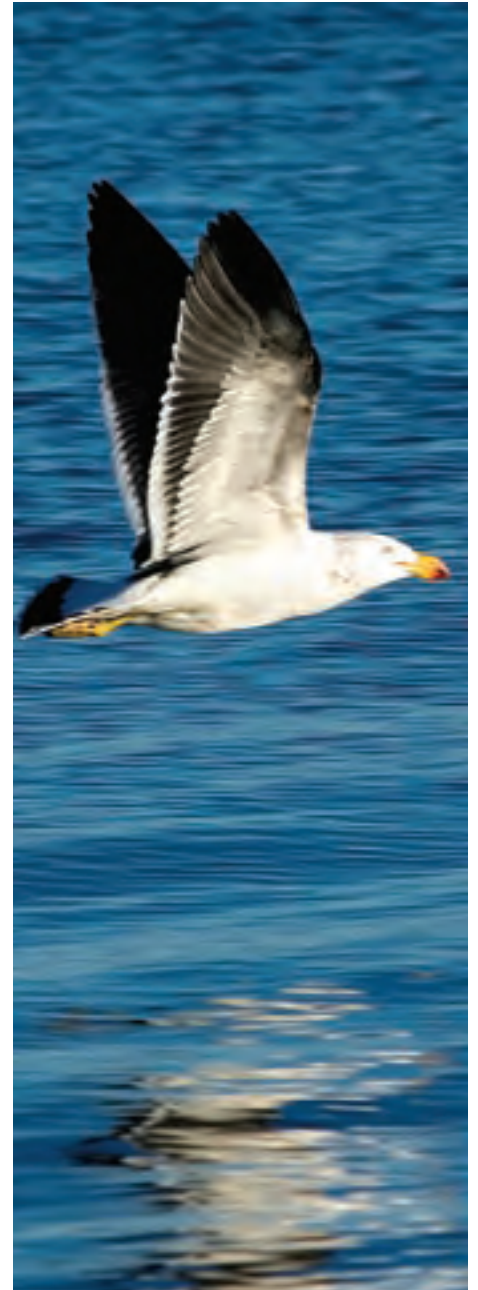
Westernport Water will continue to invest heavily in the Occupational Health and Safety Management System to ensure that it continues to meet its regulatory obligations. It is intended to integrate the OH&S, risk management and environmental systems where practical in the next 12 months.

finance

There will be a continued focus on financial governance, financial controls and maintenance of financial systems in the current financial year.

The following major financial initiatives are planned:

- Introduction of electronic funds transfer in the payment of supplier accounts;
- Introduction of electronic purchase orders and utilisation of the Fujitsu Purchasing Module;
- Continued expansion of Corporate 2000 Plus to enhance management reporting; and
- Preparation of the first full-year A-IFRS compliant financial statements.



statutory information

disclosure index

The 2004-2005 Annual Report of Westernport Water is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Authority's compliance with statutory disclosure requirements.

legislation requirement	page no.
ministerial directions	
report of operations	
charter and purpose	
FRD 22 Manner of establishment and the relevant Ministers	7
FRD 22 Objectives, functions, powers and duties	7
FRD 22 Nature and range of services provided	2
management and structure	
FRD 22 Organisational structure, names and functional areas of responsibility of senior officers	10
FRD 22 Names of Board Members	8
FRD 22 Statement of workforce data for current and previous financial year	31
FRD 22 Merit and equity	30
FRD 15 Executive Officers disclosures	31
FRD 22 5 year summary of the financial results	4
FRD 22 Significant changes in financial position during the year	4
FRD 22 Objectives and performance against objectives	11-24
FRD 22 Major changes or factors affecting performance	11-24
FRD 22 Subsequent events which will affect operations in future years	4
FRD 22 Details of consultancies over \$100,000	33
FRD 22 Details of consultancies under \$100,000	33
FRD 12 Disclosure of major contracts	33
FRD 22 Application and operation of Freedom of Information Act 1982	31
FRD 22 Application and operation of the Whistleblowers Protection Act 2001	32
FRD 22 Compliance with building and maintenance provisions of Building Act 1993	31
FRD 22 Statement on National Competition Policy	31
FRD 22 Occupational health and safety	30
FRD 10 Disclosure index	29
FRD 24 Reporting of office-based environmental impacts	N/A
FRD 25 Victorian Industry Participation Policy disclosures	31
FRD 22 Statement of availability of other information	31
financial statements required under part 7 of the FMA	
SD 4.2(c) Compliance with Australian accounting standards and other authoritative pronouncements	37
SD 4.2(c) Compliance with Ministerial Directions	37
SD 4.2(d) Rounding of amounts	37
SD 4.2(c) Accountable officer's declaration	52
SD 4.2(f) Model Financial Report	37
SD 4.2(b) Statement of financial performance	34
SD 4.2(b) Statement of financial position	35
SD 4.2(b) Statement of cash flows during the year	36
other disclosures in notes to the financial statements	
FRD 9 Departmental disclosure of administered assets and liabilities	40-41
FRD 11 Disclosure of ex-gratia payments	N/A
FRD 13 Disclosure of parliamentary appropriations	N/A
FRD 21 Responsible person and executive officer disclosures	46
FRD 23 Superannuation liabilities and disclosure	46

legislation

Freedom of Information Act 1982
Building Act 1983
Whistleblowers Protection Act 2001

bulk entitlement

The Authority's Bulk Entitlement from Candowie Reservoir is 2,911 million litres (ML), with 1,995ML extracted from 1 July, 2004 to 30 June, 2005.

The rate of extraction from Candowie Reservoir may not exceed 50ML per day, with 13.54ML being the maximum volume taken from the Reservoir in any one day during this period.

water quality

The Authority complied with the sampling program determined by the Department of Human Services for the 2004-2005 financial year. The Authority achieved full compliance with the World Health Organisation Guidelines for Drinking Water Quality (1984) (99.9% of samples have zero e-coli or coliforms).

This result was achieved through the high standard of operation at the water purification plant and the associated reticulation system.

The carbon dosing plant operated at times of high algal activity during 2004-2005, with significant water quality improvements being observed.

Through its involvement with the community based Lance Creek/Candowie Catchment Management Group, the Authority was able to facilitate catchment improvements with a beneficial impact on water quality.

drought response

Westernport Water was not required to invoke its Drought Response Plan during the reporting period. The Candowie reservoir remained above 50% for the 2004-2005 financial year. Despite difficulty predicting future weather patterns, it is unlikely that any supply issues will be experienced in 2005-2006.

equal employment opportunity (merit and equity principles)

Westernport Water has established policies, procedures and systems to ensure the application and implementation of the public sector values and employment principles outlined in Sections 7 & 8 of the *Public Administration Act 2004*. Westernport Water has also adopted the Victorian Public Service Code of Conduct for all staff.

The Authority also has an established Equal Employment Opportunity Policy. It is illegal under Victorian Equal Opportunity legislation for any employee, or potential employee, to be discriminated against on such grounds as sex, race, disability, age, religion, pregnancy, potential pregnancy, marital status, HIV/Aids or homosexuality.

The Authority through its Equal Employment Opportunity Program, ensures that all current and future staff are given an equal chance when they apply for employment, promotion or training. The Authority will monitor its performance to ensure its personnel, recruitment and training procedures remain non-discriminatory. All staff will be selected on their merits.

Discrimination on the basis of an attribute of a relative or associate is unlawful. In order to promote a culture of tolerance and the acceptance of diversity within the Authority, ongoing Equal Employment Opportunity information will be communicated to staff via work-site visits and induction programs, thereby maintaining and communicating to all staff Equal Employment Opportunity principles and practices that assist in creating a discrimination free workplace and encourages and embraces the highest standards of professionalism.

multicultural statement

Westernport Water is aware of the State Government's policies on multicultural, women, youth and indigenous affairs. The requirements for delivery of culturally appropriate communication is to be addressed through the development of the Authority's Customer Engagement Strategy. This strategy has included cultural mapping of our customer base to facilitate and better understand their communication needs.

In relation to all areas, Westernport Water operates in an EEO environment and policies and procedures are in place to support this. Specifically, in terms of youth, Westernport Water developed and is implementing a scholarship to support and retain local youth in the area.

occupational health and safety

The 2004-2005 year resulted in development and consolidation in regard to Occupational Health and Safety that built on the comprehensive risk assessments undertaken in 2003-2004. The development culminated in a wholesale review and update of the documented OH&S Management System. Throughout the year, the level of reporting to the Board was reviewed and the monthly OH&S report was updated.

water consumption

water district	actual annual consumption (ml) and number of assessments (no.)				unaccounted water	production loss	total annual consumption	total number assessments	average annual demand
	retail urban-residential		retail urban-non residential						
candowie reservoir	ML	No.	ML	No.	ML	ML	ML	No.	kL
		1209	14415	578	942	206	2	1995	15357

statutory information

Westernport Water has joined with all the other water authorities in the state coordinated by Vic Water to undertake a state-wide risk assessment process into manual handling. Throughout the year, Westernport Water commenced risk assessments into asbestos, falls from height in regard to its pumping stations, hazardous substances and mobile plant.

An employee health monitoring contract was awarded in 2004-2005, aimed at assisting the organisation and employees to monitor and be proactive about health and wellbeing. Health screenings were commenced, with the initial screening related to skin cancer awareness.

Throughout the year Westernport Water also developed and trialled the operation of an Emergency Control Organisation with several emergency drills. It also reviewed the adequacy of the emergency management plans through a facilitated workshop. There will be an increased focus in the current year on consolidation of the associated risk-management systems.

compliance with the building act 1993

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

victorian industry participation policy

Westernport Water is aware of the State Government's Victorian Participation Policy. The Authority had no projects within the required threshold to require application of this Policy in 2004-2005.

workforce data

Westernport Water's organisation restructure is now complete and the number of equivalent full time staff members at 30 June, 2005 is outlined below:

authority information

Information required in accordance with FRD22 of the *Financial Management Act* is available to the Minister, Members of Parliament and the public on request.

national competition policy

Westernport Water has developed and will continue to develop policies to ensure compliance with the Victorian Government's requirements for the National Competition Policy.

freedom of information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by the Authority. For the twelve months ending 30 June 2005 no requests were received. Members of the public wishing to obtain access to Authority documents are required to make their request in writing and pay a \$21 fee. The FOI Officer is the Executive Assistant.

workforce data

directorate	EFT		male		female	
	2005	2004	2005	2004	2005	2004
governance	2	3	1	2	1	1
corporate services	14	17	7	8	9	9
finance	3	-	1	-	2	1
assets planning & delivery	6	5	5	5	1	0
operations	19	18	19	18	0	0

executives

directorate	EFT		male		female	
	2005	2004	2005	2004	2005	2004
corporate governance	1	1	1	1	0	0
corporate services	1	2	1	2	0	2
finance	1	-	1	-	0	-
assets planning & delivery	1	1	1	1	0	0
operations	1	1	1	1	0	0
total	5	5	5	5	5	0

All executive roles are classified as ongoing. There are no executive roles undertaking special projects

whistleblowers protection act

The *Whistleblowers Protection Act 2001* came into effect on 1 January, 2002. The Act is designed to protect people who disclose information about serious wrongdoing within the Victorian Public Sector and to provide a framework for the investigation of these matters. Section 104 of the Act requires that public bodies provide the following statistical information.

The number and type of disclosures made to the public body since the commencement of the Act (in January 2002).	Nil
The number and type of disclosures referred to the Ombudsman (to determine whether they are public interest disclosures).	Nil
The number and type of disclosures referred to the public body by the Ombudsman.	Nil
The number and type of disclosures referred by the public body to the Ombudsman to investigate.	Nil
The number and type of investigations or disclosures taken over by the Ombudsman from the public body.	Nil
The number of requests made by complainants to have their disclosure investigated by the Ombudsman due to their dissatisfaction with the way the public body is investigating the matter. (The circumstances are set out in section 74 of the Act).	Nil
The number and types of disclosures that the public body declined to investigate.	Nil
The number and type of disclosed matters that were substantiated on investigation and the action taken on completion of the investigation.	Nil
Any recommendations made by the Ombudsman that relate to the public body.	Nil

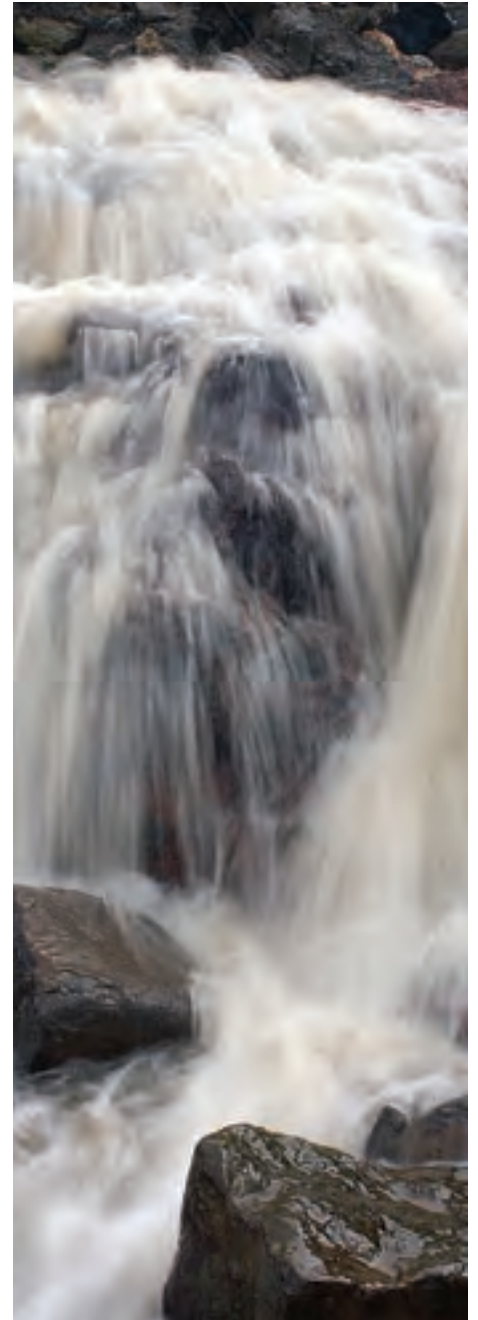
Disclosures of improper conduct by the Authority or its employees may be made to the following:

genny clarke

Westernport Region Water Authority
 2 Boys Home Road, Newhaven, Victoria 3925.
 Telephone: (03) 5956 4100
 Facsimile: (03) 5956 4101
 Email: gclarke@westernportwater.com.au
 or

the ombudsman victoria

Level 22, 459 Collins Street, Melbourne Vic 3000.
 Telephone: (03) 9613 6222
 Toll free: 1800 806 314



overseas travel

No overseas travel was undertaken by employees or Members of Westernport Water during 2004-2005.

consultancies

One consultancy in excess of \$100,000 was entered into during 2004-2005.

Consultant	Project	Total approved project fee	Expenditure 2004-2005	Future Expenditure
GHD	Melbourne Water Connection	\$700,000	\$50,000	\$650,000

consultancies under \$100,000

Number of consultants	Expenditure to 30/06/2005	Total Commitment	Total Amount O/Standing
Total of 10 consultants	\$120,566	\$135,466	\$14,900

major contracts

Westernport Water, in accordance with the requirements of Government Policy and accompanying guidelines advises that no major contracts over \$10 million were entered into during the 2004-2005 financial year.

summary of charges

Charges	2004/2005	2003/2004	2002/2003	2001/2002	2000/2001
Water Supply					
Base service charge	\$207.22	\$175.50	\$175.50	\$175.50	\$171.00
Peak charge per kilolitre	\$1.07	\$1.07	\$1.05	\$1.03	\$1.00
Off peak charge per kilolitre	\$0.64	\$0.635	\$0.62	\$0.61	\$0.60
Headworks charge	\$2,900.00	\$2,835.00	\$2,750.00	\$2,750.00	\$2,500.00
Wastewater Disposal					
Base service charge - house	\$325.35	\$318.00	\$315.00	\$315.00	\$306.00
Base service charge - land	\$184.20	\$180.00	\$180.00	\$180.00	\$201.00
Cistern charge					
(per cistern for more than two)	\$118.20	\$115.50	\$114.00	\$114.00	\$111.00
Outfall charge	\$2,250.00	\$2,250.00	\$2,250.00	\$2,250.00	\$1,900.00

contents

financial statements

Statement of financial performance	34
Statement of financial position	35
Statement of cash flows	36

notes to the financial report

Note 1	Significant accounting policies	37-38
Note 2	Statement of financial performance – disclosures	39
Note 3	Cash assets	39
Note 4	Receivables	40
Note 5	Inventories	40
Note 6	Other assets	40
Note 7	Property, plant and equipment	40
Note 8	Property, plant and equipment	41
Note 9	Payables	41
Note 10	Interest bearing liabilities	41
Note 11	Employee benefits	42
Note 12	Contributed capital	42
Note 13	Reserves and accumulated surplus	42
Note 14	Cash flows disclosures	42-43
Note 15	Financial instruments	43-44
Note 16	Segment information	45
Note 17	Commitments	45
Note 18	Contingent liabilities	45
Note 19	Superannuation	46
Note 20	Responsible persons related disclosures	46-47
Note 21	Financing facilities	47
Note 22	Statement of financial position of wholesale and retail segments	48
Note 23	Disaggregated statements	48-49
Note 24	Impact of adopting IFRS	49-51
Note 25	Correction of error in prior year FBT liability	51
	Certification	52
	Auditor-General's report	53

financial statements

Statement of Financial Performance for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
REVENUE FROM ORDINARY ACTIVITIES			
Revenue from operating activities			
Service charges	1(c) 2(a)	7,412	6,968
Volumetric charges (water)	1(c)	1,745	1,609
Government contributions	1(c) 2(a)	-	-
Developer contributions	1(c) 2(a)	1,489	1,615
Total operating revenue		10,646	10,192
Revenue from non-operating activities			
Interest	1(c)	191	158
Proceeds from sale of assets	1(c) 2(b)	167	360
Other revenue		818	507
Owner Contributed assets	1(b)	145	6,810
Total non-operating revenue		1,321	7,835
EXPENSES FROM ORDINARY ACTIVITIES			
Depreciation	1(f) 2(b)	3,152	2,715
Employee benefits	1(k)	2,687	2,935
Repairs and maintenance expense	1(e)	468	554
Written-down value of assets sold	2(b)	219	383
Suppliers		2,618	2,641
Total expenses from ordinary activities		9,144	9,228
Borrowing costs	1(d) 2(b)	288	263
Surplus from ordinary activities before tax		2,535	8,536
Income tax expense	1(n)	-	-
Net result for reporting period	13(b)	2,535	8,536*
Revaluation Increment		3,718	-
Total changes in equity other than those resulting from transactions with the Victorian State Government as owner		6,253	8,536

The accompanying notes form part of these financial statements

* includes \$6.8m of owner contributed assets

financial statements

Statement of Financial Position as at 30 June 2005

	Notes	2005 \$'000	2004 \$'000
ASSETS			
Current assets			
Cash assets	1(g) 3	2,449	1,632
Receivables	1(h) 4	1,015	1,114
Inventories	1(i) 5	366	335
Other assets	6	712	654
Total current assets		4,542	3,735
Non-current assets			
Receivables	1(h) 4	236	236
Property, plant and equipment	1(e) 7 & 8	109,073	104,027
Total non-current assets		109,309	104,263
TOTAL ASSETS		113,851	107,998
LIABILITIES			
Current liabilities			
Payables	1(j) 9	1,339	916
Interest bearing liabilities	10	1,253	677
Employee benefits	1(k) 11	219	304
Total current liabilities		2,811	1,897
Non-current liabilities			
Interest bearing liabilities	10	3,387	4,639
Employee benefits	1(k) 11	156	148
Total non-current liabilities		3,543	4,787
TOTAL LIABILITIES		6,354	6,684
NET ASSETS		107,497	101,314
EQUITY			
Contributed capital	1(c) 12	51,323	51,323
Asset revaluation reserve	13(a)	40,607	36,888
Accumulated surplus	13(b)	15,567	13,103
TOTAL EQUITY		107,497	101,314

The accompanying notes form part of these financial statements

financial statements

Statement of Cash Flows for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates, tariffs, fees and charges		9,083	8,654
Interest received		270	153
Other revenues		820	474
		10,173	9,281
Payments			
Employees		(2,755)	(2,835)
Suppliers		(3,290)	(3,134)
Interest paid		(288)	(263)
Net cash provided by operating activities	14 (b)	3,840	3,049
CASH FLOWS FROM INVESTING ACTIVITIES			
Income received for capital purposes		916	1,934
Payments for property, plant & equipment		(3,429)	(5,308)
Proceeds from sale of non-current assets		167	361
Net cash (used in) investing activities		(2,346)	(3,013)
Cash Flows from Financing Activities			
Proceeds from borrowings		-	1,200
Repayment of borrowings		(677)	(569)
Dividends paid		-	(343)
Net cash provided by /(used in) financing activities		(677)	288
Net movement in cash		817	324
Cash at beginning of financial year		1,632	1,308
Cash at end of financial year	14 (a)	2,449	1,632

The accompanying notes form part of these financial statements

financial statements

Notes to the Financial Report for the year ended 30 June 2005

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

General

This financial report of Westernport Region Water Authority (The Authority) is a general purpose financial report that consists of a Statement of Financial Performance, a Statement of Financial Position, a Statement of Cash Flows and notes accompanying these statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views 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.

The financial report has also been prepared under the historical cost convention except where specifically stated in note 1(d).

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 Authority's operational cycle.

Rounding

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

(b) Owner contributed assets

The Authority, after an extensive period of public consultation, accepted responsibility and ownership of the property service pipe that includes the pipes and fittings from the water main to the water meter as at 30 June 2004.

The owner contributed assets were valued by Maunsell Australia Pty Ltd as at 30 June 2004 using the deprival value method. Additional assets acquired during 2004/05 are recognised at fair value at the date of acquisition.

The recognition of owner contributed assets at 30 June 2004 has created a significant revenue item which contributed to the 2003/04 \$8,536,000 net result.

The vast majority in the reduction in the net result of \$6,001,000 (\$8,536,000 to \$2,535,000) is primarily due to the first time recognition of owner contributed assets in 2003/04.

(c) Revenue recognition

Water and sewerage charges

Water and sewerage charges are recognised as revenue when levied or determined. Water volume charges are recognised as revenue when the water is provided. Meter readings are undertaken on a trimester basis during the reporting period.

Services acquired for no cost

The value of services received free of charge are recognised as revenue when received.

Developer contributions

Fees paid by developers to connect new developments to the Authority's existing water supply and sewerage systems are recognised as revenue when the contributions are received.

Assets received from developers

When infrastructure assets are provided to the Authority free of charge, the fair value of those assets is recognised as revenue when the assets are controlled.

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 Statement of Financial Performance 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 – Contributed Capital.

Sale of assets

The profit or loss on sale of an asset is determined when control has passed to the buyer. In accounting for the sale of non-current assets, gross proceeds from the sales are included as other revenue and the written down value of the assets sold is disclosed as an operating expense.

Interest and rentals

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

(d) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and interest on borrowings.

(e) Recognition and measurement of assets

Acquisition
The purchase method of accounting is used for all acquisitions of assets, being the fair value of the assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition.

Where assets are constructed by the Authority, the cost at which they are recorded includes the appropriate total direct costs.

Assets acquired at no cost by the Authority are recognised at fair value at the date of acquisition.

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

Repairs and maintenance

Routine maintenance, repair costs and minor renewal costs are expensed as incurred.

Recoverable amount

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of the asset exceeds the recoverable amount, the asset is written down to the lower amount.

The carrying amount of the Authority's infrastructure assets has been assessed in accordance with AASB1010 Recoverable Amount. From a review of the un-discounted future net cash flows, the Authority's assets do not exceed their recoverable amount from continued use and their subsequent disposals and as such no adjustments to these values is required.

Receivables, plant and machinery, vehicles and office furniture and equipment are valued at historical cost

Land and buildings:

Land and buildings were valued at fair value. Buildings were revalued as at 30 June 2002 by Urbis. A revaluation of land only was carried out by independent valuers Knight Frank Valuations as at 1 July 2004. Fair value being the amounts which assets could be exchanged between willing parties in an arm's length transaction based on current prices in an active market for similar properties in the same location and condition.

Infrastructure assets:

Infrastructure assets were valued at deprival value. The revaluation was carried out by independent valuers Meritech Pty Ltd and Maunsell Australia Pty Ltd as at 30 June 2002.

The adopted method for establishing a deprival value was to derive an engineering estimate of the replacement cost assuming the current service potential and using modern engineering equivalent assets.

The replacement cost for the infrastructure assets has been depreciated on a straight-line basis to establish accumulated depreciation and the written down value of the assets.

Deprival value in relation to an asset means the lowest cost at which the gross service potential of that asset would currently be obtained in the normal course of operations.

Equipment and motor vehicles are measured at cost.

The Authority undertakes formal revaluations (either by experienced Authority officers or independent experts) of its non-current assets on a progressive basis over a five-year period.

(f) Depreciation of non-current assets

Property, plant and equipment

Property, infrastructure, plant and equipment assets having limited useful lives are systematically depreciated over their useful lives to the Authority in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on an annual basis.

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

Straight line depreciation is charged based on the residual useful life as determined each year.

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

Land & Buildings	Periods
Buildings	40-70 years
Infrastructure	
Water	
- Storage	20-100 years
- Distribution network	15-80 years
- Treatment plants	15-70 years
Wastewater	
- Pump Stations	10-70 years
- Storage	80 years
- Distribution network	25-70 years
- Treatment plants	15-70 years
Other assets	
- Equipment	5-10 years
- Machinery	5-10 years
- Furniture & computers	2.5-13 years

(g) Cash assets

For the purposes of the Statement of Cash Flows, cash assets include cash on hand and highly liquid investments with short periods to maturity that are readily convertible to cash on hand at the Authority's option and are subject to insignificant risk of changes in values.

(h) Receivables

Trade debtors are carried at amounts due. The collectability of debts is assessed at balance date and specific provision is made for doubtful debts. Bad debts are written off in the period in which they are recognised.

(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 using the weighted average cost method of assigning costs.

Livestock

The Authority holds livestock all of which are steers, average age eighteen months. The livestock are located at the Authority's farming property/treatment plant at King Road, Bass

An independent valuation of livestock was undertaken by Elders VP of Korumburra on 29 June 2005.

(j) Payables

Liabilities are recognised for amounts payable in the future for goods and services received, whether or not billed to the Authority.

(k) Employee benefits

Wages, salaries and sick leave

Liabilities for wages and salaries, are measured at the amount unpaid at reporting date. Entitlements include on-costs and are calculated using employee's remuneration rates as at balance date. Non-vesting sick leave is not expected to exceed current and future sick leave entitlements and accordingly no liability has been recognised.

Annual leave

Annual leave entitlements are accrued on a pro rata basis in respect of services provided by employee's up to balance date, having regard to expected rates of pay and on-costs. Annual leave entitlements are provided for at their nominal value.

Long service leave

Long service leave entitlements payable are assessed at balance date having regard to current employee remuneration rates, employment related on-costs and other factors including accumulated years of employment, future remuneration levels and experience of employee departure per year of service. Long service leave expected to be paid in the next twelve months is recorded as a current liability in the Statement of Financial Position at its nominal value. Long service leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these entitlements and recorded as a non-current liability. Commonwealth Bond Rates are used for discounting future cash flows.

Performance payments

Performance payments for the Authority's Executive Officers are based on a percentage of the annual salary package provided under their contract(s) of employment.

Superannuation

The purpose of a superannuation scheme is to accumulate assets to meet members' benefits as they accrue. The Authority contributes in respect of its employees to a number of superannuation schemes. The amounts of these contributions are determined by each scheme's actuary in accordance with statutory requirements.

The statutory contributions made to those employees who are members of the superannuation schemes are recognised in the financial statements of the Authority. Unfunded liabilities are defined as the difference between the present value of employees' accrued benefits at the reporting date and the net market value of the superannuation plans' assets at that date.

For the purpose of these financial statements, the amounts of unfunded liabilities taken up in the accounts are the amounts as at the balance date officially notified by the relevant superannuation board.

(l) Segment information

Segment information is reported on the basis of business segments, as the Authority's risks and returns are affected predominantly by differences in the products and services provided through those segments.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and other intangible assets net of related provisions. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provision for service warranties.

Segment revenues, expenses and results include transfers between segments. These transfers are priced on an 'arm's-length' basis and are eliminated on consolidation.

(m) Reporting lines of business

The financial report includes a note reporting the two main lines of business of the Authority, a wholesale headworks bulk water business and a retail water distribution business in accordance with the requirements of a Ministerial Direction under Section 51 of the Financial Management Act 1994.

(n) Taxation

The Authority became subject to the National Tax Equivalent Regime (NTER) from 1 July 2002. The NTER is administered by the Australian Taxation Office (ATO).

The Authority recorded a tax profit for the reporting period of \$1,980,713 (total carried forward losses from prior year(s) \$6,786,684).

There has been no impact in the reporting period on assets/liabilities or operating surplus due to the uncertainty of the Authority deriving future assessable income of a nature and sufficient amount to enable amounts to be carried forward as a benefit as there is not virtual certainty of realisation.

No amounts have been recorded in the annual statements. The Authority has adopted the liability method of tax effective accounting in accordance with the requirements of AAS3. It is unlikely that the Authority will generate sufficient operating profits, however in the event that it does, the Directors estimate that the potential future income tax benefit as at 30 June 2005 in respect of tax losses not brought to account is \$594,214.

(o) Dividend policy

The Authority 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 dividend paid, as determined by the Treasurer, in the year ended 30 June 2005 was \$0. An amount of \$72,000 was outstanding (not paid) as at 30 June 2005. (Year ended 30 June 2004 actual payment - \$343,850).

(p) 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 Statement of Financial Position. Cash flows arising from operating activities are disclosed in the Statement of Cash Flows on a gross basis – i.e. inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.

financial statements

Notes to the Financial Report for the year ended 30 June 2005

NOTE 2 STATEMENT OF FINANCIAL PERFORMANCE - DISCLOSURES

	2005 \$'000	2004 \$'000
(a) Revenue		
Service charges		
Sewerage charges	4,390	4,170
Trade waste charges	68	62
Water service charges	2,954	2,736
	7,412	6,968
Government contributions		
Operating	-	-
Developer contributions		
Fees paid by developers	638	1,633
Discounts given on owner contributions	-	(18)
Assets received from developers	851	-
	1,489	1,615
(b) Net gains and expenses		
The surplus from ordinary activities includes the following specific net gains		
Property, plant and equipment		
Proceeds from sale	167	360
Written down value on sale	(219)	(383)
Net (loss) on disposal	(52)	(23)
Expenses		
<i>Depreciation</i>		
Buildings	99	25
Water infrastructure	1,082	786
Wastewater infrastructure	1,572	1,537
Plant, equipment and motor vehicles	399	367
Total depreciation	3,152	2,715
Bad and doubtful debts	(62)	30
Borrowing cost expense	288	263
Rental expense - operating lease	-	17
Superannuation contributions	212	276
<i>Auditors remuneration</i>		
Auditor-General for audit of financial statements	23	23
Internal audit - other auditors	30	30
Other services - other auditors	15	1
	68	54
(c) Individually significant items		
Preliminary expenditure - Business diversification	-	59
Contractor debts written-off in the past year relate to the cost incurred in assuming debt of sub-contractors following default of principal contractor in construction of new office and depot complex this amount was partially recovered from the draw down of bank guarantees held by Westernport Water.	-	(78)
Water service pipes -The Authority assumed responsibility and ownership of the property service pipes that include the pipes and fittings from the water main to the property meters. refer note 1(b)	-	6,810
NOTE 3 CASH ASSETS		
Cash on hand and at bank	145	138
Deposits at call	2,304	1,494
	2,449	1,632

NOTE 4 RECEIVABLES

	2005	2004
	\$'000	\$'000
<i>Current</i>		
Trade debtors	743	978
Less: provision for doubtful debts	-	(130)
Other debtors	272	266
	1,015	1,114
<i>Non-current</i>		
Debtors	236	236
	236	236

NOTE 5 INVENTORIES

Spares and consumables	272	266
Livestock (cattle 100)	94	69
	366	335

NOTE 6 OTHER ASSETS

<i>Current</i>		
Accrued revenue	712	654

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

Classes of property, plant and equipment

<i>Land</i>		
at valuation (as at 1 July 2004)	7,664	3,165
at cost	1,175	781
	8,839	3,946
<i>Buildings</i>		
at valuation (as at 30 June 2002)	111	109
less: accumulated depreciation	(10)	(6)
at cost	3,606	3,584
less: accumulated depreciation	(114)	(19)
	3,593	3,668
<i>Water infrastructure</i>		
at valuation (as at 30 June 2002)	41,109	41,607
less: accumulated depreciation	(3,076)	(2,315)
at cost	1,727	635
less: accumulated depreciation	(203)	(22)
	39,557	39,905
<i>Wastewater infrastructure</i>		
at valuation (as at 30 June 2002)	53,929	52,570
less: accumulated depreciation	(5,738)	(4,115)
at cost	5,606	4,217
less: accumulated depreciation	(391)	(299)
	53,406	52,373
<i>Equipment and motor vehicles</i>		
at cost	3,495	3,111
less: accumulated depreciation	(1,554)	(1,262)
	1,941	1,849
Works under construction	1,737	2,286
	1,737	2,286
Total	109,073	104,027

financial statements

Notes to the Financial Report for the year ended 30 June 2005

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

Movements during the reporting period

	Opening WDV	Asset Revaluation Increment (Decrement)	Additions	Disposals	Depreciation	Closing WDV
<i>Land</i>						
at valuation (as at 30 June 2002)	3,165	-	-	-	-	-
at cost	781	155	1,218	(43)	-	1,175
at valuation (as at 1 July 2004)	-	3563	-	-	-	7,664
	3,946	3,718	1,218	(43)	-	8,839
<i>Buildings</i>						
at valuation (as at 30 June 2002)	103	-	-	-	(2)	101
at cost	3,565	-	20	-	(93)	3,492
	3,668	-	20	-	(95)	3,593
<i>Water infrastructure</i>						
at valuation (as at 30 June 2002)	39,364	-	-	-	(901)	38,463
at cost	541	-	735	-	(182)	1,094
	39,905	-	735	-	(1,083)	39,557
<i>Wastewater infrastructure</i>						
at valuation (as at 30 June 2002)	49,740	-	-	(6)	(1,480)	48,254
at cost	2,633	-	2,614	-	(95)	5,152
	52,373	-	2,614	(6)	(1,575)	53,406
<i>Equipment and motor vehicles</i>						
at cost	1,849	-	704	(213)	(399)	1,941
	1,849	-	704	(213)	(399)	1,941
<i>Works under construction</i>						
	2,286	-	3,187	(3,736)	-	1,737
	2,286	-	3,187	(3,736)	-	1,737
Total property, plant and equipment	104,027	3,718	8,478	(3,998)	(3,152)	109,073

NOTE 9 PAYABLES

	2005 \$'000	2004 \$'000
Trade Creditors	1,285	666
Other creditors	54	250
	1,339	916

NOTE 10 INTEREST BEARING LIABILITIES

	2005 \$'000	2004 \$'000
<i>Current</i>		
Other loans	1,253	677
	1,253	677
<i>Non-current</i>		
Other loans	3,387	4,639
	3,387	4,639

NOTE 11 EMPLOYEE BENEFITS

	2005 \$'000	2004 \$'000
<i>Current</i>		
- Annual leave	172	270
- Long service leave	30	34
Other	17	-
	219	304
<i>Non-current</i>		
- Long service leave	156	148
	156	148
Number of employees at reporting date	40	45

As explained in Note 1 (j) the amounts for long service leave that are expected to be settled more than 12 months from the reporting date are measured at their present values. The following assumptions were adopted in measuring present values:

Weighted average rates of increase in annual employee entitlement to settlement of liabilities	4.75%	4.75%
Weighted average discount rates	2.87%	3.64%
Weighted average terms to settlement of the liability	5.5 years	5.1 years

NOTE 12 CONTRIBUTED CAPITAL

Balance at beginning of reporting period	51,323	51,323
Balance at end of reporting period	51,323	51,323

NOTE 13 RESERVES AND ACCUMULATED SURPLUS

(a) Asset revaluation reserve

Opening balance	36,888	36,888
Movement in asset revaluation reserve	3,719	-
Closing balance	40,607	36,888

(b) Accumulated surplus

Opening balance	13,103	4,910
Profit from ordinary activities	2,535	8,536
Dividend paid/provided	(72)	(343)
Accumulated surplus at the end of the reporting period	15,567	13,103

NOTE 14 CASH FLOW DISCLOSURES

(a) Cash at the end of the year, as shown in the Statement of Cash Flows, reconciled to the related items as follows:

Cash at bank and on hand	145	138
Deposits at call	2,304	1,494
	2,449	1,632

financial statements

Notes to the Financial Report for the year ended 30 June 2005

NOTE 14 CASH FLOW DISCLOSURES (CONT...)

	2005 \$'000	2004 \$'000
(b) Reconciliation of net cash provided by operating activities to operating surplus		
Operating result	2,535	8,536
Depreciation	3,152	2,715
Developer contributions for capital purposes	(1,489)	(1,615)
Owner contributed assets	(145)	(6,810)
Bad debts written off	(62)	30
Net profit on sale of non-current assets	52	23
Change in operating assets and liabilities		
Decrease(increase) in receivables	197	(33)
Decrease(increase) in inventories	(32)	(97)
Decrease(increase) in other operating assets	18	95
Decrease(increase) in payables	(326)	128
Decrease(increase) in provisions	(60)	77
Net cash from (used in) operating activities	3,840	3,049

NOTE 15 FINANCIAL INSTRUMENTS

(a) Accounting policy, terms and conditions

Recognised financial instruments	Accounting policy	Terms and conditions
Financial assets		
Cash assets	Cash on hand and at bank and money market call account are valued at face value. Interest is recognised as it accrues.	On call deposits returned an average interest rate of 5.325% (4.95% in 2004). The interest rate at balance date was 5.45% (5.2% in 2003).
Trade debtors	Current debtors are carried at the nominal amounts due less any provision for doubtful debts. A doubtful debt provision is made for any amounts which are considered unlikely to be collected.	Credit is allowed for a 28 day term for tariff debtors and a 30 day term for sundry debtors. Interest is charged on overdue accounts at a rate of 12.25% (10% in 2004). Property owners required to meet the cost of works may pay by instalments over 10 years at an interest rate of 10% on outstanding balances. Property owners required to meet the cost of works in eligible new town sewerage schemes may pay by instalments over 20 years.
Non-current debtors	Non-current debtors are carried at the nominal amounts due less any provision for doubtful debts. A doubtful debt provision is made for any amounts which are considered unlikely to be collectable.	Property owners required to meet the cost of works may pay by instalments over 10 years at an interest rate of 10% on outstanding balances. Property owners required to meet the cost of works in eligible new town sewerage schemes may pay by instalments over 20 years.
Financial liabilities		
Payables	Liabilities are recognised for amounts to be paid in the future for goods and services provided to the Authority as at balance date whether or not invoices have been received.	General creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt
Interest-bearing liabilities	Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.	The credit foncier loans are repayable in instalments over 10 year terms. Interest rates range from 4.9357% to 6.0031%.

NOTE 15 FINANCIAL INSTRUMENTS (CONT...)

(b) Interest rate risk

The exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date are as follows:

Financial instruments	Floating interest rate		Fixed interest rate maturing in:						Non interest bearing		Total carrying amount per Statement of Financial Position		Weighted average interest rates	
			One year or less		One to five years		Over five years							
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
Financial assets														
Cash assets	2,449	1,632	-	-	-	-	-	-	-	-	2,449	1,632	5.33%	4.95%
Receivables	-	-	106	118	35	31	-	-	1,110	1,201	1,251	1,350	12.50%	10.00%
Other assets	-	-	-	-	-	-	-	-	712	654	712	654	-	-
Total financial assets	2,449	1,632	106	118	35	31	-	-	1,822	1,855	4,412	3,636	-	-
Financial liabilities														
Payables	-	-	-	-	-	-	-	-	1,339	916	1,339	916	-	-
Interest-bearing liabilities	-	-	717	677	2,926	2,708	997	1,931	-	-	4,640	5,316	5.75%	5.73%
Total financial liabilities	-	-	717	677	2,926	2,708	997	1,931	1,339	916	5,979	6,232	-	-

(c) Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

Financial instruments	Total carrying amount per Statement of Financial Position		Aggregate net fair value	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>				
Cash assets	2,449	1,632	2,449	1,632
Receivables	1,251	1,350	1,226	1,928
Other assets	712	654	712	-
Total financial assets	4,412	3,636	4,387	3,560
<i>Financial liabilities</i>				
Payables	1,339	916	1,339	916
Interest-bearing liabilities	4,640	5,316	4,697	5,283
Total financial liabilities	5,979	6,232	6,036	6,199

(d) Credit risk

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is represented by the carrying amount of those assets as indicated in the Statement of Financial Position.

financial statements

Notes to the Financial Report for the year ended 30 June 2005

NOTE 16 SEGMENT INFORMATION

Primary reporting – business segments	Water		Wastewater		Inter-segment elimination		Consolidated	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Sales to external customers	4,682	4,357	4,456	4,202	-	-	9,138	8,559
Inter-segment sales	-	-	-	-	14	33	14	33
Total sales revenue	4,682	4,357	4,456	4,202	14	33	9,152	8,592
Other revenue	840	8,072	1,183	1,363	-	-	2,023	9,435
Total segment revenue	5,522	12,429	5,639	5,565	14	33	11,175	18,027
Unallocated revenue less unallocated expenses	(3,545)	-	(5,081)	-	-	-	(8,626)	-
Surplus	1,977	8,113	558	456	14	33	2,549	8,602
Segment assets	43,470	40,524	59,726	60,664	-	-	103,196	101,188
Unallocated assets	4,060	6,810	6,595	-	-	-	10,655	6,810
Total assets	47,530	47,334	66,321	60,664	-	-	113,851	107,998
Segment liabilities	2,393	3,285	3,889	3,399	-	-	6,282	6,684
Unallocated liabilities	72	-	-	-	-	-	72	-
Total liabilities	2,465	3,285	3,889	3,399	-	-	6,354	6,684
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	4,528	8,909	2,789	2,768	-	-	7,317	11,677
Depreciation expense	1,082	982	1,572	1,733	-	-	2,654	2,715
Other non-cash expenses	-	-	-	-	-	-	-	-
Inventory write-down	6	-	-	-	-	-	6	-
Profit on sale of freehold land	-	-	-	-	-	-	-	-

NOTE 17 COMMITMENTS

	2005 \$'000	2004 \$'000
Capital commitments		
At 30 June 2005 the Authority had the following capital commitments:		
Outstanding capital commitments are likely to be exercised as follows:		
within one year	650	146

NOTE 18 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent assets	-	-
Contingent liabilities		
Action has been initiated against the Authority for unspecified damages. The matter is presently being resolved through the Energy and Water Ombudsman (Victoria). The extent of any potential liability is yet to be determined.	-	-

NOTE 19 SUPERANNUATION

Vision Super

The Authority makes employee superannuation contributions in respect of some employees to Vision Super. The fund has two categories of membership, each of which is funded differently:

(a) Vision Super LASPLAN scheme receives employer contributions on a monthly basis. Employer contributions are based on a fixed percentage of employee gross earnings in accordance with the superannuation guarantee legislation. No former liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets.

(b) Vision Super Defined Benefits Scheme receives both employer and employee contributions on a quarterly basis. Employer contributions are based on a fixed percentage of employee gross earnings as determined by the Fund's Trustees on the advice of the actuary. On the basis of the results of the most recent full actuarial investigation conducted by Mr Grant Harslett FIA, FIAA as at 31 December 2002, the trustee has determined that the Authority should make contributions as per previous year.

Miscellaneous Schemes

The Authority also made payments to various superannuation schemes, which included a number of self managed funds, during the reporting period. Employer contributions to these schemes are based on a fixed percentage of employee gross earnings in accordance with superannuation guarantee legislation.

Contribution details are shown in the following table:

Name of scheme	Contribution rate	2005 \$'000	2004 \$'000
Miscellaneous Schemes	9.00%	56	63
Vision Super	9.00%	114	170
Vision Super Defined Benefits	9.25%	42	43
Unfunded Liability payment		0	0
Total contributions to all funds		212	276

NOTE 20 RESPONSIBLE PERSONS RELATED DISCLOSURES

(a) Responsible Persons

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

Responsible Minister

- The Hon John Thwaites MP, Minister for Water

Directors

- Pamela Cameron (Chairperson)
- Anthea Dacy (Deputy Chairperson)
- Clyde Paterson (Director)
- Leah Young (Director)
- Chris Pattas (Director)
- Susan Walpole (Director)
- Philip Westwood (Director)

Accountable Officer

- Michael (Mike) Paine (Chief Executive Officer)

Remuneration of responsible persons

Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet.

Other relevant interests are declared in the Register of Members' Interests which each Member of the Parliament completes.

financial statements

Notes to the Financial Report for the year ended 30 June 2005

NOTE 20 RESPONSIBLE PERSONS RELATED DISCLOSURES (CONT...)

	2005 \$'000	2004 \$'000
Remuneration received, or due and receivable from the Authority in connection with the management of the Authority (includes termination payments and bonuses paid at the end of contracts and superannuation).	283	279
The number of responsible persons whose remuneration from the Authority was within the specified bands are as follows:		
	Number	Number
Income Band		
\$10,000 - 19,999	6	6
\$30,000 - 39,999	1	1
\$150,000 - 159,999	1	1

Responsible persons retirement benefits

The superannuation benefits paid by the Authority in connection with the retirement of responsible persons amounted to \$0 (2004-\$21,000).

Loans

There were no loans in existence by the Authority to responsible persons or related parties during the financial year. There were no other transactions between the Authority and responsible persons and their related parties during the financial year. (refer Note 25)

	2005 \$'000	2004 \$'000
b) Executive officers' remuneration		
Total remuneration, including bonuses, paid or payable during the year by the Authority to executive officers whose remuneration exceeded \$100,000	317	324
Bonuses, paid or payable, during the year pursuant to employment contracts included in the above remuneration	41	38
The number of executive officers whose remuneration from the Authority was within the specified bands are as follows:		
	Number	Number
Income Band		
\$100,000 - 109,999	2	3
\$110,000 - 119,999	1	-

NOTE 21 FINANCING FACILITIES

Credit standby arrangements

The Authority has temporary financial accommodation approval of \$250,000 for the period ended 30 June 2005.

NOTE 22 STATEMENT OF FINANCIAL POSITION OF WHOLESALE AND RETAIL SEGMENTS

In accordance with Directions issued by the Minister for Agriculture and Resources under the Financial Management Act 1994, the Authority is providing as part of its financial statements separate details of the revenue, expenses, assets and liabilities and results of its wholesale and retail operations. Information is shown by way of a note included in these financial statement

	Wholesale		Retail		Statement of Financial Performance	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from ordinary activities						
Service charges	-	-	7,412	6,968	7,412	6,968
Volumetric charges	676	864	1,069	745	1,745	1,609
Government contributions	-	-	-	-	-	-
Developer contributions	-	-	1,489	1,615	1,489	1,615
Revenue from outside ordinary activities						
Interest	-	-	191	158	191	158
Proceeds from sale of assets	-	-	167	360	167	360
Other revenue	-	4	818	503	818	507
Owner Contributed Assets	-	-	145	6,810	145	6,810
Total revenue	676	868	11,291	17,159	11,967	18,027
Expenses of ordinary activities						
Depreciation	204	195	2,948	2,520	3,152	2,715
Employee expenses	100	130	2,587	2,805	2,687	2,935
Repairs and maintenance expense	24	91	444	463	468	554
Write-down amount of asset sold	-	-	(219)	383	(219)	383
Suppliers	396	426	2,222	2,215	2,618	2,641
Total expenses	724	842	7,982	8,386	8,706	9,228
Borrowing costs	37	26	251	237	288	263
Profit/(loss) from ordinary activities before tax	(85)	-	3,058	8,536	2,973	8,536
Income tax expense (revenue)	-	-	-	-	-	-
Net result for the reporting period	(85)	-	3,058	8,536	2,973	8,536
Total changes in equity other than those resulting from transactions with the Victorian State Government as owner	(85)	-	3,058	8,536	2,973	8,536

NOTE 23 STATEMENT OF FINANCIAL POSITION DISAGGREGATED AS AT 30 JUNE 2005

	Wholesale		Retail		Total	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets						
Cash assets	-	-	2,449	1,632	2,449	1,632
Property, plant and equipment	8,442	8,713	100,631	95,314	109,073	104,027
Other assets	-	-	2,329	2,339	2,329	2,339
Total assets	8,442	8,713	105,409	99,285	113,851	107,998
Liabilities						
Payables	-	-	1,339	916	1,339	916
Interest bearing liabilities	-	-	4,640	5,316	4,640	5,316
Employee benefits	-	-	375	452	375	452
Total liabilities	-	-	6,354	6,684	6,354	6,684
NET ASSETS	8,442	8,713	99,055	92,601	107,497	101,314

financial statements

Cash Flows from Operating Activities

STATEMENT OF CASH FLOWS DISAGGREGATED FOR YEAR ENDED 30 JUNE 2005

	Wholesale		Retail		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Net cash from operating activities	-	-	3,840	3,049	3,840	3,049
Cash flow used in investment activities	(125)	(301)	(2,221)	(2,712)	(2,346)	(3,013)
Cash flow used in financing activities	-	-	(677)	288	(677)	288

NOTE 24 IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Following the adoption of Australian equivalents to International Financial Reporting Standards (A-IFRS), Westernport Water will report for the first time in compliance with A-IFRS when results for the financial year ended 30 June 2006 are released.

It should be noted that under A-IFRS, there are requirements that apply specifically to not-for-profit entities that are not consistent with IFRS requirements. Westernport Water is established to achieve the objectives of government in providing services free of charge or at prices significantly below their cost of production for the collective consumption by the community, which is incompatible with generating profit as a principal objective. Consequently, where appropriate, Westernport Water applies those paragraphs in accounting standards applicable to not-for-profit entities.

An A-IFRS compliant financial report will comprise a new statement of changes in equity in addition to the three existing financial statements, which will all be renamed. The Statement of Financial Performance will be renamed as the Operating Statement, the Statement of Financial Position will revert to its previous title as the Balance Sheet and the Statement of Cash Flows will be simplified as the Cash Flow Statement. However, for the purpose of disclosing the impact of adopting A-IFRS in the 2004-2005 financial report, which is prepared under existing accounting standards, existing titles and terminologies will be retained.

With certain exceptions, an entity that has adopted A-IFRS must record transactions that are reported in the financial report as though A-IFRS had always applied. This requirement also extends to any comparative information included within the financial report. Most accounting policy adjustments to apply A-IFRS retrospectively will be made against accumulated funds at the 1 July 2004 opening balance sheet date for the comparative period. The exceptions include deferral until 1 July 2005 of the application and adjustments for:

- AASB 132 Financial Instruments: Disclosure and Presentation;
- AASB 139 Financial Instruments: Recognition and Measurement;
- AASB 4 Insurance Contracts;
- AASB 1023 General Insurance Contracts (revised July 2004); and
- AASB 1038 Life Insurance Contracts (revised July 2004).

The comparative information for transactions affected by these standards will be accounted for in accordance with existing accounting standards.

Westernport Water has taken the following steps in managing the transition to A-IFRS and has achieved the following scheduled milestones:

- established a steering committee to oversee the transition to and implementation of the A-IFRS;
- established an A-IFRS project team to review the new accounting standards to identify key issues and the likely impacts resulting from the adoption of A-IFRS and any relevant Financial Reporting Directions as issued by the Minister for Finance;
- participated in an education and training process to raise awareness of the changes in reporting requirements and the processes to be undertaken; and
- initiated reconfiguration and testing of user systems and processes to meet new requirements.

This financial report has been prepared in accordance with current Australian accounting standards and other financial reporting requirements (Australian GAAP). A number of differences between Australian GAAP and A-IFRS have been identified as potentially having a material impact on Westernport Water's financial position and financial performance following the adoption of A-IFRS. The following tables outline the estimated significant impacts on the financial position of Westernport Water as at 30 June 2005 and the likely impact on the current year result had the financial statements been prepared using A-IFRS.

The estimates disclosed below are Westernport Water's best estimates of the significant quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to A-IFRS may differ from the estimates disclosed due to:

- change in facts and circumstances;
- ongoing work being undertaken by the A-IFRS project team;
- potential amendments to A-IFRS and interpretations; and
- emerging accepted practice in the interpretation and application of A-IFRS and UIG interpretations.

NOTE 24 IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Table 1: Reconciliation of net result as presented under Australian GAAP and that under A-IFRS

	Year ended 30 June 2005 \$'000
Net result as reported under Australian GAAP	6,253
Estimated A-IFRS impact on expenses	0
Total estimated A-IFRS impact on net result	0
Net result under A-IFRS	6,253

Table 2: Reconciliation of total assets and total liabilities as presented under Australian GAAP and that under A-IFRS

	Year ended 30 June 2005 \$'000
Total assets under Australian GAAP	113,851
Estimated A-IFRS impact on assets	0
Total estimated A-IFRS impact on assets	0
Total assets under A-IFRS	113,851
Total liabilities under Australian GAAP	6,354
Estimated A-IFRS impact on liabilities	0
Total estimated A-IFRS impact on liabilities	0
Total liabilities under A-IFRS	6,354

Table 3: Reconciliation of equity as presented under Australian GAAP and that under A-IFRS

	Year ended 30 June 2005 \$'000
Total equity under Australian GAAP	107,497
Estimated A-IFRS impact on equity	
Asset Revaluation Reserve	(34,510)
Retained Earnings	34,510
Total estimated A-IFRS impact on equity	0
Total equity under A-IFRS	107,497

Explanatory notes:

1. Impairment of assets. AASB 136 Impairment of Assets requires assets to be assessed for indicators of impairment each year. This standard applies to all assets, other than inventories, financial assets and assets arising from construction contracts, regardless of whether they are measured on a cost or fair value basis. If indicators of impairment exist, the carrying value of an asset will need to be tested to ensure that the carrying value does not exceed its recoverable amount, which is the higher of its value-in-use and fair value less costs to sell. Westernport Water, being a not-for-profit entity, has determined that value-in-use of an asset is its depreciated replacement cost. Accordingly impairment testing was not undertaken with the exception of land and buildings.

financial statements

Cash Flows from Operating Activities

NOTE 24 IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

2. Financial instruments. Westernport Water has elected to apply the first-time adoption exemption available under AASB 1 First-time adoption of Australian Equivalent to International Financial Reporting Standard to defer the date of transition of AASB 139 Financial Instruments: Recognition and Measurement until 1 July 2005. Accordingly, there will be no quantitative impacts on the financial positions as at 1 July 2004 and 30 June 2005 and the financial performance for the year ended 30 June 2005.

With the exception of receivables and payables, the majority of financial assets and liabilities held by the Westernport Water are valued on the Statement of Financial Position at market value with changes in value taken to the Statement of Financial Performance.

On adoption of A-IFRS, it is anticipated that there will be no significant changes in recognition of these assets and liabilities. However, the new standards require market value to be measured at 'bid' or 'offer' rates as appropriate, compared to the present practise of using mid-market rates, which may lead to some changes in value.

3. Property Plant and Equipment. Finance Regulation Direction (FRD) 115 Non Current Physical Assets – First Time Adoption prescribes the requirements for the first time adoption of FRD 103 Non-Current Physical Assets at the date of transition to Australian equivalents to International Financial Reporting Standards (A-IFRS) including requirements regarding the Revaluation Reserve.

FRD 115 requires a cost to be determined for Non Current Physical Assets at the date of transition to A-IFRS (being 1 July 2004). The Directors of Westernport Water have determined that the cost of assets at date of transition is \$105,413,674. Accordingly, all revaluation reserves other than Land and Buildings have been transferred to Retained Earnings. The impact of this transfer is \$34.510m on the Asset Revaluation Reserve and Retained Earnings.

NOTE 25 CORRECTION OF ERROR IN PRIOR YEAR FBT LIABILITY

An error in an accounting entry in the prior year relating to Fringe Benefits Tax (FBT) liability of \$5,356.06 resulted in:

- An overstatement of FBT payable of \$5,356.06 in 2005 to the Australian Taxation Office.
 - An overstatement of receivable from responsible persons of \$5,356.06.
 - An incorrect disclosure in Note 20 of the 2004 Annual report stating that the Authority had loaned \$5,000 (rounded to \$'000) to responsible persons.
- The error was identified in 2005 and the error has been corrected by restating each of the affected financial statement line items for the prior year comparatives, as described above.

**STATUTORY CERTIFICATE
WESTERNPORT REGION WATER AUTHORITY
FOR THE YEAR ENDED 30 JUNE 2005**

We certify that the attached Financial Statements for Westernport Region Water Authority have been prepared in accordance with the Standing Direction 4.2 of the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that in our opinion the information set out in the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to and forming part of the Financial Statements, presents fairly the financial transactions during the year to 30 June 2005 and the financial position of the Authority as at 30 June 2005.

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



Michael Paine
Chief Executive Officer
Accountable Officer

10 / 10 / 2005
Dated



Leah Young
Acting Chairperson

auditor general's report



AUDITOR GENERAL
VICTORIA

INDEPENDENT AUDIT REPORT

Westernport Region Water Authority

To the Members of the Parliament of Victoria and Members of the Board of the Authority

Scope

The Financial Report

The accompanying financial report for the year ended 30 June 2005 of Westernport Region Water Authority consists of the statement of financial performance, statement of financial position, statement of cash flows, notes to and forming part of the financial report, and the supporting declaration.

Members' Responsibility

The Members of the Board of Westernport Region Water Authority are responsible for:

- the preparation and presentation of the financial report and the information it contains, including accounting policies and accounting estimates
- the maintenance of adequate accounting records and internal controls that are designed to record its transactions and affairs, and prevent and detect fraud and errors.

Audit Approach

As required by the *Audit Act 1994*, an independent audit has been carried out in order to express an opinion on the financial report. The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement.

The audit procedures included:

- examining information on a test basis to provide evidence supporting the amounts and disclosures in the financial report
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the members
- obtaining written confirmation regarding the material representations made in conjunction with the audit
- reviewing the overall presentation of information in the financial report.

These procedures have been undertaken to form an opinion as to whether the financial report is presented in all material respects fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, so as to present a view which is consistent with my understanding of the Authority's financial position, and its financial performance and cash flows.

The audit opinion expressed in this report has been formed on the above basis.



AUDITOR GENERAL
VICTORIA

Independent Audit 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 are to be exercised. The Auditor-General and his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

Audit Opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, the financial position of Westernport Region Water Authority as at 30 June 2005 and its financial performance and cash flows for the year then ended.

MELBOURNE
10 October 2005


J.W. CAMERON
Auditor-General

Directory

Business Address

2 Boys Home Road,
Newhaven Victoria 3925

Telephone

(03) 5956 4100

Emergency telephone (24 hour)

1800 24 90 90

Facsimile

(03) 5956 4101

Email address

westport@westernportwater.com.au

Website

<http://www.westernportwater.com.au>

Auditors

Auditor General Victoria

By agent

RMS Bird Cameron

Bankers

National Australia Bank

Photography

Cover Image
Trevor Foon,
Foon's Photographics
Wonthaggi

Inside Images
Ray Stewart,
Revolver Productions,
Newhaven

Design

Dunham Bremmer,
125 Highbury Road,
Burwood

