



Westernport Water
Annual Report **2009**

Contents

- 1 Strategic Intent
- 1 Services provided
- 2 Chairperson & Managing Director's Report of Operations
- 5 Governance structure
- 10 Objectives and performance
- 15 Statutory information
- 17 Environmental sustainability – Our water our future
- 26 Performance report
- 30 Financial statements
- 59 Directory
- 60 Disclosure index



Strategic intent

To be recognised as a respected and responsible corporate citizen, providing quality products and services.

We value:

- Showing respect and being responsive to customers
- Acting with honesty, integrity and responsibility to all stakeholders
- The safety, well-being and teamwork of our people
- Sustainability, innovation, productivity, improvement and efficiency.

Nature and range of services provided

The core function of Westernport Region Water Corporation ("WPW") is to provide water and wastewater services wherever economically, environmentally and socially practicable to properties and communities throughout its district.

It services more than 16,000 customers across an area of 300 square kilometres on Phillip Island and the mainland stretching from The Gurdies to Archies Creek. Westernport Water has a diversified water supply with water sourced from the catchment supplying Candowie Reservoir (located in the Bass Hills near Glen Forbes) via Tennent creek, the Bass River and groundwater bores from the Corinella Aquifer. The water is treated at the Ian Bartlett Water Purification Plant ("IBWPP") at Candowie Reservoir and then pumped to the San Remo Basin for distribution to customers within Westernport Water's district, with average annual customer demand of approximately 2000ML (or 2GL).

Wastewater services are provided to approximately 90% of properties that receive water. Westernport Water has two wastewater treatment plants that process approximately 1,100ML of domestic wastewater per annum. The principal plant, treating around 90% of volume, Cowes Wastewater Treatment Plant ("CWWTP"), is located on Phillip Island and services Phillip Island and the township of San Remo. The secondary plant, treating approximately 10% of

volume, King Road Wastewater Treatment Plant ("KRWWTP"), is located in Coronet Bay and services the major townships of Corinella, Coronet Bay and Grantville located on the east coast of Westernport Bay. Wastewater from the townships of Kilcunda and Dalyston is treated under agreement with South Gippsland Water at its Wonthaggi treatment plant.

In addition the Corporation provides the following services:

- The sale of recycled water for dual-pipe systems and other activities
- Removal of minor trade wastes (greasy wastes)
- A liquid waste disposal facility at CWWTP
- Other utility-oriented services including specialist advice on infrastructure and facility design for new developments
- A reticulated gas business
- The sale of lucerne and grass hay, a bi-product of our effluent management process at KRWWTP

Chairman and Managing Director's Report of Operations

The 2008/09 year was significant for Westernport Water, as it continued to prove its credentials as an innovative organisation. We have been able to successfully progress our core function of providing secure, value-for-money, water and wastewater services while implementing corporate-wide improvements to the benefit of our customers.



Security of supply

Westernport Water has adopted the strategic position to permanently extend and diversify our water supply options. Over recent years the Corporation has been able to utilise the untapped potential of the Bass River, constructing a 13ML/d pump station and 2.5km transfer main to Candowie Reservoir. During 2008/09 we positioned ourselves to obtain a Bulk Entitlement on the Bass River. An extensive suite of environmental studies, designed and co-ordinated in conjunction with the Department of Sustainability and Environment (DSE) and Melbourne Water, was commenced. The community was invited to participate in this process and meetings were organised to brief customers and provide opportunity for comment.

The information obtained from the environmental studies will provide a valuable reference to both Westernport Water and Melbourne Water on the sustainable use of the Bass River resource. Our application for a Bulk Entitlement is supported by DSE and Melbourne Water and has subsequently received final ministerial approval.

In line with the Corporation's strategic position, investigations continued during 2008/09 into the sustainable extraction of groundwater from the under-allocated Corinella Aquifer. Extended pump tests combined with an extensive monitoring program were successfully completed. Detailed information on the extent, nature and responsiveness of the aquifer has now been made available to Southern Rural Water. During 2009/10 we plan to apply to Southern Rural Water for a licence to extract up to 4ML/d from the Corinella Aquifer.

The Corporation's signature capital works project in the 2008/13 Water Plan is to increase the capacity of Candowie Reservoir. We note that during 2008/09 34% of reservoir capacity overflowed from the spillway. Investigations to identify the optimal future capacity of Candowie Reservoir commenced in 2008/09 and will continue through the functional and detailed design stages in 2009/10.

Augmentation of our water supply will be further enhanced following completion of the desalination plant and transfer pipeline in 2011. A Westernport Water connection to the pipeline is technically feasible and not capital intensive. The organisation has progressively refined its position regarding the forecast volumes required from the metropolitan pool to further secure future water supply to our rising customer base.

In August 2008/09 we exited from Stage 2 restrictions and Permanent Water Saving Measures remained in force for the remainder of the year. Like many rural communities, our customers have demonstrated a holistic appreciation of the value of water. Indeed for the part of the year our customers were on Permanent Water Saving Measures, they used less water than during previous years on Stage 2 restrictions. This is not only indicative of the water-saving measures available such as showerheads, rainwater tanks and dual-flush toilets, but also the concerted effort by the community to reduce water use. We would like to take this opportunity to thank our customers for their outstanding efforts at conserving water, a precious natural resource.



The Board and management will continue to progress the augmentation of Candowie Reservoir to capitalise on work already done to upgrade water supply from the Corinella Borefield and Bass River. The Corporation will also be looking to have a connection to the Melbourne Water reserve following commissioning of the Wonthaggi desalination plant.

Water quality improvement

Extensive improvements to the storage, treatment and distribution of water have been undertaken over the last few years. In 2008/09 Westernport Water has achieved full compliance with the requirements of the Safe Drinking Water Act 2003 and associated Safe Drinking Water Regulations 2006.

Westernport Water is unique in the variance of demand from low volume – low flow winter demand to high volume – high flow summer demand.

A number of projects were initiated during 2008/09 to progress the quality of our water, including a chloramination trial to reduce the chlorine taste and odour, commencing a multi-year capital project to clean the transfer pipeline and developing a two-year water quality strategy that will identify and seek to meet our customers' expectations.

In 2008/09 we received \$840,000 in funding from the Department of Human Services (DHS) to fluoridate the water supply system. The benefits to individuals and rural communities from a fluoridated water supply are well-documented and we are pleased to be able to progress this important health initiative.

Enhanced business systems

A major milestone for the Corporation in 2008/09 was establishing and progressing the rollout of a state-of-the-art Supervisory Control and Data Acquisition (SCADA) system. In developing this project, personnel took the opportunity to canvas similar projects undertaken by other water Corporations. We would like to acknowledge and thank those Corporations and their contribution to the learnings applied. The CLEARSCADA system selected and implemented is economical, flexible and has high levels of integration capability. The Westernport SCADA project was considered suitably significant for an international conference on system monitoring to be held in the region and Westernport Water was used as a demonstration site of best practice implementation.

A similar process to develop and implement a fit-for-purpose Geographical Information System (GIS) was also completed in 2008/09. In undertaking the GIS project, the asset register has been restructured and updated and the Corporation is well-positioned to undertake fair-value assessment of its assets in 2009/10. At all stages of the GIS and SCADA projects, a clear focus has been maintained on selecting and implementing open platform systems that are appropriate for the size of the organisation. This allows the Corporation to manage and stage the level of integration to suit the organisation's current and future needs. Other water corporations have shared the learning Westernport Water has gained from integrating SCADA and GIS into their asset management portfolio.

Introducing and implementing the Investment Gateway Process, monitoring and reporting all major capital expenditure projects early in the year, has been deemed a success by both the Board and the executive management team. The Investment Gateway Process has improved transparency of process, expediting commissioning of both CAPEX and OPEX projects, coupled with accountability at all stages.

Projects aimed at enhancing our customer relations include Secure Pay, enabling customers to settle their accounts by telephone or on-line 24 hours, seven days per week. In addition, in recognition of both the changing demographics in our service area and the current financial downturn, we are allowing customers to make regular payments in advance, to be credited against future billings.

Corporate social responsibility

During the year under review, the community was saddened by the passing of a five year-old local girl from the rare condition known as neuroblastoma. In consultation with the Royal Children's Hospital, Westernport Water has supplied support-in-kind for the establishment of a charitable trust aimed at raising funds for research into this little-known cancer affecting newborn infants. Initial fundraising activities have been undertaken by the staff, providing seed capital for the formation of the Trust, which is now registered as the YAMS Foundation and affiliated with the Royal Children's Hospital Foundation. Managing Director Murray Jackson is Chairman of the Trust.

The mutual support between the Corporation and Landcare continues with projects including the removal of undesirable flora in the catchment area and replacement with suitable indigenous species. Staff have participated in a number of significant tree planting programs organised by Landcare.

Murray Jackson joined the Corporation in September 2008 as Managing Director. Murray comes armed with a wealth of talent and management skills honed over a number of years, including a period as the Commissioner for the Snowy Mountains Hydro-electric Authority and Chief Executive of Genesis Energy in New Zealand. In a relatively short time, Murray's skills and talent, coupled with his engineering background, have brought a new dimension of corporate professionalism to Westernport Water. He has set the stage for ongoing operational sustainability and has been the driving force behind the new community initiatives.

Pam Cameron completed her tenure at the Corporation in September 2008 following 10 years' service, most of them as Chair of the Board. Pam led the Corporation through a number of challenges, including the unprecedented low rainfall period of 2006/07. She departed leaving the business well-positioned for the future, for which we thank her.

Alison von Bibra joined the Board in October 2008, coming from a background in Human Resources. Alison holds a Bachelor of Science degree and a Master of Business Administration and has Board experience in both private and not-for-profit organisations.

Ongoing engagement and consultation with customers and their representative committees has been the vital link to many of Westernport Water's achievements over the past 12 months. We take this opportunity to publicly thank our customers and, in particular, the Customer Consultative Panel for their dedication, advice and encouragement throughout the year.

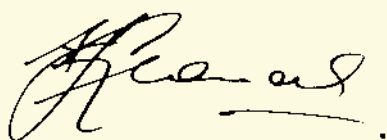
We have developed strong working relationships with regulatory organisations and would like to thank the Office of the Minister for Water, Department of Sustainability and Environment, Department of Human Services, Environmental Protection Authority, Essential Services Commission, VicWater, Electricity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

The successful 2008/09 year would not have been possible without the commitment of our dedicated management team and all staff, who have managed through drought and flood to meet our customers' needs and expectations. Westernport Water has a great team and a great culture.

In accordance with the Financial Management Act 1994, we are pleased to present the Report of Operations for the Westernport Region Water Corporation for the year ending 30 June 2009.

“The successful 2008/09 year would not have been possible without the commitment of our dedicated management team and all staff”

Anthony J Leonard, Chairman
28 August 2009



Murray Jackson, Managing Director
28 August 2009



Governance Structure

Manner of establishment and the relevant Minister

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

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

Corporate governance

The Board is responsible for the corporate governance of the Corporation and derives its powers and functions from the Water Act 1989 (as amended).

Objectives, functions, powers and duties

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

Statement of obligations

The Statement of Obligations (SoO) was issued by the then Minister for Water, Environment and Climate Change under Section 41 of the Water Industry Act on 27 July 2004. The purpose of the SoO is to clarify the obligations of Westernport Water in relation to the performance of its function 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 and Water Plan

Establishing measurable goals and objectives

Setting service standards and monitoring achievement

Ensuring compliance with legislative and regulatory obligations

Evaluating the Board and executive officers' performance to ensure integrity of corporate governance practice and ethical conduct



Tony Leonard (Chairman)

Tony Leonard was appointed to the Board of Westernport Water in October 2007 and to the position of Chairman on 1 October 2008. A regular visitor to Phillip Island over many years, Tony purchased a holiday home in 1988 and upon retirement in 2002 became a permanent resident. Prior to retirement Tony was a local director of a global financial services and risk management company with responsibilities including group operations in seven countries throughout the Pacific. For a time he was the appointed insurance broker and risk manager for the Victorian Government. He is a member of the Australian Institute of Company Directors, Australian Water Association, Landcare and a number of local clubs.



Jane Bell (Deputy Chair)

Jane Bell was appointed to the Board of Westernport Water in October 2007. Jane has more than 20 years' experience as a banking and finance lawyer in leading law firms, financial services and corporate treasury operations gained while living in Melbourne, London, Toronto, San Francisco and Brisbane. Jane is a member of the Audit and Risk Committee and is also a non-executive director of Victorian Workcover Authority, Melbourne Health and Prince Henry's Institute of Medical Research.

Jane holds a Bachelor of Laws, Bachelor of Economics, Master of Laws (London) and is a Fellow of the Australian Institute of Company Directors.



Leigh Hocking

Leigh Hocking was appointed to the Board of Westernport Water in June 2005 and also serves on the Remuneration Committee. He was formerly the Chair of the Board of Rural Ambulance Victoria and the Ministerial Delegate to the Board of Ambulance Victoria. Leigh's background is in human resources and management consulting. He is a director of Magellan Consulting Pty Ltd, (a human resource and organisational development consultancy specialising in major organisational change, development and employee relations) and iCourses, (a company that provides online workplace-oriented training). He is a Fellow of the Australian Institute of Company Directors.



Trevor Nink

Trevor Nink was appointed to the Board of Westernport Water in October 2007. He is also Chairman of the Audit and Risk Committee. Trevor and his family are homeowners in Ventnor, with their principal residence in Melbourne. He has held various executive positions with international building, engineering and packaging companies in CEO positions with focus on leadership, strategy and change management. Trevor holds a Bachelor of Science and has conducted further studies in economics and psychology at The University of Melbourne. He is a Fellow of the Australian Institute of Company Directors. Other current commercial directorships are Trackaxle Ltd and Blanter Pty Ltd. Previous senior executive roles were with Kodak, ACI, BTR Nylex and KONE Elevators in Australia, USA and Europe.



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, Leah had more than 13 years' experience in local government, holding senior positions in key areas such as financial

and corporate planning, capital works development, administration and human resource management. She is a member of the Audit and Risk Committee and is a director of the Central Gippsland Water Corporation, a position she has held for the past nine years.



Chris Pattas

Chris Pattas is the General Manager, Business Division at MYOB - an Australian-based organisation, which provides solutions to enterprises worldwide. He holds a Bachelor of Engineering, a Master of Business Administration and is a Member of the Australian Institute of Company Directors. He was previously a Board member with Eastern Health - a network of hospitals in the eastern suburbs of Melbourne. As a former councillor and Mayor of the City of Boroondara, Chris also has extensive experience with local government. Previous roles include senior executive positions with Ericsson, NEC and Sensis.



Alison von Bibra – appointed 1 October 2008

Alison has held senior roles in Human Resources over several years, in Australia and the USA. Most recently she was part of CSL Ltd, and managed the human resources function for the global business, spanning 10,000 employees. Alison holds a Bachelor of Science degree from Adelaide University and an MBA from the University of New England. She has Board experience in the private and not-for-profit sectors and joined the Board of Westernport Region Water Corporation in October 2008.



Murray Jackson – Managing Director – appointed 1 September 2008

Murray Jackson commenced as Managing Director of Westernport Water on 1 September 2008 after concluding a 10 year appointment with Genesis Energy in New Zealand. His qualifications include a Masters Degree in Business, a Bachelor Degree in Economics and a Diploma in Mechanical Engineering. He is a Fellow of the Institute of Engineers — Australia, Fellow of the Australian Academy of Technological Sciences and Engineering, Fellow of the Institution of Professional Engineers — New Zealand, and a Member of the Australian Institute of Company Directors. Murray's engineering career included the commissioning of coal-fired power plants in Victoria and New South Wales and Commissioner of the Snowy Mountains Hydro-electric Authority (1993/97). He was awarded the Centenary Medal in June 2003 by the Australian Government for service to industry and society. In 1999 he was appointed Chief Executive of Genesis Power Ltd (NZ) a vertically integrated electricity and gas exploration, generation and retail business, formed from the split-up of the former Electricity Corporation of New Zealand.

Pamela Cameron – resigned 30 September 2008

Pamela Cameron was appointed to the Board in June 1998 and to the position of Chairperson on 30 June 2001. She is a graduate of the Australian Institute of Company Directors. For many years Pamela has held several senior committee and director positions, providing local and regional knowledge and expertise. She is president of the Phillip Island Aquatic Centre Fund Inc., a Life Governor of Newhaven College, a member of the Institute of Water Administration and an inaugural member of Phillip Island Landcare.

Remuneration Committee

The Remuneration Committee is a sub-committee of the Board and 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:

- Recruitment of a new Managing Director
- Management of executive performance and remuneration arrangements
- Management of a comprehensive review of the Board
- Restructure of the organisation
- Review of the performance of the Managing Director

The Remuneration Committee consists of three independent members. For the first three months of the reporting period they were Pamela Cameron (resigned 30 September 2008), Leigh Hocking and Jane Bell. From 1 October 2009, membership comprised Tony Leonard (Chairman), Leigh Hocking and Alison von Bibra.

Audit and Risk Committee

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

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

During the year the Audit and Risk Committee:

- Reviewed the outcomes from the Water Quality Risk Management Plan external audit
- Endorsed the appointment of Pitcher Partners as the Corporation's internal auditor
- Approved a new three-year internal audit plan
- Participated in VMIA Risk Framework Quality Review
- Performed an audit of the Corporation's progress in implementing the recommendations of the 2007/08 property and liability risk management audit conducted by Jardine Lloyd Thompson

- Undertook a self-assessment of Occupational Health and Safety compliance of the Board
- Conducted a review of the business' risk appetite
- Reviewed the tendering process for insurance renewals

In addition there were regular reports on risk management, environmental and occupational health and safety. The committee also commenced a review of our regulatory external reporting obligations.

Internal audits undertaken during the year were as follows:

- Incident and emergency response review
- Annual review of purchasing card
- Procurement and supply management

The Audit and Risk Committee consists of four independent members. For the first three months of the reporting period they were: Leah Young, Tony Leonard, Trevor Nink and Chris Pattas. From 1 September 2009, members comprised: Trevor Nink (Chairperson), Leah Young, Jane Bell and Chris Pattas.

Table of Committee Attendance

Director	Board meetings		Audit and Risk Committee meetings		Remuneration Committee meetings	
	Held	Attended	Held	Attended	Held	Attended
Tony Leonard (Chairman from 1/10/08)	11	11	1	1	2	2
Pamela Cameron (resigned 30/9/08)	3	3	–	–	1	1
Murray Jackson (Managing Director from 1/9/08)	9	9	–	–	2	2
Keith Gregory (A/Managing Director until 31/8/08)	2	2	–	–	1	1
Jane Bell Deputy Chair	11	11	9	9	1	1
Leigh Hocking	11	10	–	–	3	3
Leah Young	11	8	9	6	–	–
Chris Pattas	11	8	9	6	–	–
Trevor Nink	11	11	9	9	–	–
Alison von Bibra (from 1/10/08)	8	8	–	–	2	2

Executive Management Team



Kylie White – General Manager Business Services

Kylie was appointed to the position of General Manager - Business Services in February 2009 and is responsible for maintaining and developing the Corporation's financial management systems and IT environment, as well as providing a full range of financial, tax and regulatory reporting services. Kylie is a Certified Practising Accountant (CPA) and has over 9 years' experience within the water industry in both financial and regulatory positions, with responsibilities ranging from revenue tariff design and modelling, financial management, systems implementation, and process efficiency audits. Kylie was the previous facilitator for the Customer Consultative Panel, and contributes to the work of the Audit and Risk Committee.

Merryl Todd – General Manager Customer Relations

Merryl was appointed to the position of General Manager Customer Relations in February 2009. Her responsibilities include the management of customer service, sales and marketing, metering and billing, water conservation and corporate social responsibility. She has more than 30 years' experience in customer service management and consultancy in government, utility, telecommunications and finance sectors. Merryl is also the Audit and Risk Committee Secretary.

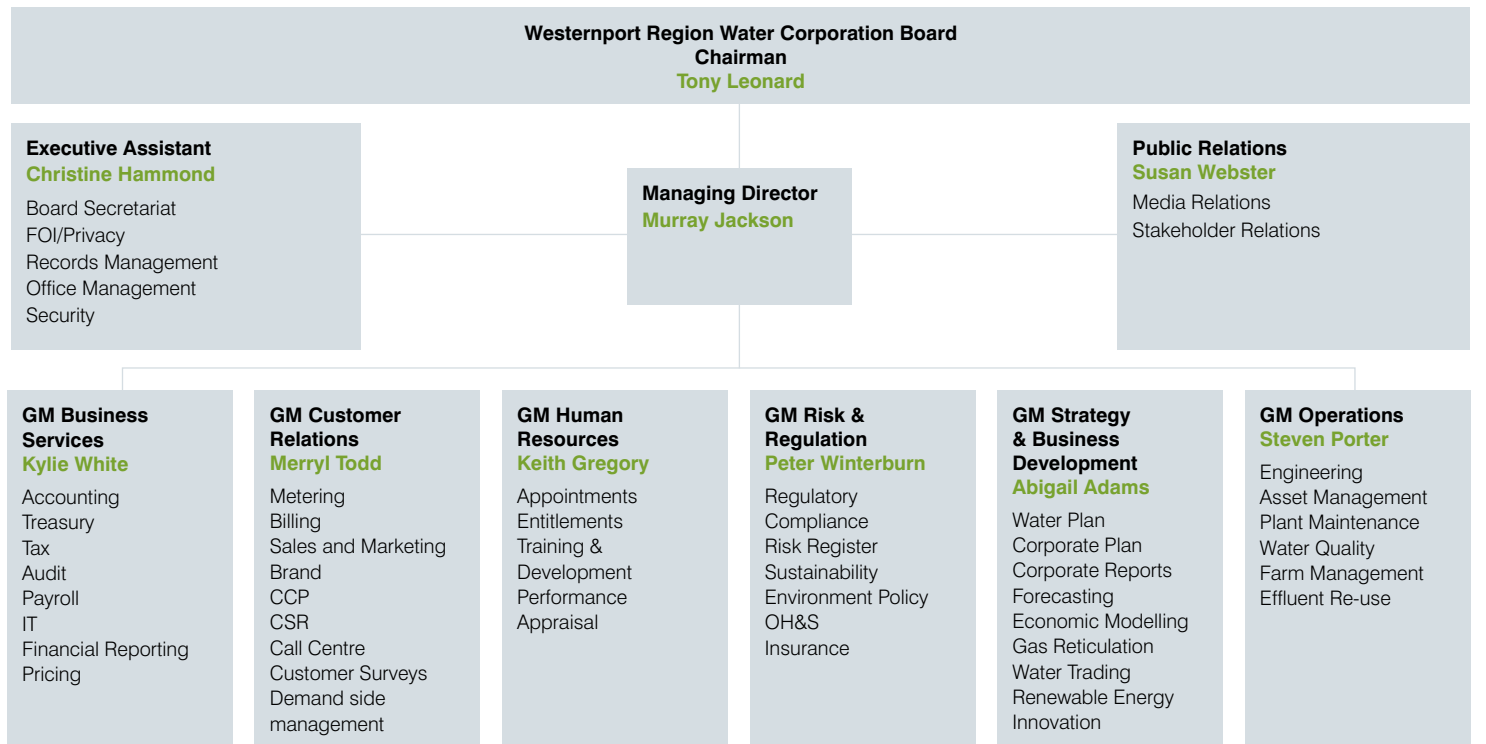
Keith Gregory – General Manager Human Resources

Keith has had a broad and diversified career in senior management in a multinational environment in line and human resource management in both functional and regional corporate settings. This experience was gained in Australia and in the UK, the Middle East and south-east Asia. He has also had some 10 years of consulting experience in Australia and south-east Asia in a wide range of industries including oil, gas, mining, pharmaceutical, banking and financial services, professional services and government. Keith joined Westernport Water in 2004.

Executive Management Team

Left to right: Keith Gregory, Christine Hammond, Abigail Adams, Merryl Todd, Murray Jackson, Kylie White, Peter Winterburn and Steven Porter.

Organisational structure



Peter Winterburn – General Manager Risk and Regulation

Peter was appointed to the position of General Manager Risk and Regulation in February 2009. His responsibilities include the management of Occupational Health and Safety (OH&S), regulatory compliance across the Corporation, combined with the development of risk and environmental management systems. He has more than 20 years' experience in logistics, operations and supply chain management across a broad range of industries.

Abigail Adams – General Manager Strategy and Business Development

Abigail was appointed to the management team in February 2008. Her responsibilities include creating and managing Westernport Water's Investment Gateway Process and preparing the Corporation's long term strategic plans and annual business plan. Prior to working at Westernport Water, Abigail lived in the United States for ten years where she received a MBA from the University of Washington. Before undertaking the MBA, Abigail held executive marketing positions in both Australia and the United States. Following her studies she worked structuring and analyzing the financial and strategic aspects of large real estate ventures.

Steven Porter – General Manager Operations

Steven was appointed in October 2002 and is responsible for managing the Corporation's asset-base and development, field maintenance and the operation of its key water and wastewater facilities. He has more than 20 years' experience in both public and private sectors of the water industry including developing and implementing strategic and business plans, managing client/customer relations and extensive experience at developing strategies for asset and resource use and planning for asset growth. Steven is a management member of the Workplace Consultative Committee and is a director of Latrobe Community Health Service.

Christopher Leighton – Chief Financial Officer (resigned 23 January 2009)

Christopher was appointed to the position of Chief Financial Officer in April 2008. He was responsible for maintaining the Corporation's financial management systems, and providing financial and accounting services.

Objectives and Performance against Objectives

Westernport Water committed to the following 2008/09 Corporate Plan objectives.

The objectives were developed using a triple bottom line approach and are expressed as a balanced scorecard encompassing objectives relating to:

- Improving our decision making processes
- Sound financial performance
- Employing risk mitigation strategies to reduce potential risk
- Continuous improvement
- Regulatory requirements

Corporate Plan Report Card

IMPROVING OUR DECISION-MAKING PROCESSES

Implement decision making frameworks to ensure smart decisions are made to enhance our performance

Development of our communications strategy to engage our stakeholders	<i>Planned</i>
Best practice customer service strategy	<i>Ongoing</i>
Development of organisation-wide KPI's for performance reporting	<i>Planned</i>
Development of business strategies and product development reviews	<i>Planned</i>
Implementation of our Investment Gateway policies and procedures	<i>Completed</i>
Implementation of whole-of-life approach to asset management	<i>Ongoing</i>

SOUND FINANCIAL PERFORMANCE

Manage our finance to ensure long term viability

Implementing robust business analysis to ensure alignment with our strategic intent	<i>Planned</i>
Basing all decisions on social, economical and environmental considerations	<i>Ongoing</i>
Developing robust financial models and frameworks for financial management reporting	<i>Planned</i>
Demand and revenue forecasting system	<i>Planned</i>
Develop new tariff policy	<i>In Progress</i>
Develop finance system to improve reporting capabilities and produce real time reporting	<i>Planned</i>

EMPLOYING RISK MITIGATION STRATEGIES TO REDUCE POTENTIAL RISKS

Manage the risks to our business by ensuring risk mitigation strategies are identified and implemented

Implementation of Year 1 of our strategic asset management plan	<i>Planned</i>
Development of IT strategy	<i>Planned</i>
Implement preventative maintenance plans	<i>Completed</i>
Embed robust risk management practices in day-to-day operations	<i>Ongoing</i>

CONTINUOUS IMPROVEMENT

Focusing on continuously improving our operational capability for our systems, processes, products and people

Implementing mobile computing solutions	<i>In Progress</i>
Enhancing capabilities of Management Information System (MIS) – reporting	<i>In Progress</i>
Espousing performance improvement through innovative management and development plans	<i>Completed</i>
Development of knowledge management culture	<i>Planned</i>

REGULATORY REQUIREMENTS

Ensuring all regulatory and compliance requirements are achieved with accurate and timely exchange of corporate data

Proactively work with government and industry to create open and transparent relationships	<i>Ongoing</i>
Development of sustainability report card	<i>Ongoing</i>
Development of legal compliance framework	<i>Completed</i>
Improving the provision of data for regulatory compliance and government issues	<i>Planned</i>



Improving our decision-making processes

Westernport Water strives to deliver a customer service experience that not only meets, but exceeds the expectations of our customers. Our continuous improvement focus is driven by feedback gathered from our Customer Satisfaction Survey the Customer Consultative Panel and our customer service strategy.

A major initiative of our customer service strategy was the introduction of fully automated payment facilities. In November 2008 Westernport Water launched both an automated telephone and internet payment facility. The telephone and internet facilities are available 24 hours per day, seven days per week and this allows our customers to pay their account at a date and time convenient to them.

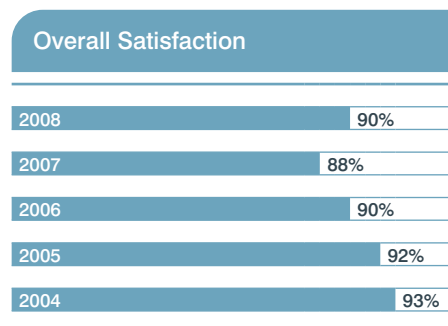
We are also committed to surveying our customers each year to gauge their satisfaction with nine key areas of our service delivery.

The survey is conducted in October/ November each year, during which our customers are asked a series of questions on their satisfaction with:

- water and wastewater services
- information provision
- customer service
- the way we manage the environment
- security of water supply

The results from the survey are analysed and used in the decision-making process for our corporate and operational plans. For example the Corporation initiated a project in 2008/09 to address our customers' perception of water quality, specifically the chlorine taste and odour. By progressively modifying the chlorination process and using chloramination to produce a longer-lasting and less noticeable process outcome, Westernport is demonstrating its responsiveness to its customers' concerns.

The results for the five years we have been surveying are summarised in the graph below:



A public education project was launched to introduce a chloramination trial through Dalyston, Kilcunda and Archies Creek, another water quality initiative. A follow-up survey revealed 77% registered awareness of the trial. Early indications suggest wide public approval of the pilot, with 68% of respondents who recognised water quality changes reporting taste improvement.

Sound financial performance

An increased focus on financial management of budgets and projects has contributed to overall financial success of the Corporation for the 2008/09 financial year to produce a net profit of \$2.9 million.

In particular, the following factors have improved the Corporation's overall financial management:

- Solid framework for budget development
- Effective use of electronic purchase orders
- Streamlined internal and external reporting from our financial system (SAP), including rolling monthly forecasts
- Investment gateway framework, including project management disciplines
- Training of all staff in the use of financial systems

Employing risk mitigation strategies to reduce potential risk

Risk management

Westernport Water applies a business-wide approach to managing risk. Various techniques are applied in managing issues such as:

- CAPEX project prioritisation
- Investment gateway selection
- Emergency capability
- Environmental impacts
- Business operations management

During 2008/09 Westernport Water developed its strategic risk profile. This enabled the Corporation to align risks against strategic objectives, thus providing a clear line-of-sight with corporate goals.

A number of workshops were conducted during 2008/09 reassessing operational risks. This resulted in a consolidation of our common risks which has reduced the number of items risk register by 44%.

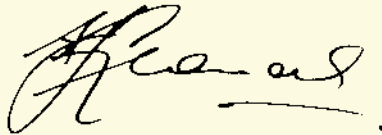
Westernport Water was selected by the Victorian Managed Insurance Authority (VMIA) to participate in a review of the Corporation's risk framework in December 2008. The VMIA act as a central advisor to the State Government in relation to whole-of-government risk. This risk quality framework review is conducted across public non-financial corporations over

a five-year cycle, consistent with the Victorian Government risk management framework released by the Department of Treasury and Finance. The review noted that Westernport Water has developed a comprehensive framework and demonstrated robust risk management practices.

Risk management attestation

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

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



Anthony Leonard (Chairman)

Regulatory requirements

So that we may keep abreast of upcoming changes in our regulatory reporting requirements, staff participated in a number of industry network forums, e.g. DSE Water Security and Continuity Network Group, membership of the VicWater OH&SE Committee, Greenhouse and Energy Network Group through Sustainability Victoria to keep abreast of upcoming changes in our regulatory reporting requirements.

The Corporate reporting calendar was developed as a tool to capture all our legal reporting requirements and has been developed throughout 2008/09 to record the organisation's compliance.



Statement of workforce data

The Corporation's workforce numbered 56.85 full-time equivalent (FTE) in 2008/09. The breakdown of staff numbers and gender breakdown is set out below compared to 07/08. The tables are set out separately because of the restructure of the Corporation which occurred during 08/09.

Merit and equity

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

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

Overall workforce

2008/09 restructure			
	Total Full Time Equivalent	Male Full Time Equivalent	Female Full Time Equivalent
	2009	2009	2009
Governance	3	2	1
Operations	32	29.05	2.95
Customer Relations	8.95	2.01	6.94
Business Services	8.9	3	5.9
Risk and Regulation	1.5	1.5	–
Planning and Development	1	–	1
Human Resources	1.5	1.5	–
TOTAL	56.85	39.06	17.79

2007/08 structure			
	2008	2008	2008
Governance	15.81	4.91	10.9
Operations	29	28	1.0
Finance	3.49	1.91	1.58
Investment	0.5	–	0.5
Organisation Development	3	3.0	–
TOTAL	51.8	37.82	13.98

Executive officers

2008/09 restructure—executive managers*			
	Total Full Time Equivalent	Male Full Time Equivalent	Female Full Time Equivalent
	2009	2009	2009
Governance	1	1	–
Operations	1	1	–
Customer Relations	–	–	–
Business Services	1	–	1
Risk and Regulation	–	–	–
Planning and Development	–	–	–
Human Resources	–	–	–
TOTAL Executive	3	2	1

*Included in the overall FTE

Senior managers

2008/09 restructure — senior managers*			
	Total	Male	Female
Governance	–	–	–
Operations	–	–	–
Customer Relations	1	–	1
Business Services	–	–	–
Risk and Regulation	1	1	–
Planning and Development	1	–	1
Human Resources	1	1	–
TOTAL	4	2	2

* Included in the overall FTE

Executive managers*

2007/08 structure – executive managers* (Included a composite of executive and senior managers on the executive team)			
	Total FTE	Male FTE	Female FTE
Governance	0.83	0.83	–
Operations	1	1	–
Finance	1	1	–
Investment	0.5*	–	0.5
Organisation Development	1*	1	–
TOTAL	4.33	3.83	0.5

*Senior managers listed with executive managers

Five year summary of financial results

Financial Performance					
	2008/09 \$ million	2007/08 \$ million	2006/07 \$ million	2005/06 \$ million	2004/05 \$ million
Revenue	16.8	13.5	12.6	11.8	11.9
Expenses	13.7	12.1	11.4	10.4	9.1
Borrowing Costs	0.2	0.2	0.2	0.3	0.3
Net Profit	2.9*	1.2	1.0	1.1	2.5

Financial Position					
	2008/09 \$ million	2007/08 \$ million	2006/07 \$ million	2005/06 \$ million	2004/05 \$ million
Total Assets	119.9	118.8	115.8	115.1	113.9
Total Liabilities	5.2	6.9	5.1	5.5	6.4
Total Equity	114.7	111.8	110.7	109.6	107.5

Significant changes in financial position during the year

The net profit figure of \$2.9 million* reported for 2008/09 financial year is influenced by the amount of capital revenue recognised relating to:

- \$840,000 grant received from Department of Human Services (DHS) as a contribution to the fluoridation project, which commenced in June and is expected to be completed in December 2009
- \$780,000 in-kind water and wastewater assets received from developer of major residential subdivision
- \$700,000 advanced payments for works performed by the Corporation over the last two years

There are no other 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 Statement.

Major changes or factors affecting performance

Structure

The organisational management structure was reviewed following development of the 2009/10 key performance measures and as a result we now have a much flatter management reporting structure. Previously only four managers reported to the Managing Director and now with the flatter structure, a total of six general managers have this reporting line. This new structure has proven to not only be more efficient in terms of reporting and accountability but also more effective in improving cross-business communications.

Process improvement

We introduced our own investment gateway process to further develop our capability to plan and manage our major projects and mitigate financial risk. This new discipline has proven to be valuable in terms of acting as an internal monitor of financial expenditures when significant investments are being planned and executed. It has already proved of value in assisting in the development of our corporate plan.

Our people have also been active in pursuing process improvement and this has led to significant improvements and efficiency across the organisation.

Improved financial management practices and processes

A solid framework for budget development and consultation of budget impacts has enabled the management and staff who are responsible for budgets to understand the cost drivers of each business unit and the impacts of their procurement decisions on the budget process.

The use of electronic purchase orders for both operational expenditure and capital expenditure (projects) has supported the processes of capturing commitments in the correct reporting periods, and facilitated accurate and up-to-date reporting of expenditure.

Monthly internal management and board financial reporting processes have been streamlined via the development of report templates within the SAP financial system and creating automatic links to internal reporting formats.

A continued commitment to ensuring all staff are trained in the use of our financial systems has improved the quality of financial information being recorded and reported, and supported the strategic initiatives of improving business decisions, as well as the investment gateway framework.

Subsequent events which will affect operations in future years

There were no events subsequent to 30 June 2009 that will affect operations in the 2009/10 financial year.



Consultancies

During 2008/09 a number of consultants were engaged to carry out specific tasks for the corporation. Nine consultants were engaged during the period for a total cost of \$571,540, including one consultancy for Odysseus-IMC Pty Ltd for \$118,000. Odysseus-IMC Pty Ltd are specialist consultants in the area of asset management and have been assisting Westernport Water in developing its strategic asset management plan, water and wastewater asset management plans and the preparation of contracts for a replacement asset management system and billing system. They have also been advising on the integration between the Corporation's newly installed GIS and other corporate systems.

Application and operation of FOI Act 1982

The *Freedom of Information Act 1982* allows public access to documents held by government entities, which includes right of access to documents held by Westernport Water. A decision to release information is made by an Authorised Officer. Westernport Water has determined that its Authorised Officer is: Christine Hammond — Executive Assistant.

Members of the public wishing to obtain access to Corporate documents are required to make their request in writing to:

Christine Hammond

Executive Assistant
Westernport Water
2 Boys Home Rd
Newhaven VIC 3925

and pay the appropriate fee. An application fee of \$23.40 applies at the time of this report's publication. In the reporting period there was one request for information under the Freedom of Information Act 1982 which was able to be completed without internal review.

Application and operation of the Whistleblowers Protection Act 2001

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

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

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

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

Jennifer Berensen

Protected Disclosure Coordinator DSE
PO Box 500
East Melbourne VIC 3002
Telephone: 9637 8697
Email: Jennifer.Berensen @dse.vic.gov.au

The Ombudsman Victoria

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

Compliance with building and maintenance provisions of 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.

National competition policy

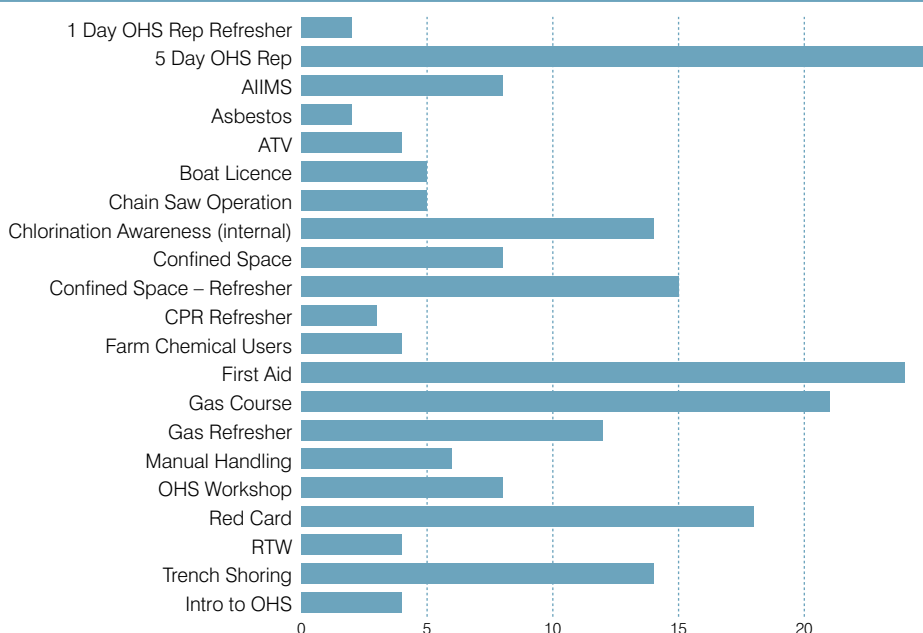
Competitive neutrality seeks to enable fair competition between government and private sector businesses. Any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralised. The Corporation continues to implement and apply this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

Occupational health and safety

Westernport Water continues to ensure it meets its Occupational Health and Safety (OH&S) obligations with an additional five staff members completing the WorkSafe approved OH&S Health and Safety Representative course during 2008/09. This brings the total number of staff trained to this level to 40% of FTE.

The chart below depicts the OH&S training conducted during 2008/09. Our OH&S statistics for 2008/09 of 206 person-days trained was a significant increase on 2007/08 due largely to the establishment of a new OH&S committee, compulsory construction Red Card training for employees engaged in site construction works, refresher training in first aid, confined space and gas safety.

OH&S Training – Sum of total number of days



OH&S performance indicators

OH&S statistics (1 July to 30 June 2009)	Current Year 2008/09	2007/08	2006/07	2005/06
OH&S committee meetings held ¹	7	11	12	13
Workplace inspections	14	3	4	4
Staff training related to OH&S (person days)	206	67	17	68
Incident statistics				
Injury incidents	12	15	2	6
Lost time injuries ²	5	3	2	0
Medical treatment injuries	2	7	2	2
Non-injury incidents	4	13	7	8
Vehicle incidents	2	4	2	2
Incident investigations carried out	4	8	3	6
Contractor incidents	1	0	0	1
Incident type				
Manual handling	4	2	0	1
Slip-trip-fall	4	1	0	1
Stress	0	0	0	0
Laceration	0	5	0	0
Electric shock	0	0	1	1
Hit object	0	0	2	4
Other	3	3	4	2

OH&S continues to form a major element of:

- Induction of new staff
- Contractor selection
- Project management
- Regulatory training

Westernport Water also maintained its involvement in the Victorian OH&S network and is a member of the Victorian Water Industry Association Inc OH&S steering committee.

OH&S initiatives for 2008/09 included:

- Expansion of workplace inspection programs
- Plant risk assessments
- Construction “Red Card” training for staff engaged in construction works
- Revised procedures to meet changes in legislation
- Provisional auditor competency to AS/NZ 4801
- Staff well-being programs :
 - Influenza injections
 - Men’s health
- OH&S policy review

In an effort to further enhance our health and safety capability, a dedicated Health and Safety representative will be appointed to this position during 2009/10.

¹ A new OH&S committee was elected in January 2009

² The number of lost time injuries was greater in 08/09 than in 07/08 whilst personal days off work were less i.e. 2008/09 recorded 23 days lost, compared with 2007/08 38 days lost.



Our Water Our Future

“Development that meets the needs of the present without compromising the ability of the future generations to meet their own needs.”¹

¹The Brundtland commission 1987 report — Our Common Future



Our Water Our Future



In response to the drought of 2006/07 Westernport Water has been progressively seeking to extend and diversify its water supply sources by implementing a range of augmentation options as identified from previous studies, its Water Supply Demand Strategy and the Central Region Sustainable Water Strategy.



One of these augmentation options was the construction of a 13ML/d pump station on the Bass River which, in conjunction with a new 2.5km of pipeline, allowed pumped flows to be transferred and stored in the Corporation's Candowie Reservoir. This work was undertaken under licence from Southern Rural Water and endorsed by the Minister of Water, Environment and Climate Change.

During 2008/09 we commenced the process of converting this licence to a Bulk Water Entitlement to ensure the completed pump-station could be operated, subject to passing flows and environmental flows, for the continual augmentation of the water supply system.

An extensive consultation process was pursued during the initial stages of obtaining a licence and subsequent stages as the process of converting a yearly licence to a substantive and enduring bulk entitlement progressed. The ultimate driver for this process is securing future water supplies for the region.

The consultation process involved the various regulatory authorities including the Water Section and River Health Section of DSE, Melbourne Water and Southern Rural Water. Other authorities canvassed were Bass Coast Shire Council, South Gippsland Shire Council, Parks Victoria and the EPA. Community groups approached included irrigators and landholders along the Bass River, local community organisations and environmental groups, the Phillip Island Nature Park and Westernport Water's own Customer Consultative Panel.

A series of public meetings was held which allowed the general community to be involved in the consultation process. These involved representation and presentations from the DSE, Melbourne Water and Westernport Water. Questions and issues raised during the consultation process have been addressed.

Supporting the consultation process were detailed investigations into the fauna and macro-invertebrate communities along the Bass River. These studies identified the required environmental requirements for a full range of flow regimes across the year.

A bulk entitlement application for the Bass River has been approved by the Minister. The bulk entitlement limit is for an extraction rate of up to 25ML/day after the Bass River flow exceeds 40ML/day to a maximum annual entitlement of 3,000ML.

In line with the Corporation's strategic position, investigations continued during 2008/09 into the sustainable extraction of groundwater from the under-allocated Corinella Aquifer. Extended pump tests combined with an extensive monitoring program were completed. Detailed information on the extent, nature and responsiveness of the aquifer was obtained and has now been made available to Southern Rural Water.

Progressive pumping reports were made to Southern Rural Water and are being consolidated into a comprehensive hydro-geological report for presentation and consideration through a public consultation process in 2009/10.

To assist in the decision-making around the Corporation's signature capital works project in the 2008/13 Water Plan, to increase the capacity of Candowie Reservoir, the Water Supply Demand Strategy (WSDS) has been updated. Consultant GHD was engaged in 2008/09 to carry out extensive REALM modeling of the Corporation's diversified water supply sources. The investigations are being used to identify the optimal future capacity of Candowie and will continue through the functional and detailed design stages in 2009/10.



The updated WSDS has also been used to help the Corporation progressively refine its understanding regarding the volumes required from the metropolitan pool to further secure the future water supply to our customers. Westernport Water will be well-positioned in 2009/10 to make its final submission to the DSE based on an independent economic assessment and its current knowledge of the supply-demand situation.

Community

Westernport Water sponsored and participated in the following water and emissions conservation and education programs:

- Sustainable Coastal Communities – connecting the land. Project management team and terms of reference defined targeting 30 homes and five commercial businesses to participate in the program
- Successful seminar series on sustainable gardening with 30 participants
- A seminar entitled Sustainability Made Easy which included a community tour of Westernport Water's offices in May 2009 to showcase the Corporation's ecologically friendly building design
- Westernport Water's sponsorship and participation in World Environment Day during June 2009

Regional catchment management strategy

Westernport Water continued its partnership with the Bass Coast and Phillip Island Landcare network throughout 2008/09. This partnership dates back more than ten years and has developed numerous programs for the sustainable benefit and improvement of the Candowie catchment and the Cowes and King Road wastewater treatment plants. The operation plan's focus for 2008/09 include:

- Development of the Candowie Reservoir weed control and revegetation plan 2008/10
- Preservation of the natural environment and salinity management through the planting of 4500 trees across 3.5ha of land at our wastewater treatment plants
- Improvement in the waterways condition with 6,500 trees planted on two properties on Tozer creek
- 10ha of weed control in gullies and waterways in our catchment

Westernport Water manages the balance of the chemicals it uses to meet and often exceed required minimum drinking water standards. The Corporation's efforts in improved catchment management practices are orientated to provide a long-term benefit to the quality of water entering Candowie Reservoir.

The Corporation's comprehensive Water Quality Risk Management Plan includes a full suite of monitoring requirements to understand the quality of the raw water entering the reservoir. Westernport committed to establishing benchmarking indicators during 2008/09. This work has been completed and the data will contribute to future assessments as to the health of the Candowie catchment.

The following table depicts our chemicals used in the water treatment processes.

Chemicals used in the water treatment processes

Indicator – Materials	2006/07	2007/08	2008/09
Total chemicals used for water treatment purposes (tonnes)	247.32	277.3	337.35
Alum (tonnes)	220	198	264
Chlorine Gas (tonnes)	9.72	9.2	7.0
PPM (tonnes)	1.6	1.1	0.75
PAC (tonnes)	16	12	13.6
Sodium Hydroxide (tonnes)	n/a	57	52

Alum is used as a coagulant and is necessary to reduce the turbidity of the raw water. The increase from previous years is a reflection of the Corporation achieving world-class standards in turbidity levels at the water treatment plant. The reduction in chlorine is a result of the Corporation's project to install a flow-paced residual trim re-chlorination system in the water distribution network. The potassium permanganate (PPM) addresses iron and manganese levels in the raw water. The powder activated carbon (PAC) is used to reduce taste and odour-causing compounds while the Sodium Hydroxide is to correct the water pH to the required levels.



Victorian biodiversity strategy

In addition to its primary task of providing high level water and wastewater services Westernport is also the owner of land holdings with significant ecological value.

In undertaking its corporate responsibility with respect to this land the Corporation complies with the Victorian Biodiversity Strategy through the implementation of the Westernport Water Biodiversity Asset Register (BAR) 2008 developed in conjunction with the Bass Coast Landcare network. The outcome of this register has been a thorough recording of fauna and flora on sites we manage. These areas surveyed are broadly listed within the Bass Coast Shire listing. Within this area there are 36 threatened species and 41 migratory species listed. The report noted a number of significant improvements in biodiversity from that reported in the 2004 BAR, with new species of fauna and flora identified. They are detailed in the following table.

Westernport Water Biodiversity Asset Register (BAR)

Sustainability Measure	Site	Number of species listed as improved from previous BAR	Number of species listed for conservation purposes
Natural Environment	Candowie	53	3
	Cowes wastewater treatment plant	4	1
	Corinella wastewater treatment plant	18	2
	Stanley Road	0	7
	North Arm	0	1

The maintenance, development and restoring of these natural assets is of primary consideration to Westernport Water. A number of the recommendations from this report were the foundation of our 2009/10 land and management operations plan.

The on-going weed, pest and revegetation programs at our wastewater treatment sites will be continued through the development of the next five-year plan in 2008/13.

Victorian river health strategy

Tennent Creek

As part of the Corporation's comprehensive water quality risk management plan, routine and event monitoring is carried out on water flows received into Candowie Reservoir via Tennent Creek. In 2008/09 specific attention was focused on pesticides, herbicides and background radiation levels in the catchment. The results of the monthly samples confirmed that these parameters are well within the Australian Drinking Water Guidelines. This detailed sampling provided specific information to develop parameters benchmarking the health of Tennent Creek.

During 2008/09 sufficient rainfalls were received to fill and overflow Candowie Reservoir. An estimated 767ML of water overflowed the Candowie spillway and entered into the Tennent Creek system downstream of Candowie.

Bass River

In 2008/09 specialist consultant Lloyd Environmental completed its detailed study into the environmental water requirements of the Bass River.

The study determined the flows required for baseline, low-flows, flow freshes, infrequent freshes, high flow freshes, bankfull flows, overbank flows and summer and winter flows to support ecological objectives. These objectives included fish recruitment, creating aquatic macro-invertebrate habitat and delivering carbon and nutrients to the pools in the river. These flows have provided the base for the environmental flow required by the river to maintain and enhance the ecological values and physical condition of the river.

Using the Victorian Government-approved FLOWS methodology, the environmental water requirements of the Bass River were determined. The environmental flow as recommended in the FLOWS Study is adequate to maintain and enhance the Bass River estuary that forms part of Westernport Bay. This study ensured that the flow available would protect the environments in the bay and river delta for the plants and fish that use this location in part of their life cycle.

The report concluded that "...the ecological and geomorphological objectives and the hydraulic and hydrologic thresholds identified...provide valuable guidance for any future water management of the system as well as the basis for an ecological and hydrological monitoring program for the streams in the Bass River catchment."

In further support of the health of the Bass River, the organisation has included a comprehensive river-monitoring regime associated with rainfall events ahead of proposed pumping. In total, 47 different water quality parameters are measured and used to inform the Corporation of



the quality of the Bass River water. This information is readily available for future studies into the health of the Bass River. During 2008/09 Westernport Water pumped a total of 299.15ML of water from the Bass River.

Aquifer health

The Corporation has been working towards establishing four production bores within the Corinella Groundwater Management Area (Corinella GMA). The permissible consumptive volume for the Corinella GMA is 2,500ML and current allocations amount to approximately 300ML/annum. There is currently no groundwater management plan for the Corinella GMA.

The works undertaken have provided valuable information on the nature and extent of the Corinella GMA. Detailed information on the local geology, aquifer hydraulic properties, groundwater flow directions and salinity levels were obtained and have been forwarded to Southern Rural Water. An extensive on-ground audit of privately owned stock and domestic bores within a 3km radius of the bore production sites was completed. This information is far more detailed and accurate than the data available on the Victorian Groundwater Management System.

Groundwater quality monitoring was undertaken concurrent with the pumping tests. Parameters monitored included e-coli, pesticides and herbicides, turbidity and salinity. This information will prove invaluable in establishing baseline data to assess the current and future health of the Corinella GMA.

During 2008/09 a total of 137.45ML was pumped from production bores as part of the preliminary tests to establish the future sustainable extraction rate from the Corinella GMA.

Corporate water consumption

During the year we upgraded the Cowes wastewater treatment plant chlorination system to utilise recycled water instead of potable water. It is anticipated that this will save up to 5ML of potable water per annum.

	2008/09
Total Volume-metered corporate water consumption (kilolitres) per annum	25,034
Administration offices and depot – (kilolitres) p/a	1,492
Water treatment plant – (kilolitres) p/a	16,689
Wastewater treatment plants – (kilolitres) p/a	6,853
Volume metered water consumed per FTE (kilolitres) per FTE	440

Greenhouse gas emissions

	2008/09	2007/08	2006/07	2005/06
CO² Equivalent emissions (tonne)				
Water treatment and supply	1709	1906	1818	1388
Sewerage treatment and management	2334	2464	2259	2845
Total greenhouse gas associated with vehicle fleet	203	266	202	232
Other	244	236	231	196
Total CO² emissions	4490	4872	4509	4661

Water consumption report

District	Residential customers*		Non-residential customers		Other**		Non-revenue water (ML)	Total consumption (ML)	Three Year average annual consumption (ML)
	Number	Volume consumed (ML)	Number	Volume consumed (ML)	Number	Volume consumed (ML)			
Candowie Reservoir	13,408	987	1,093	596	313	10	495	2,088	1,864

*Residential and non-residential customers as per ESC definition.

**Connected vacant land customers.

Drought response report

During 2008/09 Westernport Water remained in Stage 2 level restrictions until sufficient winterfill rainfalls were received which resulted in Candowie Reservoir overflowing for the first time since October 2005.

The Stage 2 restrictions were dropped in August 2009 and the region remained on permanent water saving measures for the remainder of the year.

The many augmentation projects that have been detailed in this report are focused on diversifying and extending the Corporation's water supply sources. In summary, the measures being taken to improve future drought response include:

- A bulk entitlement on the Bass River for 3,000ML and a daily pumping volume of up to 25ML/d
- Seeking a licence to extract up to 2,000ML of groundwater from the Corinella GMA
- Refining the Corporation's understanding of the volume of metropolitan pool water for future drought-related use
- Progressing the Corporation's signature project of raising Candowie Reservoir to maximise its operational use in accessing the various volumes of water supply as they are available in a climate change scenario based on future low inflows

Bulk Entitlement

The Corporation holds a Bulk Entitlement (Westernport) Conversion Order 1997.

In accordance with Section 12 of the Bulk Entitlement, the Corporation advises that no waterway works associated with this Bulk Entitlement were undertaken requiring an environmental management plan.

In accordance with Section 13 of the Bulk Entitlement the Corporation advises that it is using a Siemens Magflo meter with an accuracy of 0.5% to measure the volume of treated water out of the treatment plant. The Corporation has an ongoing monitoring and calibration program to verify the amount of water in the reservoir.

In accordance with Section 14 of the Bulk Entitlement, the Corporation advises that:

- 14.1 (a) The rate of extraction from Candowie Reservoir may not exceed 50ML per day with 11.46ML the maximum volume taken from the reservoir in any one day during this period.
- 14.1 (b) As at 30 June 2009 the amount of water stored was 749ML which equates to 33.1% capacity.
- 14.1 (c) The Corporation's Bulk Entitlement from Candowie Reservoir is 2911ML with 2084.15ML extracted between 1 July 2008 and 30 June 2009.
- 14.1 (d) The Corporation advises that there were no amendments to the programs required under Sections 12 and 13.
- 14.1 (e) There were no temporary or permanent transfers of this Bulk Entitlement during 2008/09.
- 14.1 (f) In respect of the waterway there were no temporary or permanent Bulk Entitlement or licence transfers to the Corporation with respect to the Westernport Water supply system.
- 14.1 (g) There were no amendments to this Bulk Entitlement.
- 14.1 (h) There were no new Bulk Entitlements granted to the Corporation with respect to the Westernport Water supply system. The Corporation submitted its final application to the Minister for a Bulk Entitlement on the Bass River in June 2009. This application was still being processed as at 30 June 2009.
- 14.1 (i) There were no failures to comply with the provisions of this Bulk Entitlement.
- 14.1 (j) The Corporation has not experienced or anticipated any difficulties with this Bulk Entitlement and any remedial action, taken or proposed.

Community service obligations

	2007/08 \$	2008/09 \$
Concessions to pensioners	341,563.38	412,718.06
Rebates for not-for-profit organisations under the water and sewerage rebate scheme	24,576.34	24,960.00
Utility Relief Grant scheme payments	3,141.00	3,176.27
Water concession for life-support machines	0.00	0.00
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	N/A	4,268
Total Community Service Obligation Provided	369,280.72	445,122.33



Customer Consultative Panel

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

- New and alternative business initiatives
- Customer service initiatives
- Consultation on environmental and social issues
- Impacts of legislative changes affecting the community

The CCP members are community volunteers appointed by the Board. The CCP currently has nine members who meet bi-monthly to discuss and provide valuable feedback on matters faced by the Corporation. Over the 2008/09 financial year the CCP has:

- Presented to the Board on the achievements of the CCP
- Provided input into the redesign of the accounts, reminder and final notices
- Participated in the annual review of the Hardship program, including the production of a customer brochure
- Assisted in reviewing policies and procedures that impact the community
- Continued to provide valuable feedback into future infrastructure projects and programs

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

- Contribute to the development of our corporate social responsibility strategy
- Provide input into our customer engagement plan
- Review the CCP Charter
- Continue to provide a voice for the community and to raise awareness of the functions and challenges of Westernport Water

Our CCP members are: Terry Heffernan (Chairperson), Phil Dixon, Edgar Runge, Ian Samuel, Glenda Salter, Neil Beddoe, David Pearson, Frank Adamo and Lars Olsen (resigned 9 June 2009).

Social and economic impacts

Westernport Water offers a range of assistance programs to customers experiencing short-term or chronic financial difficulties.

This year we undertook a complete review of our assistance programs to ensure they would continue to meet the needs of our customers, especially with consideration to the impact of the global financial crisis. As a result we:

- Established dedicated contact channels (e-mail and telephone) to our Customer Relationship Co-ordinator so that our customers can receive prompt and confidential attention
- Developed, in conjunction with our Customer Consultative Panel, a plain-English brochure outlining the assistance we provide. Based on feedback from the CCP, this brochure is included with all final notices to encourage our customers to contact us to discuss any payment difficulties
- Promoted our fee-free "smooth" payment scheme – Easyway, which allows customers to make periodic payments at a nominated frequency either by direct debit or at any post office. This allows our customers to make regular payments towards their account rather than face a lump sum each billing cycle
- Continue to work closely with our region's independent financial counsellor to ensure our customers have immediate access to not only our assistance programs, but others such as the State Government's Water Wise and Utility Relief Grant programs
- Extend our high water usage policy to customers experiencing a sudden, and often considerable, increase in their account as a result of a leak at their property. Under this policy customers are also offered flexible payment plans



Above: Scholarship student/engineer, Dean Jagoe.

Westernport Water continued its support of the local community through the provision of sponsorships, including donations to local youth sports clubs and Landcare. In addition, staff volunteered to assist in public tree plantings and there were also extensive plantings on Corporation land. More than 3000 plants were planted by staff volunteers on Westernport Water properties.

Our staff volunteered for the Relay-for-Life charity walkathon, a bushfire 'thank-you' barbeque for local CFA and SES volunteers and participated actively in fundraising events such as Australia's Biggest Morning Tea, Movember and Daffodil Day.

In November we hosted a 'Grow me the Money', forum devised by VECCI and the EPA, showing small and medium-sized business operators how to cut their use of resources, become more sustainable and save money.



Communications and community inclusiveness

A wide-ranging public education campaign was developed when successful supply augmentation saw water restrictions relaxed from Stage 2 to permanent water-saving rules. Notification and education continued into the tourist season with roadside signage as well as flyers and posters, mobile billboards and news items. Posters were circulated to all major hotels, motels and caravan parks as well as shops and tourist venues.

Responding to public inquiries, a flyer explaining safe greywater reuse on domestic gardens was produced and distributed widely at public functions. The information was also uploaded onto the website.

A simple five word memory-jogger was devised to remind garden lovers when they were allowed to water. "Sprinkler = night time/Trigger = anytime" was the message circulated in local media and uploaded onto the website.

The website continued to be well-used by customers as an information source. All press releases were uploaded onto other websites as well, including www.savewater.com.au and some regional websites.

Reports from monthly Board meetings were also posted online.

Water stewardship was an ongoing message in all communications activities and results of previous years' efforts was seen in lower water-use, despite record crowds to Phillip Island and surrounds. Peak demand in December 2008 was 20% lower than in December 2007 and 6% less in January 2009 than the peak daily demand of January 2008.

Regular communication activities included four-monthly newsletters, students' water education worksheets and school visits. Alongside water conservation, an emerging theme of communications activities was that of water quality. Catchment health was highlighted at World Environment Day activities, attended by more than 600 regional primary school students. Primary school students were also engaged in a National Water Week poster competition. Half of all schools in the Westernport Water service area participated and a state age-group winner was among the entries we received.

The introduction of Melbourne Water's Waterways and Drainage charge was an example of close co-operation with another agency in a major public education campaign.

An inaugural forum for local plumbers was well-supported by tradesmen and plumbing-supply sponsors. The forum featured discussion on backflow valves for water tanks and showcasing new pipe-inspection technology.

Our people

Training

Westernport Water continues to invest significant resources into staff training and development. Such investment is designed to ensure that our people have the necessary skills to undertake their roles, also to ensure we provide opportunities for their personal advancement.

Major training activities included:

Certificate IV : Twelve people completed Certificate IV programs, five in Government and seven in Frontline Management. Graduation for these 12 people will take place in September 2009. This is a significant achievement for these people and very valuable for the business as each individual completed a project designed to improve business performance.

Certificate II/III: Three of our maintenance team are undertaking certificate courses in Water Industry Operation and three treatment plant operators in Water and Wastewater Treatment.

Incident management: Three people completed the Australian Inter-service Incident Management System training program. This training was supported by a number of exercises designed to test our response capability over a number of different scenarios, including business continuity, terrorism and water incidents.

Contract management: All project managers completed a program to support our investment gateway process.

Geographic information system: Thirty people attended an introduction to our new GIS system to ensure an understanding of the benefits to the business. As well, three people directly associated with the new system were trained in the programs supporting the system.



People matter survey

We agreed to take part in this year's State Services Authority 'People Matter Survey' and were very pleased with the high participation rate. While the survey results will not be known until early 2009/10 it is intended to use them as a way to identify what we need to build on to further improve the way we interact with each other and with our stakeholders.

Workplace relations

Once again we are pleased to advise that the Corporation had an industrial relations incident-free year. Our workplace consultative committee meets regularly to discuss people-related policy matters and to act in their role in monitoring the implementation and operation of our Enterprise Agreement.

We also continue to provide our staff with confidential counselling and support for personal and workplace issues through our Employee Assistance Program. As well we have two contact officers trained to provide internal support. These two people are trained Return-to-Work Officers who have provided support as required to those who have sustained injuries at work resulting in lost time from their roles.

Development and employment opportunities for youth and indigenous students

This year we have become involved with two new programs associated with developing youth in our region:

Trade training centres in schools program (TTC)

The priorities of this program include:

- Developing regional skills hubs or joint facilities in urban areas
- Supporting links to existing infrastructure
- Supporting indigenous students and students from rural, regional and disadvantaged communities
- Offering or providing pathways to Certificate III (or above) qualifications
- Engaging with local industry to take into account local employment opportunities
- Complementing and building on existing programs
- Collaborative partnerships

Gippsland youth commitment

This group aims to strengthen the education, training and employment outcomes for the region's young people to help build a stronger skills base to support regional development.

Scholarship program

We have continued our Tertiary Scholarship Program and currently have two students benefiting from working with us. One is finalising his Bachelor of Environmental Science and working with us on vacations and the other is working with us on projects while completing his Bachelor of Engineering.

Vacation employment program

We have maintained our relationship with our regional secondary schools by having three students experience real work across our business. This program provides an opportunity for these students to clarify their career prospects and opportunities.

Major non-residential water users 122ZJ

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

Victorian industry participation policy

There were no contracts awarded to which VIPP applies.

Statement of availability of other information

Other information required by the Financial Management Act 1994, but not specifically referred to, has been retained by the Accountable Officer and is available to the Minister, Members of Parliament and the public on request, subject to the Freedom of Information Act 1982 this includes:

- a statement that declarations of pecuniary interests were completed by relevant officers
- details of shares held in subsidiaries
- publications and how these can be obtained
- changes in prices, fees, charges, rates & levies charged
- major external reviews; major R&D activities
- official overseas travel
- major promotional, public relations & marketing activities
- and a list of major committees



Performance Indicators 2008–09

Performance Indicator	2007/08 Result	2008/09 Result	2008/09 Target	Variance %
Long term profitability				
Earnings before net interest and tax divided by average total assets	1.14%	2.50%	1.08%	131% ⁽¹⁾
Owner's investment				
Net profit after tax divided by average total equity	1.09%	2.63%	1.14%	131% ⁽¹⁾
Long term financial viability				
Total debt divided by total assets	5.83%	2.19%	2.90%	-24% ⁽²⁾
Liquidity & debt servicing (interest cover)				
Earnings before net interest divided by net interest	10.3	28.2	16.3	73% ⁽¹⁾
Immediate liquidity & debt servicing (cash cover)				
Cash flow from operations before net interest and tax payments divided by net interest payments	39.1	52.0	48.0	11% ⁽¹⁾

⁽¹⁾ Unbudgeted capital grant (DSE) and additional gifted assets from developers contributing to significant favourable variances

⁽²⁾ Less than expected project capitalisation as well as better than expected short term debt position at year end contributing to favourable variance

Operating Efficiency Measures 2008–09

Performance Indicator	2007/08 Result	2008/09 Result	2008/09 Target	Variance %
Operations, maintenance and administration costs per ML transported or treated				
Water supply bulk	\$379	\$504	No target	NA
Water supply reticulation	\$878	\$1,069 ⁽¹⁾	No target	NA
Water supply treatment	\$1,181	\$597 ⁽²⁾	No target	NA
Sewerage reticulation	\$110	\$346 ⁽³⁾	No target	NA
Sewerage treatment	\$2,954	\$1,874 ⁽²⁾	No target	NA

⁽¹⁾ Significant maintenance on water infrastructure in 2008/09 due to deferral of a number of water intensive maintenance projects in 2007/08

⁽²⁾ Implementation of improved monitoring systems reducing treatment process costs

⁽³⁾ Increased preventative maintenance programs for manholes and sewer air valve replacements. Access and restoration costs increased

Service and Environmental Indicators

Performance Indicator	2007/08 Result	2008/09 Result	2008/09 Target	Variance %
Water supply interruptions				
No of customers receiving at least 1 unplanned interruption in the year	5758	3960	4500	-12%
Interruption time indicators				
Ave duration of unplanned water supply interruptions (minutes)	92	110	100	+10%
Ave duration of planned water supply interruptions (minutes)	232	177	190	-7%
Restoration of water supply				
Unplanned water supply interruptions restored within 5 hours	95.65%	98%	99%	+1%
Reliability of sewerage collection services indicators				
Sewer spills from reticulation and branch sewers	0 Priority 1 11 priority 2	0 priority 1 13 priority 2	No target	-
Sewage spilt from emergency relief structures and pumping stations	4	1	No target	
Containment of sewer spillages				
Sewerage spills contained within 5 hours	92.59%	100%	100%	-
Reuse Indicators				
Total treated water at King Road (ML)	126.753	135.488	No target	-
Effluent reuse water King Road (ML)	116.153	95.434	No target	-
Effluent reuse (volume) (King Road)	91.6%	70.4%	No target	-
Total treated water at Cowes (ML)	904.894	936.03	No target	-
Effluent reuse water Cowes (ML)	96.218	106.999	No target	-
Effluent reuse (volume) (Cowes)	10.63%	11.4%	No target	-
Biosolids reuse (dry mass) (Cowes)	0%	0%	0%	-
Biosolids reuse (dry mass) (King Road)	0%	0%	0%	-
Sewage treatment standards				
Number of analysis complying with licence agreements (Cowes)	100%	100%	100%	0%
Number of analysis complying with licence agreements (King Road)	100%	100%	100%	0%
Total Reuse	212.371	202.433	20%	-0.5%
Total Flow from Cowes and King Road	1031.647	1071.518		

Customer complaints indicator

	2007/08 result	2008/09 result	2008/09 Target	Variance %
Water quality complaints per 1000 customers	9.10	2.6	N/A	N/A
Water supply reliability complaints per 1000 customers	0.30	0.35	N/A	N/A
Sewerage service quality and reliability complaints per 1000 customers	0.18	0.05	N/A	N/A
Affordability complaints per 1000 customers	0.18	0.35	N/A	N/A
Billing complaints per 1000 customers	1.61	1.00	N/A	N/A
Pressure complaints per 1000 customers	0.24	0.29	N/A	N/A
Sewerage odour complaints per 1000 customers	1.17	0.82	N/A	N/A
Other complaints per 1000 customers	2.53	2.13	N/A	N/A

Statutory Certification

Performance Statement

In our opinion, the accompanying Statement of Performance of Westernport Water in respect of the 2008/09 financial year is presented in accordance with the Financial Management Act 1994.

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

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



Anthony Leonard
Chairperson
Westernport Region Water Corporation



Murray Jackson
Managing Director
Westernport Region Water Corporation



Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board, Westernport Region Water Corporation

The Statement of Performance

The accompanying statement of performance for the year ended 30 June 2009 of the Westernport Region Water Corporation which comprises the statement of performance indicators, the related notes and the statutory certification has been audited.

The Board Member's Responsibility for the Statement of Performance

The Board Members of the Westernport Region Water Corporation are responsible for the preparation and fair presentation of the statement of performance in accordance with the *Financial Management Act 1994*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the statement of performance that is free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Matters Relating to the Electronic Presentation of the Audited Statement of Performance

This auditor's report relates to the statement of performance published in both the annual report and on the website of the Westernport Region Water Corporation for the year ended 30 June 2009. The Board Members of the Westernport Region Water Corporation are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited statement of performance to confirm the information included in the audited statement of performance presented on the Westernport Region Water Corporation website.

Independence

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

Auditor's Opinion

In my opinion, the statement of performance of the Westernport Region Water Corporation in respect of the 30 June 2009 financial year presents fairly, in all material respects, in accordance with the *Financial Management Act 1994*.

MELBOURNE
22 September 2009

T. D. R.
for D D R Pearson
Auditor-General

Financial Report

Table of contents

Financial Statements

Operating Statement for the reporting period ended 30 June 2009	31
Balance Sheet as at 30 June 2009	32
Statement of recognised income and expense for the reporting period ended 30 June 2009	33
Cash Flow Statement for the reporting period ended 30 June 2009	34

Notes to the Financial Report

Note 1	Significant Accounting Policies	34
Note 2	Financial Risk Management Objectives and Policies	42
Note 3	Operating Statement – disclosures	43
Note 4	Cash and Cash Equivalents	44
Note 5	Receivables	44
Note 6	Inventories	45
Note 7	Other Current Assets	45
Note 8	Property Plant and Equipment	45
Note 9	Intangible assets	47
Note 10	Payables	47
Note 11	Interest bearing liabilities	48
Note 12	Employee benefits	49
Note 13	Contributions by Owners	49
Note 14	Reserves	49
Note 15	Accumulated funds	49
Note 16	Financial Instruments	50
Note 17	Operating Results of Retail Services	51
Note 18	Commitments	52
Note 19	Contingent liabilities and contingent assets	52
Note 20	Superannuation	52
Note 21	Responsible persons related party disclosures	54
Note 22	Reconciliation of Profit / (Loss) to Net Cash Flows from Operating Activities	55
Note 23	Dividends	55
Note 24	Events occurring after the balance sheet date	55

Appendices

Statutory Certification	56
Auditor-General's report	57

Operating Statement

for the reporting period ended 30 June 2009

	Notes	2009 \$'000	2008 \$'000
REVENUE FROM OPERATING ACTIVITIES			
Service charges	1(b), 3(a)	11,401	10,055
Water usage charges	1(b), 3(a)	2,191	1,766
Interest	1(b)	54	77
Developer contributions	1(b), 3(a)	234	411
		13,880	12,309
REVENUE FROM NON-OPERATING ACTIVITIES			
Government grants and contributions	1(b), 3(a)	840	–
Net gain / (loss) on disposal of non-financial assets	3(b)	20	4
Other income	1(b)	1,276	702
Gifted Assets	3(a)	775	466
		2,070	1,172
Total Revenue		16,790	13,481
EXPENSES FROM OPERATING ACTIVITIES			
Borrowing costs	1c	160	207
Depreciation	1(e), 3(c), 8	3,405	3,223
Amortisation	1(e), 3(c)	95	115
Employee benefits	1(j)	3,910	3,729
Repairs and maintenance expense	1(d)	761	638
Environmental Contributions	1(o)	547	450
Impairment of assets	1(d)	642	326
Other		4,285	3,583
Total expenses		13,805	12,271
Net result before tax		2,985	1,210
Income Tax expense		–	–
Net result for the period		2,985	1,210

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

Balance Sheet

as at 30 June 2009

	Notes	2009 \$'000	2008 \$'000
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	1(f), 4	136	244
Receivables	1(g), 5	2,171	1,374
Inventories	1(h), 6	431	353
Prepayment	7	93	57
Total current assets		2,831	2,028
<i>Non-current assets</i>			
Receivables	1(g), 5	111	138
Property, plant and equipment	1(d), 8	116,394	116,308
Intangible assets	1(r), 9	621	301
Total non-current assets		117,126	116,747
TOTAL ASSETS		119,956	118,775
LIABILITIES			
<i>Current liabilities</i>			
Payables	1(i), 10	1,611	2,105
Interest bearing liabilities	1(s), 11	1,154	2,229
Employee benefits	1(j), 12, 3(d)	748	572
Total current liabilities		3,513	4,906
<i>Non-current liabilities</i>			
Interest bearing liabilities	1(s), 11	1,477	1,931
Employee benefits	1(j), 12, 3(d)	128	85
Total non-current liabilities		1,605	2,016
TOTAL LIABILITIES		5,118	6,922
NET ASSETS		114,838	111,853
EQUITY			
Contributions by owners	13	51,323	51,323
Reserves	14	7,099	7,099
Accumulated funds	15	56,417	53,431
TOTAL EQUITY		114,838	111,853

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

Statement of recognised income and expense

for the reporting period ended 30 June 2009

	Notes	2009 \$'000	2008 \$'000
Total equity at beginning of financial year		111,853	110,643
Net result for the period		2,985	1,210
Total equity at end of financial year		114,838	111,853

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

Cash Flow Statement

for the reporting period ended 30 June 2009

	Notes	2009 \$'000	2008 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts</i>			
Service and usage charges		14,655	12,569
Interest received		53	77
Developer contributions		1,009	668
Other receipts		554	420
<i>Receipts from Government</i>		500	0
<i>Payments</i>			
Payments to suppliers and employees		(9,861)	(7,863)
Interest and other costs of finance paid		(160)	(207)
Environmental contributions		(547)	(450)
Other		(545)	–
Net cash (outflow) / inflow from operating activities	22	5,658	5,214
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for infrastructure, property, plant & equipment		(4,268)	(7,044)
Proceeds from sale of infrastructure, property, plant & equipment		30	140
Net cash (outflow) / inflow from investing activities		(4,238)	(6,904)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		–	1800
Repayment of borrowings		(1,528)	(769)
Proceeds from contributions of owners			
Net cash (outflow) / inflow from financing activities		(1,528)	1,031
Net increase / (decrease) in cash and cash equivalents		(108)	(659)
Cash and cash equivalents at the beginning of the financial year		244	903
Cash and cash equivalents at the end of the financial year	4	136	244

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

Notes to the Financial Report for the year ended 30 June 2009

Note 1 Significant Accounting Policies

(a) Basis of Accounting

General

The financial report of Westernport Water Regional Water Corporation (trading as Westernport Water) is a general purpose financial report that consists of an Operating Statement, Balance Sheet, Movement in Equity, Cash Flow Statement and notes accompanying these statements. The general purpose financial report complies with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions.

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

Accounting policies

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

Classification between current and non-current

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

Rounding

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

Historical cost convention

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

Critical accounting estimates

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

(b) Revenue Recognition

Service and usage charges

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

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

Developer contributions / Fees paid by developers

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

Government contributions

Government grants and contributions are recognised as operating revenue on receipt or when an entitlement is established, whichever is the sooner, and disclosed in the operating statement as government contributions. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity – Contributions by Owners.

Interest and rents

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

(c) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and finance lease charges.

(d) Recognition and Measurement of Assets

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

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

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

Repairs and maintenance

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

Valuation of Non-Current Physical Assets

All non-current physical assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of FRD103D. Revaluations are conducted using management expertise and are classified as a managerial revaluation.

Plant, equipment and vehicles are measured at fair value.

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

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

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

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

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

Notes to the Financial Report

for the year ended 30 June 2009

Impairment of Assets

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

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

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

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

Non-current Assets Classified as Held for Sale

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

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

(e) Depreciation and Amortisation of Non-current Assets

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

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

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

	Periods		Periods
<i>Buildings</i>	40-70 years	<i>Other assets</i>	
<i>Infrastructure</i>		Machinery	5-10 years
Water		Furniture & computers	2.5-13 years
– Storages	20-100 years	Motor Vehicles	4 years
– Distribution network	15-80 years	Intangible assets	3-5 years
– Treatment plants	15-70 years		
Wastewater			
– Storage	10-70 years		
– Distribution network	25-70 years		
– Treatment plants	15-70 years		

(f) Cash and Cash Equivalents

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

(g) Receivables

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

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

(h) Inventories

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

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

(i) Trade and Other Payables

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

(j) Employee Benefits

Wages and salaries, annual leave and sick leave

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

Long service leave

Current Liability – unconditional LSL (representing 10 or more years of continuous service) is disclosed as a current liability even where the Corporation does not expect to settle the liability within 12 months because it does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

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

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

Notes to the Financial Report

for the year ended 30 June 2009

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

Superannuation

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

Employee Benefit On-Costs

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

Performance payments

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

(k) Operating Results of Retail Services

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

(l) Changes in Accounting Policy

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

(m) Taxation

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

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

The Corporation's deferred tax assets exceed the level of deferred tax liabilities and therefore it is not required to bring to account tax expense, tax assets and tax liabilities in the Operating Statement and Balance Sheet as the Corporation is likely to make ongoing tax losses and settlement of these items is not assured beyond reasonable doubt.

(n) Dividend Policy

The Corporation is required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the *Public Authorities (Dividend) Act 1983*, based on a prescribed percentage of the previous years' adjusted net profit. An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer. The Corporation's preliminary estimate for the reporting period is \$0 (30 June 2008 \$0).

(o) Environmental Contributions

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

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

The environmental contributions are disclosed separately within expenses.

(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 Balance Sheet. Cash flows arising from operating activities are disclosed in the Cash Flow Statement on a gross basis – i.e., inclusive of GST. The GST component of cashflows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.

(q) Financial Instruments

Recognition

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

Loans and receivables

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

(r) Intangibles

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

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

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

(s) Interest Bearing Liabilities

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

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

Notes to the Financial Report

for the year ended 30 June 2009

(t) Provisions

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

(u) Comparative Amounts

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

(v) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2009 reporting period. As at 30 June 2009, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2009. The Corporation has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on departmental financial statements
AASB 8 Operating Segments	Supersedes AASB 114 <i>Segment Reporting</i>	Beginning 1 Jan 2009	Not applicable.
AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038].	An accompanying amending standard, also introduced consequential amendments into other Standards.	Beginning 1 Jan 2009	Impact expected to be not significant.
AASB 123 Borrowing Costs	Option to expense borrowing cost related to a qualifying asset had been removed. Entities are now required to capitalise borrowing costs relevant to qualifying assets. In February 2009, the AASB decided that not-for-profit public sector entities could continue to expense borrowing costs attributable to qualifying assets pending the outcome of various IPSASB/AASB projects.	Beginning 1 Jan 2009	The Corporation continues to expense borrowing costs.
AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	An accompanying amending standard, also introduced consequential amendments into other Standards.	Beginning 1 Jan 2009	Same as AASB 123 above.
AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 & AASB 127 [AASB 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]	This Standard gives effect to consequential changes arising from revised AASB 3 and amended AASB 127. The Prefaces to those Standards summarise the main requirements of those Standards.	Beginning 1 Jul 2009	Impact expected to be insignificant.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on departmental financial statements
AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs5, 7 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038]	A suite of amendments to existing standards following issuance of IASB Standard Improvements to IFRSs in May 2008. Some amendments result in accounting changes for presentation, recognition and measurement purposes.	Beginning 1 Jan 2009	Impact is being evaluated.
AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements project [AASB 1 & AASB 5]	The amendments require all the assets and liabilities of a for-sale subsidiary's to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation.	Beginning 1 Jul 2009	Impact is expected to be insignificant.
AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136]	Changes mainly relate to treatment of dividends from subsidiaries or controlled entities.	Beginning 1 Jan 2009	Impact is expected to be insignificant.
AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139]	The amendments to AASB 139 clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations.	Beginning 1 Jul 2009	Impact is being evaluated.
AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101	Amendments to AASB 1049 for consistency with AASB 101 (September 2007) version.	Beginning 1 Jan 2009	Not applicable to public sector entities except for certain presentation formats.

Notes to the Financial Report

for the year ended 30 June 2009

Note 2 Financial Risk Management Objectives and Policies

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

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

(a) Market risk

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

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

(i) Interest Rate Risk

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

The interest rate on the Corporation's borrowings is fixed and therefore the Corporation is not exposed to any material interest rate risk.

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

(ii) Foreign Exchange Risk

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

(iii) Other Price Risk

The corporation has no significant exposure to Other Price Risk.

Market Risk Sensitivity Analysis – The Corporation is not exposed to market sensitivity as majority of borrowings are fixed term loans, and short term borrowing facility is for a minimal amount.

(b) Credit risk

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

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

An analysis of the ageing of the Corporation's receivables at reporting date has been provided in Note 5.

(c) Liquidity risk

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

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The Corporation's financial liability maturities have been disclosed in Note 16.

(d) Fair value estimation

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

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments.

Note 3 Operating Statement – disclosures

(a) Significant Revenues

	2009 \$'000	2008 \$'000
<i>Service charges</i>		
– Water service charges	4,776	4,264
– Sewerage charges	6,562	5,662
– Trade waste charges	63	129
	11,401	10,055
<i>Usage charges</i>	2,191	1,766
<i>Government contributions</i>	840	–
<i>Developer contribution:</i>		
– Fees paid by developers	234	411
– Assets received from developers	775	466
	1,009	877
Other income	1,560	793
Total Income	16,790	13,489

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

(b) Net gains and expenses

The surplus/(deficit) from ordinary activities includes the following specific net gains and expenses:

<i>Net gain / (loss) on disposal</i>		
– Property, plant and equipment	20	4

(c) Expenses

<i>Depreciation</i>		
– Buildings	94	93
– Water infrastructure	1,395	1,282
– Wastewater infrastructure	1,279	1,279
– Gas	6	–
– Plant, equipment and motor vehicles	631	569
Total depreciation	3,405	3,223

<i>Amortisation</i>	95	115
Bad and doubtful debts	31	38
Superannuation contributions	305	304

<i>Auditors' remuneration:</i>		
– Auditor-General for audit of financial statements	25	23
– Internal audit	24	28
– Other audits	47	8

(d) Movements in Employee Benefits

– annual leave	100	60
– long service leave	69	65
– other	10	2
Total movements in employee benefits	180	127

Notes to the Financial Report

for the year ended 30 June 2009

Note 4 Cash and Cash Equivalents

	2009 \$'000	2008 \$'000
CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	136	244

(a) Reconciliation to cash at the end of year

The above figures are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement, as follows:

Balance as above	136	244
Balance as per Cash Flow Statement	136	244

(b) Cash at bank and on hand

These are non-interest bearing	136	244
--------------------------------	-----	-----

Note 5 Receivables

	2009 \$'000	2008 \$'000
CURRENT RECEIVABLES		
Trade receivables	1,042	752
Provision for impaired receivables	–	–
Other receivables	1,129	622
Total current receivables	2,171	1,374
NON-CURRENT RECEIVABLES		
Trade receivables	111	138
Provision for impaired receivables	–	–
TOTAL RECEIVABLES	2,282	1,512

(a) Provision for impaired receivables

As at 30 June 2009, current receivables of the Corporation with a nominal value of \$1,004,665 (2008: \$646,262) were past due but not impaired, and are expected to be recovered within next 12 months. These relate to a number of independent customers for whom there is no recent history of default.

The aging of these receivables is as follows:

	2009 \$'000	2008 \$'000
3 to 6 months	392	479
Over 6 months	613	167
	1,005	646

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

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

	2009 \$'000	2008 \$'000
Australian Dollars		
– Current receivables	2,171	1,374
– Non Current receivables	111	138
	2,282	1,512

(c) Fair value and credit risk

Due to the short term nature of the current receivables, their carrying value is assumed to approximate their fair value.

Note 6 Inventories

	2009 \$'000	2008 \$'000
INVENTORIES		
Stores and consumables – at cost	318	251
Cattle – at fair value	96	82
Chemicals on hand	17	20
Total current inventories	431	353

Note 7 Other Current Assets

	2009 \$'000	2008 \$'000
OTHER CURRENT ASSETS		
Prepayments	93	57
Total other current assets	93	57

Note 8 Property, Plant and Equipment

	2009 \$'000	2008 \$'000
(a) Classes of property, plant and equipment		
<i>Land</i>		
at fair value (as at 30 June 2006)	8,989	8,989
	8,989	8,989
<i>Buildings</i>		
at fair value (as at 30 June 2006)	4,719	4,638
Less: accumulated depreciation	(491)	(397)
	4,228	4,241
<i>Water infrastructure</i>		
at cost	51,364	51,052
Less: accumulated depreciation	(7,982)	(6,966)
	43,382	44,086
<i>Wastewater infrastructure</i>		
at cost	61,489	63,905
Less: accumulated depreciation	(8,424)	(10,004)
	53,065	53,901
<i>Infrastructure – Other</i>		
at cost	289	–
Less: accumulated depreciation	(13)	–
	276	–
<i>Equipment and motor vehicles</i>		
at cost	5,278	4,425
Less: accumulated depreciation	(2,968)	(2,468)
	2,311	1,957
<i>Under Construction</i>		
	4,142	3,134
Total Property Plant & Equipment	116,393	116,308

Land and Buildings were revalued as at 30 June 2006 by an independent valuer Mr K Cundall (AAPI Certified Valuer, Australian Property Institute) from the firm Valueit Pty Ltd

Notes to the Financial Report

for the year ended 30 June 2009

Note 8 Property, plant and equipment (cont'd)

(b) Movements during the reporting period

	Opening WDV 1 July '08 \$'000	Additions \$'000	Disposals \$'000	Impairment \$'000	Transfers \$'000	Depreciation \$'000	Closing WDV 30 June '09 \$'000
2008-2009							
<i>Land</i>							
At fair value	8,989	–	–	–	–	–	8,989
	8,989	–	–	–	–	–	8,989
<i>Buildings</i>							
At fair value	4,241	81	–	–	–	(94)	4,228
	4,241	81	–	–	–	(94)	4,228
<i>Water infrastructure</i>							
At cost	44,086	1,849	(7)	(642)	(509)	(1,395)	43,382
	44,086	1,849	(7)	(642)	(509)	(1,395)	43,382
<i>Wastewater infrastructure</i>							
At cost	53,901	360	–	–	83	(1,279)	53,065
	53,901	360	–	–	83	(1,279)	53,065
<i>Other infrastructure – Gas</i>							
At cost	–	–	–	–	282	(6)	276
	–	–	–	–	282	(6)	276
<i>Plant & equipment</i>							
At fair value	1,957	957	–	–	28	(631)	2,311
	1,957	957	–	–	28	(631)	2,311
Under construction	3,134	4,107	–	–	(3,099)	–	4,142
Total movements in assets 2008/09	116,308	7,354	(7)	(642)	(3,215)	(3,405)	116,393
2007-2008							
	Opening WDV 1 July '07 \$'000	Additions \$'000	Disposals \$'000	Impairment \$'000	Transfers \$'000	Depreciation \$'000	WDV 30 June '08 \$'000
<i>Land</i>							
At fair value	8,989	–	–	–	–	–	8,989
	8,989	–	–	–	–	–	8,989
<i>Buildings</i>							
At fair value	4,307	27	–	–	–	(93)	4,241
	4,307	27	–	–	–	(93)	4,241
<i>Water infrastructure</i>							
At cost	40,537	5,168	(11)	(326)	–	(1,282)	44,086
	40,537	5,168	(11)	(326)	–	(1,282)	44,086
<i>Wastewater infrastructure</i>							
At cost	54,225	955	–	–	–	(1,279)	53,901
	54,225	955	–	–	–	(1,279)	53,901
<i>Plant & equipment</i>							
At fair value	2,089	565	(128)	–	–	(569)	1,957
	2,089	565	(128)	–	–	(569)	1,957
<i>Under construction</i>	<i>2,590</i>	<i>7,111</i>	<i>–</i>	<i>–</i>	<i>(6,567)</i>	<i>–</i>	<i>3,134</i>
Total movements in assets 2007/08	112,737	13,826	(139)	(326)	(6,567)	(3,223)	116,308

Note 9 Intangible assets

	Software \$'000	Total \$'000
<i>Year ended 30 June 2009</i>		
At 1 July 2008, net of accumulated amortization	301	301
Additions	414	414
Impairment	–	–
Amortisation	(94)	(94)
At 30 June 2009, net of accumulated amortisation	621	621
<i>Year ended 30 June 2008</i>		
At 1 July 2007, net of accumulated amortization	287	287
Additions	129	129
Impairment	–	–
Amortisation	(115)	(115)
At 30 June 2008, net of accumulated amortisation	301	301

Note 10 Payables

	2009 \$'000	2008 \$'000
<i>Current Payables</i>		
Trade Payables	1,049	712
Accrued expenses	548	792
Other Creditors	14	601
Total Current Payables	1,611	2,105

Notes to the Financial Report

for the year ended 30 June 2009

Note 11 Interest Bearing Liabilities

	2009 \$'000	2008 \$'000
CURRENT		
<i>Unsecured</i>		
Bank overdrafts	–	–
Other loans [Department of Treasury & Finance]	1,154	2,229
Total current secured interest bearing liabilities	1,154	2,229
NON-CURRENT		
<i>Unsecured</i>		
Other loans [Department of Treasury & Finance]	1,477	1,931
Total non-current unsecured interest bearing liabilities	1,477	1,931
Total interest bearing liabilities	2,631	4,160
CREDIT STANDBY ARRANGEMENTS		
Total available	3,000	2,000
Unused at balance date	2,300	200
	Carrying amount \$'000	Fair value \$'000
<i>On Balance Sheet</i>		
Total interest bearing liabilities	1,154	1,154

The exposure of the Corporation's borrowings to interest rate changes and the contractual repricing dates at the balance dates are as follows:

	2008 \$'000	2007 \$'000
6 months or less	1,430	2,015
6-12 months	40	214
1-5 years	1,161	1,802
Over 5 years	–	129
Total interest bearing liabilities	2,631	4,160

The carrying amounts of the Corporation's trade and other payables are denominated in AUD\$

For an analysis of the sensitivity of trade and other payables to foreign currency and interest rate risk, refer to note 2.

Note 12 Employee benefits

	2009	2008
	\$'000	\$'000
CURRENT		
Annual leave and unconditional long service leave entitlements, representing 10 years of continuous service:		
<i>Short term benefits that fall due within 12 months, measured at nominal value</i>	555	405
<i>Other long term benefits that do not fall due within 12 months, measured at present value</i>	193	167
Total Current	748	572
NON CURRENT		
Conditional Long Service Leave	128	85
Total Non Current	128	85
Total Employee Benefits	876	657

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

Weighted average increase in employee costs	4.45%	4.75%
Weighted average discount rates	5.48%	5.24%
Weighted average settlement period	5.7 yrs	6.3 yrs

Note 13 Contributions by Owners

	2009	2008
	\$'000	\$'000
Opening balance at 1 July	51,323	51,323
Owner capital contributions in the year	–	–
Closing balance at 30 June	51,323	51,323

Note 14 Reserves

	2009	2008
	\$'000	\$'000
Asset Revaluation Reserve:		
Opening balance at 1 July	7,099	7,099
Revaluation increments/decrements on non current assets	–	–
Closing balance at 30 June	7,099	7,099

Note 15 Accumulated funds

	2009	2008
	\$'000	\$'000
Opening balance at 1 July	53,431	52,221
Net Surplus	2,985	1,210
Closing balance at 30 June	56,416	53,431

Notes to the Financial Report

for the year ended 30 June 2009

Note 16 Financial Instruments

Interest rate risk exposures

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

2008/2009 \$'000	Non interest Bearing	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
<i>Financial Assets</i>									
Cash		136							136
Trade debtors	1,153								1,153
Other receivables	1,129								1,129
Total financial assets	2,282	136	-	-	-	-	-	-	2,418
<i>Financial Liabilities</i>									
Payables	1,611								1,611
Bank overdrafts and loans			652	283	509	358	129		1,931
Other Loans		700							700
Total financial liabilities	1,611	700	652	283	509	358	129	-	4,242
Weighted average interest rate		3.17%	5.73%	5.73%	5.73%	5.73%	5.73%	5.73%	
2007/2008									
\$'000	Non interest Bearing	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
<i>Financial Assets</i>									
Cash		244							244
Trade debtors	890								890
Other receivables	622								622
Total financial assets	1,512	244	-	-	-	-	-	-	1,756
<i>Financial Liabilities</i>									
Payables	2,105								2,105
Bank overdrafts and loans			429	454	481	509	358	129	2,360
Other Loans		1,800							1,800
Total financial liabilities	2,105	1,800	429	454	481	509	358	129	6,265
Weighted average interest rate		7.42%	5.73%	5.73%	5.73%	5.73%	5.73%	5.73%	

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

Note 17 Operating Results of Retail Services

	Wholesale		Retail	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Revenue</i>				
Bulk water sales – urban retail	–	–		
Service Charges	–	–	11,401	10,055
Usage Charges	–	–	2,191	1,766
Other	–	–	3,198	1,656
Total Revenue	–	–	16,790	13,477
<i>Expenses</i>				
Employee benefits	119	115	3,791	3,614
Depreciation	402	292	3,003	2,931
Supplies & services	526	571	4,666	3,899
Borrowing costs	–	–	160	207
Other	4	20	1,134	618
Total Expenses	1,051	998	12,754	11,269
Operating result	(1,051)	(998)	4,036	2,208
<i>Assets</i>				
Property plant and equipment	13,870	9,798	82,854	106,510
Other assets	2,612	1,091	20,620	1,376
Total Assets	16,482	10,889	103,474	107,886
<i>Liabilities</i>				
Payables	–	–	1,611	2,105
Interest bearing liabilities	–	–	2,631	4,160
Employee benefits	–	–	824	657
Total Liabilities	–	–	5,066	6,922
<i>Cash flow</i>				
Cash flows from investing activities	(726)	(3,714)	(2,669)	(2,923)
Cash flows from financing activities	(544)	589	(1,999)	442
Total cash flows from investing and financing activities	(1,270)	(3,125)	(4,668)	(2,479)

	Water Supply		Wastewater		Total Retail Operations	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Revenue</i>						
Sales	6,197	6,160	6,616	5,661	13,592	11,821
Other revenue	373	1,199	954	457	3,198	1,656
Total revenue	6,570	7,359	7,571	6,118	16,790	13,477
Service Results	4,708	861	519	449	4,036	2,208

Notes to the Financial Report

for the year ended 30 June 2009

Note 18 Commitments

	2009 \$'000	2008 \$'000
CAPITAL COMMITMENTS		
<i>At 30 June 2009, the Corporation had the following capital commitments:</i>		
Various projects	577	240
Outstanding capital commitments are to be paid as follows:		
<i>within one year</i>	577	240
	577	240
SIGNIFICANT OPERATING COMMITMENTS		
<i>At 30 June 2009, the Corporation had the following significant operating commitments:</i>		
Environmental Contribution commitments		
<i>within one year</i>	547	547
<i>one to five years</i>	1,094	1,641
	1,641	2,188

Note 19 Contingent liabilities and contingent assets

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

Note 20 Superannuation

Post-employment Benefit

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

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

Defined Benefit Plan

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

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

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

Fund surplus or deficit (ie the difference between fund assets and liabilities) are calculated differently for funding purposes (ie calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in a council's financial statements. AAS 25 requires that the present value of the benefit liability which is calculated in respect of membership completed at the calculation date makes no allowance for future benefits that may accrue. The actuarial investigation concluded that although the Net Market Value of Assets was in excess of Accrued Benefits at 31 December 2008, based on the assumptions adopted, there was a shortfall of \$71 million when the funding of future benefits was also considered. However, [Authority] has been advised that no additional contributions will be required as at 30 June 2009. The Actuary will undertake the next actuarial investigation as at 30 June 2010 to ascertain if additional contributions are required.

Accounting Standard Disclosure

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

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

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

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

	2009 \$'000	2008 \$'000
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	155	150
Employer contributions payable to Local Authorities Superannuation Fund (Vision Super) at reporting date	22	16

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

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

Notes to the Financial Report

for the year ended 30 June 2009

Note 21 Responsible persons related party disclosures

a) Responsible persons

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

- The Hon. Tim Holding, Minister for Water (1 July 2008 to 30 June 2009)
- Pamela Cameron (Chairperson 1 July 2008 to 30 September 2008)
- Anthony Leonard (Chairperson 1 October 2008)
- Jane Bell (Deputy Chairperson from 1 October 2008)
- Leigh Hocking (Director)
- Leah Young (Director)
- Chris Pattas (Director)
- Trevor Nink (Director)
- Alison Von Bibra (Director from 1 October 2008)
- Keith Gregory (Acting Managing Director 1 July 2008 to 31 August 2008)
- Murray Jackson (Managing Director from 1 September 2008)

	2009	2008
	\$'000	\$'000
Remuneration received, or due and receivable from the Corporation in connection with the management of the Corporation (includes termination payments and bonuses paid).	264	258

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

Income band (\$)	2009	2008
	No.	No.
0 – 9,999	1	–
10,000 – 19,999	3	6
20,000 – 29,999	5	–
30,000 – 39,999	–	1
40,000 – 49,999	–	–
90,000 – 99,999	1	–
100,000 – 109,999	–	–
110,000 – 119,999	–	–
120,000 – 129,999	–	–
130,000 – 139,999	–	–
140,000 – 149,999	–	–
150,000 – 159,999	–	–
160,000 – 169,999	–	–
170,000 – 179,999	–	–
180,000 – 189,999	–	1

- There were no amounts paid by the Corporation in connection with the retirement of responsible persons of the Corporation during the financial year.
- There were no loans in existence by the Corporation to responsible persons or related parties at the date of this report.
- There were no other transactions between the Corporation and responsible persons and their related parties during the financial year.

b) Executive officers' remuneration

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

Income band (\$)	Total Remuneration		Base Remuneration	
	2009 No.	2008 No.	2009 No.	2008 No.
100,000 – 109,999	–	–	–	–
110,000 – 119,999	–	–	–	–
120,000 – 129,999	–	–	1	1
130,000 – 139,999	1	1	1	1
140,000 – 149,999	1	1	–	–
Total Amount \$'000	283	274	261	253
Total Numbers	2	2	2	2

Note 22 Reconciliation of Profit / (Loss) to Net Cash Flows from Operating Activities

	2009 \$'000	2008 \$'000
<i>Net result for the period after income tax</i>	2,985	1,210
<i>Add profit/(loss) on disposal of non-current assets</i>	(20)	4
<i>Add Depreciation and amortisation</i>	3,500	3,338
<i>Less Developer contributions for capital purposes</i>	(775)	(422)
<i>Less Inventory Adjustments</i>	(33)	
<i>Add Bad debts write off</i>	31	38
<i>Add Impairment of non-current assets</i>	642	326
	6,331	4,494
<i>Changes in Assets & Liabilities</i>		
Decrease/(Increase) in trade receivables	(263)	(142)
Decrease/(Increase) in inventories	(78)	20
Decrease/(Increase) in other current assets	(510)	10
Decrease/(Increase) in other receivables	3	48
Decrease/(Increase) in payables	494	658
Decrease/(Increase) in provisions	(101)	–
Decrease/(Increase) in employee benefit liabilities	(219)	126
	(673)	720
Net cash flows from Operating Activities	5,658	5,214

Note 23 Dividends

The Board resolved at the August 2009 meeting that dividend payment for 2008/2009 period is \$0.

Note 24 Events Occurring After the Balance Sheet Date

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

Appendices Westernport Region Water Corporation Statutory Certification

We certify the attached financial statements for Westernport Region Water Corporation have been prepared in accordance with Part 7 of the Directions of the Minister for *Finance under the Financial Management Act 1994*, applicable Australian Accounting Standards, Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Operating Statement, Balance Sheet, Statement of Recognised Income and Expenses, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2009 and the financial position of the Corporation as at 30 June 2009.

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



Anthony Leonard

Chairperson
Westernport Region Water Corporation



Murray Jackson

Managing Director
Westernport Region Water Corporation



Kylie White

General Manager – Business Services
Westernport Region Water Corporation

21 August 2009



Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board, Westernport Region Water Corporation

The Financial Report

The accompanying financial report for the year ended 30 June 2009 of the Westernport Region Water Corporation which comprises the operating statement, balance sheet, statement of recognised income and expense, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the statutory certification has been audited.

The Board Member's Responsibility for the Financial Report

The Board Members of the Westernport Region Water Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

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

Auditor's Responsibility

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

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

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

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of the Westernport Region Water Corporation for the year ended 30 June 2009. The Board Members of the Westernport Region Water Corporation are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Westernport Region Water Corporation website.

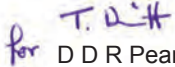
Independence

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

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Westernport Region Water Corporation as at 30 June 2009 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
22 September 2009

for 
D D R Pearson
Auditor-General

Directory

Head office

2 Boys Home Road
Newhaven VIC 3925

Ph: (03) 5956 4100

Fax: (03) 5956 4101

Email:

westport@westernportwater.com.au

Website:

www.westernportwater.com.au

ABN: 63 759 106 755

Responsible Minister

The Hon. Tim Holding
Minister for Water

Bankers

National Australia Bank
Thompson Avenue
Cowes VIC 3922

Auditors

Auditor General, Victoria
By Agent WHK Armitage Downie

Insurers

Jardine Australian Insurance
Brokers Pty Ltd

Solicitors

Russell Kennedy

Industry Associations

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

Photography

Lou Curtis-Smith

Ray Stewart

Revolver Productions,
Newhaven

Susan Webster

Ptarmigan Investments Pty Ltd
Melbourne

Design

Jayne Melville

Salt Marketing and Design
#WWA099

DISCLOSURE INDEX

CLAUSE	DISCLOSURE	PAGE
Report of Operations		
22B	Manner of establishment and the relevant Ministers	5
22B	Objectives, functions, powers and duties	5
22B	Nature and range of services provided	1
Management and Structure		
22B	Organisational structure, names and functional areas of responsibility of senior officers	8-9
22B	Names of Board members	5-6
Financial and Other Information		
22B	Statement of workforce data for current and previous financial year	13
22B	Merit and equity	13
15B	Executive officer disclosures	13
22B	Five year summary of the financial results	14
22B	Significant changes in financial position during the year	14
22B	Objectives and performance against objectives	10
22B	Major changes or factors affecting performance	14
22B	Subsequent events which will affect operations in future years	14
22B	Details of consultancies > \$100,000	15
22B	Details of consultancies - total number and cost < \$100,000	15
12A	Disclosure of major contracts	NIL
22B	Application and operation of FOI Act 1982	15
22B	Application and operation of the Whistleblowers Protection Act 2001	15
22B	Compliance with building and maintenance provisions of the Building Act 1993	15
22B	Statement on NCP	15
22B	OH&S policy	16
10	Disclosure index	63
22B	Statement of availability of other information	25
25	Victorian Industry Participation Policy	25

