

# Financial Statements

30 June 2008

## Contents

## Page

Operating Statement	80
Balance Sheet	81
Statement of Changes in Equity	82
Cash Flow Statement	82
Notes to the Financial Statements	83-104
Certification of Financial Statements	105
Independent Audit Report	106

**Operating Statement**  
for the year ended 30 June, 2008

	Note	2008 \$'000	2007 \$'000
<b>Revenue from Operating Activities</b>			
Fees and Charges	3	39,669	38,229
Developer and Land Owner Contributions	4	5,746	6,335
Government Contributions	5	1,400	-
Interest Revenue	6	622	689
Other Revenue	7	1,628	1,386
<b>Total Revenue</b>		<b>49,065</b>	<b>46,639</b>
<b>Expenses of Operating Activities</b>			
Direct Expenses	8	35,977	32,760
Administration Expenses	9	8,559	8,270
Environmental Contribution	1(q)	1,500	1,500
Borrowing Costs	10	2,749	1,841
<b>Total Expenses</b>		<b>48,785</b>	<b>44,371</b>
<b>Profit before Income Tax</b>		<b>280</b>	<b>2,268</b>
Income Tax Expense	11	97	688
<b>Profit for the Year</b>		<b>183</b>	<b>1,580</b>

*The above Operating Statement should be read in conjunction with the accompanying notes*

**Balance Sheet**  
as at 30 June, 2008

	Note	2008 \$'000	2007 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	12	4,801	-
Receivables	13	10,478	10,546
Prepayments		383	258
Inventories	14	688	627
Biological Assets	15	495	415
<b>Total Current Assets</b>		<u>16,845</u>	<u>11,846</u>
<b>Non-Current Assets</b>			
Receivables	13	6,318	7,183
Property, Plant and Equipment	16	478,857	463,510
Deferred Tax Assets	17	18,690	14,595
<b>Total Non-Current Assets</b>		<u>503,865</u>	<u>485,288</u>
<b>Total Assets</b>		<u><b>520,710</b></u>	<u><b>497,134</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	18	8,657	7,814
Interest Bearing Liabilities	19	2,213	4,926
Employee Benefits	20	3,231	2,959
<b>Total Current Liabilities</b>		<u>14,101</u>	<u>15,699</u>
<b>Non-Current Liabilities</b>			
Interest Bearing Liabilities	19	47,238	26,451
Employee Benefits	20	169	157
Deferred Tax Liabilities	21	31,941	27,749
<b>Total Non-Current Liabilities</b>		<u>79,348</u>	<u>54,357</u>
<b>Total Liabilities</b>		<u><b>93,449</b></u>	<u><b>70,056</b></u>
<b>Net Assets</b>		<u><b>427,261</b></u>	<u><b>427,078</b></u>
<b>EQUITY</b>			
Contributed Capital	22	234,284	234,284
Reserves	23	23,268	23,268
Retained Profits	24	169,709	169,526
<b>Total Equity</b>		<u><b>427,261</b></u>	<u><b>427,078</b></u>

*The above Balance Sheet should be read in conjunction with the accompanying notes*

**Statement of Changes in Equity  
for the year ended 30 June, 2008**

	Note	2008 \$'000	2007 \$'000
<b>Total Equity at the beginning of the Financial Year</b>		<b>427,078</b>	<b>425,498</b>
<b>Net Income recognised directly in equity</b>		-	-
Profit for the year		183	1,580
<b>Total recognised income and expense for the year</b>		<b>183</b>	<b>1,580</b>
<b>Total Equity at the end of the Financial Year</b>		<b>427,261</b>	<b>427,078</b>

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**Cash Flow Statement  
for the year ended 30 June, 2008**

**Cash Flows from Operating Activities**

Receipts from Customers (inclusive of goods and services tax)		47,691	46,246
Grants from Government Departments		1,400	-
Payments to Suppliers and Employees (inclusive of goods and services tax)		(35,498)	(31,499)
Interest and Bill Discounts Received		631	710
Interest and Other Costs of Finance Paid		(2,605)	(1,817)
Net Cash Inflow from Operating Activities	25	<u>11,619</u>	<u>13,640</u>

**Cash Flows from Investing Activities**

Proceeds from Sale of Property, Plant and Equipment		522	658
Payments for Property, Plant and Equipment		(25,415)	(19,761)
Net Cash (Outflow) from Investing Activities		<u>(24,893)</u>	<u>(19,103)</u>

**Cash Flows from Financing Activities**

Proceeds from Borrowings		23,000	-
Repayment of Borrowings		(445)	(225)
Net Cash (outflow) Inflow from Financing Activities		<u>22,555</u>	<u>(225)</u>

Net Increase (Decrease) in Cash held		9,281	(5,688)
Cash at the beginning of the Financial Year		(4,480)	1,208
<b>Cash at the end of the Financial Year</b>	12 & 19	<b><u>4,801</u></b>	<b><u>(4,480)</u></b>

*The above Cash Flow Statement should be read in conjunction with the accompanying notes*

## Note 1 Summary of Significant Accounting Policies

### 1(a) Basis of Accounting

#### General

This financial report of Goulburn Valley Region Water Corporation is a general purpose financial report that consists of an Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. As the Corporation is a not-for-profit entity, specific clauses of the Australian Accounting Standards that apply to not-for-profit entities have been applied.

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

#### 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(o) for a variation in relation to employee benefits.

#### Rounding

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

#### Historical cost convention

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

#### Critical accounting estimates

The preparation of financial statements 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.

### 1(b) Name Change

Effective from 1 July, 2007 the name of the Corporation was changed from the Goulburn Valley Region Water Authority under Section 85(1) of the *Water Act 1989*, inserted by Section 54 of the *Water Governance Act 2006*. Accordingly, the reporting entity for the financial year 1 July 2006 to 30 June 2007 was the Goulburn Valley Regional Water Authority and the comparative amounts of those financial statements have been prepared on that basis.

### 1(c) Revenue Recognition

Revenue is brought to account when services have been provided or when tariffs and fees have been levied.

Water and sewerage charges by measure are recognised as income when the service has been used. Meter reading is cyclical and, therefore, an estimation is made at the end of each accounting period for water services used by customers and recorded on meters which have not yet been read.

Gains or losses on disposal of non-current assets are calculated as the difference between the gross proceeds on sale and their written down value.

Contributions for capital works from all sources are normally treated as revenue and are disclosed in the notes to the financial statements as landowner contributions and headworks fees.

Landowner contributions represent assets acquired at no cost to the Corporation. The fair value of these assets are recognised as revenue upon their acceptance by the Corporation for maintenance in perpetuity.

Developers are required to make fair and reasonable contributions towards the cost of developing the Corporation's water supply distribution and sewerage disposal systems. These contributions are recorded as 'headworks fees' and are recognised as revenue upon receipt.

Government grants are recognised as revenue on receipt or when an entitlement is established, whichever is the sooner. However, grants received from the Victorian State Government for specific capital projects where the Minister for Finance and the Minister for Water have indicated the grant is in the nature of owners' contributions are accounted for as equity and disclosed in the Balance Sheet as Contributed Capital.

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

## 1(d) Income Tax

For the financial year 2001-02, the Corporation was subject to the rules applicable under the State Equivalent Tax Regime administered by the Victorian Department of Treasury and Finance. The Corporation was notified by the Treasurer, of the Government's decision to direct Regional Water Authorities to become subject to the National Tax Equivalent Regime (NTER) from 1 July, 2002. The NTER 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 current income tax rates adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

## 1(e) Receivables

Revenue is measured at the fair value of the consideration received or receivable. Receivables are recognised initially at fair value less allowance for doubtful debts. Current receivables are due for settlement no more than 28 days from the date of recognition for water, sewerage and trade waste receivables. Non-Current receivables relate to trade waste customers for charges raised to meet the cost of extending our wastewater treatment and re-use facilities. These receivables are due for settlement by instalments over terms up to 15 years. Commercial interest charges apply to outstanding balances.

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

## 1(f) Inventories

Inventories consist of stores and materials used by the Corporation in construction, repairs and maintenance of works. Stores and materials are valued at the lower of cost and net realisable value. Costs are assigned to stores and materials on the basis of weighted average cost.

## 1(g) Biological Assets

Biological assets consist of livestock held on the Corporation's wastewater re-use facilities. Livestock is valued at net market value.

## 1(h) Recognition and Measurement of Property, Plant and Equipment

Property, plant and equipment represent non-current assets comprising land, buildings, water and sewerage 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.

### Acquisition

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets at the date of exchange, plus costs directly attributable to the acquisition.

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.

### Carrying Amount

Land and buildings are measured at the amounts for which assets could be exchanged between knowledgeable, willing parties, in an arm's length transaction. Infrastructure, plant, equipment and vehicles are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the operating statement. When revalued assets are sold, it is the Corporation's policy to transfer the amounts included in other reserves in respect of those assets to retained profits.

All assets must be tested for impairment on an annual basis. Such assets are tested to ascertain whether the carrying amounts exceed their recoverable amounts.

### Revaluations

Land and buildings are revalued with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value. This revaluation process occurs at least every five years. Revaluation increments or decrements arise from differences between an asset's carrying amount and fair value at the date of the valuation. Land and Building assets are subject to an interim fair value assessment during the five year revaluation cycle. The assessment of Land assets is done by way of reference to Valuer-General Land indexation factors that apply for the current financial year. The assessment of Building assets is done by way of reference to Department of Sustainability and Environment Building indexation factors that apply for the current financial year. As at 30 June, 2008 it has been determined that there is no evidence of a material movement in the value of Land and Building assets of the Corporation.

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 profit or loss, the increment is recognised as revenue in determining profit or loss.

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 assets are offset against one another, within that class, but are not offset in respect of assets in different classes.

### Impairment of Assets

Property, plant and equipment 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.

An impairment loss on a revalued asset is recognised directly against any revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that same class of asset.

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 statement.

### 1(i) Depreciation of Property, Plant and Equipment

All fixed assets with the exception of land are depreciated using the straight line method to write off the cost or revalued amount of each item, net of residual values, over its estimated useful life to the Corporation. Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component. The estimated useful lives of each group of assets have been reviewed during the year, and adjustments made where required.

The estimated useful lives are as follows:

Buildings	30 to 50 years
Infrastructure Assets	5 to 100 years
Plant and Equipment	1 to 20 years

### 1(j) Borrowing Costs

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

### 1(k) Payables

These amounts represent liabilities for goods and services provided to the Corporation prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

### 1(l) Interest Bearing Liabilities

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. They 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 loans, using the effective interest method.

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

### 1(m) Provisions

Provisions are recognised by the Corporation when a present legal or constructive obligation exists as a result of a past event that will require an outflow of resources to settle the obligation. The amount of the outflow required must be able to be reliably estimated. Provisions are not recognised for future operational losses.

### 1(n) Provision for Dividend

An obligation to pay a dividend only arises after consultation between the Board, the Minister for Water and the Treasurer. Following this consultation a formal determination is made by the Treasurer. Although this process has not yet been completed at the reporting date, the Board's preliminary dividend estimate in respect of the current year is nil. Dividends are prescribed by the State Government in accordance with the Public Authorities (dividends) Regulations 1993.

### 1(o) Employee Benefits

#### Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values, using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of estimated future cash outflows to be made by the Corporation, in respect of services provided 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.

**Superannuation**

A liability or asset in respect of defined benefit superannuation is recognised in employee benefits liabilities and is measured as the difference between the present value of employees' accrued benefits at the reporting date and the net market value of the superannuation plan's assets at that date. The present value of accrued benefits is based on expected future payments which arise from membership of the plans to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using rates of national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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

**Employee Benefit On-Costs**

Employee benefit on-costs, including payroll tax and Workcover, 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 contracts 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.

**1(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 – ie. inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable or payable to the ATO is classified as operating cash flows.

**1(q) 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 corporations to pay into the consolidated fund annual contributions in accordance with a pre-established schedule of payments, which sets out the amounts payable by each Corporation. The purpose for the environmental contribution is set out in the Act, and the funds may be used for the purpose of funding initiatives that seek to promote the sustainable management of water or address water-related initiatives. This schedule of payments has been set for the period 1 July, 2008 to 30 June, 2012. This environmental contribution commitment for future periods has been included in Note 30 Capital and Other Commitments.

The environmental contributions are disclosed separately within expenses in the Operating Statement.

**1(r) Cash and Cash Equivalent Assets**

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 changes in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities on the balance sheet.

## 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. This note presents information about the Corporation's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk.

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

Risk management is carried out by the Corporation's Executive Management Team under policies approved by the Board of Directors. The Finance department identifies, evaluates and manages financial risks in close co-operation with the Corporation's objectives. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### 2.1 Risk Exposures

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 interest rate risk, foreign exchange risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk, with no exposure to foreign exchange risk and other price risks.

Objectives, policies and processes used to address 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 long term borrowings is fixed and therefore the Corporation is not exposed to short term risk as a result of fluctuating interest rates. In addition, the maturity dates for these long term borrowings are staggered to further minimise interest rate risk in any given year.

The Corporation has minimal exposure to interest rate risk through its holding of cash assets and other financial assets. Other financial assets include non-current receivables. These receivables are of fixed terms with fixed interest rates.

#### (ii) Foreign Exchange Risk

Foreign exchange risk arises when financial instruments are recognised in a currency that is not the entity's functional currency. The Corporation's exposure to foreign exchange risk is nil with no instruments held in foreign currencies.

#### (iii) Other Price Risk

The Corporation has no significant exposure to Other Price Risk.

### Market Risk Sensitivity Analysis

The sensitivity analysis below has taken into consideration past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets. The Corporation believes that a movement of 0.50% in interest rates is reasonable over the next 12 months;

30 June 2008	Carrying amount \$'000	Interest rate risk			
		-0.5% (50 bp)		+0.5% (50 bp)	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
<b>Financial assets</b>					
Cash and Cash Equivalents	4,801	-	-	-	-
Receivables	16,796	-	-	-	-
<b>Financial liabilities</b>					
Payables	8,657	-	-	-	-
Interest Bearing Liabilities/Borrowings	49,451	11	11	(11)	(11)
<b>Total increase / (decrease)</b>		11	11	(11)	(11)

Interest rate risk analysis is only applied to current interest bearing liabilities as the balance of these liabilities have fixed interest rates and staggered maturities.

#### (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 cash and receivables and other financial assets.

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 policies and procedures to assist customers who may be experiencing financial hardship and for the collection of overdue receivables.

An analysis of the ageing of the Corporation's receivables at reporting date has been provided in Note 13.

#### (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 within 30 days and in the event of dispute make payments within 30 days from the date of resolution.

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. In addition, the Corporation has a credit facility approved by the Treasurer of Victoria each year equal to the anticipated borrowings of the Corporation for that year.

The Corporation's financial liability maturities have been disclosed in Note 19.

## 2.2 Fair Valuation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Corporation is the current bid price.

The carrying value of current receivables less impairment provision and of payables is a reasonable approximation of their fair values due to their short-term nature.

The fair values of non-current receivables and other financial liabilities for disclosure purposes is determined by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments.

The carrying amounts and aggregate net fair values of financial assets and financial liabilities at reporting date have been provided in Note 27.

	Note	2008 \$'000	2007 \$'000
<b>Note 3 Fees and Charges</b>			
Tariffs and Charges		19,153	17,871
Metered Charges		16,915	16,670
Trade Waste Charges		2,847	2,864
Licences and Fees		754	824
		<u>39,669</u>	<u>38,229</u>

#### Note 4 Developer and Land Owner Contributions

Landowner Contributions		4,672	5,344
Headworks Fees		1,074	991
		<u>5,746</u>	<u>6,335</u>

#### Note 5 Government Contributions

Capital Project Grant - Water		<u>1,400</u>	-
-------------------------------	--	--------------	---

#### Note 6 Interest Revenue

Interest on Investments		31	43
Interest on Tariffs, Schemes and Charges		591	646
		<u>622</u>	<u>689</u>

#### Note 7 Other Revenue

Rent/Lease		370	457
Farm Revenue		1,012	757
Miscellaneous		246	172
		<u>1,628</u>	<u>1,386</u>

#### Note 8 Direct Expenses

Purchase of Raw Water		825	775
Maintenance		6,305	5,809
Water Treatment		9,109	7,667
Sewage Treatment and Pumping		7,666	6,749
Depreciation Infrastructure	16	11,632	11,336
Loss on Sale or Disposal of Property, Plant and Equipment		440	424
		<u>35,977</u>	<u>32,760</u>

	Note	2008 \$'000	2007 \$'000
<b>Note 9 Administration Expenses</b>			
Employee Benefits		4,459	3,972
Bad Debts Written Off		43	77
Audit Fees - External Audit (Auditor-General, Victoria)		36	41
Audit Fees - Internal Audit (Pitcher Partners)		29	41
Depreciation	16	1,771	1,772
Professional/Consulting Services		274	448
Office Expenses		761	720
Conservation and Consultation		370	505
Computer Expenses		364	294
Corporation and Associated Expenses		452	400
		<u>8,559</u>	<u>8,270</u>

**Employee Benefit Expenses**

Employee Benefit Expenses		12,666	11,587
These expenses have been allocated to:			
- Direct Expenses		8,207	7,615
- Administration Expense		4,459	3,972
		<u>12,666</u>	<u>11,587</u>

**Note 10 Borrowing Costs**

Interest on Bank Overdraft, Loans & Bank Charges		2,749	1,841
--	--	-------	-------

**Note 11 Income Tax**

Income tax expense for the financial year differs from the amount calculated on the net result. The differences are reconciled as follows:

**(a) Income tax expense**

Current tax payable		-	-
Deferred tax relating to temporary differences		97	688
		<u>97</u>	<u>688</u>

*Deferred income tax(revenue) expense included in income tax expense comprises:*

(Increase) in deferred tax assets	17	(4,095)	(4,056)
Increase in deferred tax liabilities	21	4,192	4,744
		<u>97</u>	<u>688</u>

**(b) Reconciliation of income tax expense to prima facie tax payable**

Profit before income tax expense		280	2,268
Tax at the Australian tax rate of 30% (2007: 30%)		84	680
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
- Sundry items		13	8
Income tax expense		<u>97</u>	<u>688</u>

**Note 12 Cash and Cash Equivalents**

Cash at Bank and on hand		<u>4,801</u>	-
--------------------------	--	--------------	---

## Note 13 Receivables

	Note	2008 \$'000	2007 \$'000
Current Receivables		10,578	10,646
Less Provision for Impaired Receivables		(100)	(100)
Total Current Receivables		10,478	10,546
Non-Current Receivables		6,318	7,183
Total Receivables		16,796	17,729

### (a) Provision for impaired receivables

As at 30 June 2008, current receivables of the Corporation with a nominal value of \$147,000 (2007: \$108,000) were impaired. The amount of the provision was \$100,000 (2007: \$100,000). The individually impaired receivables mainly relate to tenant accounts and a number of identified trade receivables, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of these receivables is as follows:

Current	4	3
1-2 months	19	2
3-4 months	14	4
Over 4 months	110	99
	147	108

As at 30 June 2008, receivables of \$1.052m (2007: \$1.243m) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

1-2 months	619	720
3-4 months	109	260
Over 4 months	324	263
	1,052	1,243

Movements in the provision for impaired receivables are as follows:

Balance at 1 July		100	100
Provision for impairment recognised during the year		43	77
Receivables written off during the year as uncollectible	9	(43)	(77)
Balance at 30 June		100	100

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

	Note	2008 \$'000	2007 \$'000
Other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.			

**(b) Fair value and credit risk**

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

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables mentioned above. The Corporation holds collateral as security on some receivables. The collateral is a charge over property. Refer to Note 2 for more information of the risk management policy of the Corporation and to Note 27 for further analysis of receivables.

**Note 14 Inventories**

Stores and Materials – at cost	1(f)	688	627
--------------------------------	------	-----	-----

**Note 15 Biological Assets**

Livestock – at net market value:

Sheep		382	353
Cattle		113	62
	1(g)	495	415

Represented by:

	2008 Quantity	2007 Quantity	2008 \$'000	2007 \$'000
<b>Carrying amount at 1 July</b>	6,407	6,350	415	547
<b>Increases due to:</b>				
Purchases	923	625	103	71
Natural Increase	3,373	2,985	160	33
Market value adjustment	-	-	187	-
<b>Decreases due to:</b>				
Sales	(4,209)	(3,305)	(350)	(209)
Deaths	(288)	(248)	(20)	(15)
Market value adjustment	-	-	-	(12)
<b>Carrying amount at 30 June</b>	<b>6,206</b>	<b>6,407</b>	<b>495</b>	<b>415</b>

All Livestock Biological Assets of the Corporation were independently valued as at 30 June 2008 by the following Livestock Agents: Robson Donaldson Pty. Ltd., Landmark & Rodwells Pty. Ltd. Livestock is valued at net market value.

	Note	2008 \$'000	2007 \$'000
<b>Note 16 Property, Plant and Equipment</b>			
<b>Land and Buildings</b>			
<b>Freehold Land</b>			
At Independent Valuation 2006		36,803	36,803
At Cost		704	664
		<u>37,507</u>	<u>37,467</u>
<b>Buildings</b>			
At Independent Valuation 2006		8,320	8,323
Less: Accumulated Depreciation		(621)	(333)
		<u>7,699</u>	<u>7,990</u>
At Cost		225	16
Less: Accumulated Depreciation		(2)	(1)
		<u>223</u>	<u>15</u>
Total Land and Buildings		<u>45,429</u>	<u>45,472</u>
<b>Infrastructure Assets</b>			
At Cost		471,445	458,264
Less: Accumulated Depreciation		(75,381)	(64,033)
		<u>396,064</u>	<u>394,231</u>
Infrastructure Assets in the course of construction		31,827	18,303
Total Infrastructure Assets		<u>427,891</u>	<u>412,534</u>
<b>Plant and Equipment</b>			
At Cost		14,861	13,825
Less: Accumulated Depreciation		(9,324)	(8,321)
Total Plant and Equipment		<u>5,537</u>	<u>5,504</u>
Total Property Plant and Equipment		<u>478,857</u>	<u>463,510</u>

#### Valuation of Property, Plant and Equipment

All Land & Buildings of the Corporation were independently revalued on the 30th June, 2006 by HMC Valuers Pty. Ltd. at their fair value.

**Reconciliations**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year and the previous financial year are set out below.

<b>2008</b>	<b>Freehold Land</b>	<b>Buildings</b>	<b>Infrastructure Assets</b>	<b>In Course of Construction</b>	<b>Plant &amp; Equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at 1 July 2007	37,467	8,005	394,231	18,303	5,504	463,510
Additions	40	209	13,863	13,524	2,076	29,712
Disposals	-	-	(398)	-	(564)	(962)
Depreciation Expense	-	(292)	(11,632)	-	(1,479)	(13,403)
Carrying amount at 30 June, 2008	37,507	7,922	396,064	31,827	5,537	478,857
<b>2007</b>	<b>Freehold Land</b>	<b>Buildings</b>	<b>Infrastructure Assets</b>	<b>In Course of Construction</b>	<b>Plant &amp; Equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at 1 July 2006	36,803	8,346	386,340	14,809	5,435	451,733
Additions	664	16	19,521	3,494	2,146	25,841
Disposals	-	-	(294)	-	(662)	(956)
Depreciation Expense	-	(357)	(11,336)	-	(1,415)	(13,108)
Carrying amount at 30 June, 2007	37,467	8,005	394,231	18,303	5,504	463,510

**2008**  
**\$'000**

**2007**  
**\$'000**

**Depreciation Charge for the Year**

Buildings	292	357
Infrastructure	11,632	11,336
Plant and Equipment	1,479	1,415
	<u>13,403</u>	<u>13,108</u>

**Non-Current Assets Pledged as Security**

The Corporation has not pledged any of its non-current assets as security.

	2008 \$'000	2007 \$'000
<b>Note 17 Deferred Tax Assets</b>		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in operating statement:</i>		
Doubtful Debts	30	30
Employee Benefits	1,069	970
Accrued Expenses	40	45
Depreciation	299	251
Tax Losses	17,252	13,299
Total Deferred Tax Assets	<u>18,690</u>	<u>14,595</u>
Movements:		
Opening Balance at 1 July	14,595	10,539
Charged to the operating statement	4,095	4,056
Closing balance at 30 June	<u>18,690</u>	<u>14,595</u>

## Note 18 Payables

Trade Payables	7,927	7,023
Other Payables	730	791
	<u>8,657</u>	<u>7,814</u>

Foreign currency risk and interest rate risk for trade and other payables

The carrying amounts of the Corporation's trade and other payables are denominated in Australian dollars. For an analysis of the sensitivity of trade and other payables to interest rate risk refer to Note 2.

	2008 \$'000	2007 \$'000
<b>Note 19 Interest Bearing Liabilities - Secured</b>		
<b>Current</b>		
Bank Overdraft	-	4,480
Bank Loans	38	46
Other Loans	2,175	400
	2,213	4,926
<b>Non-Current</b>		
Bank Loans	88	125
Other Loans	47,150	26,326
	47,238	26,451
Total Interest Bearing Liabilities	49,451	31,377
<b>Credit standby arrangements</b>		
Total facilities	8,500	19,800
Unused at balance date	8,500	19,800
<b>Loan facilities</b>		
Total facilities	49,451	31,377
Used at balance date	49,451	31,377
Unused at balance date	-	-

Loans and Bank Overdraft are secured by the future revenue of the Corporation and a guarantee from the Treasurer of Victoria.

*Off-balance sheet*

The Corporation does not have any liabilities classed as off-balance sheet. As per Note 29, the Corporation is not aware of any other material contingent liabilities not recorded or disclosed in the accounts.

*On-balance sheet*

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values of non-current borrowings are based on cash flows discounted using current borrowing rates varying from 7.19 % to 8.14%, depending on the type of the borrowing (2007 - 6.45% to 6.85%).

The majority of the Corporation's loans are held with the Treasury Corporation of Victoria with an immaterial amount held with Other Lenders. The Treasury Corporation of Victoria loans are taken out on fixed terms at fixed interest rates and are staggered in terms of maturity to minimise interest rate risk. Loans held with Other Lenders are being remitted in line with fixed repayment schedules until maturity.

2008  
\$'000                      2007  
\$'000

The Corporation is not aware of any potential financial liabilities which may arise from certain contingencies disclosed in Note 29. No material losses are anticipated in respect of any of those contingencies (this nil fair value disclosure is the directors' estimate of amounts which would be payable by the Corporation as consideration for the assumption of those contingencies by another party).

**Risk exposures**

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

6 months or less	45	4,604
6 – 12 months	2,168	323
1 – 5 years	20,230	13,432
Over 5 years	27,008	13,018
<b>Total Interest Bearing Liabilities</b>	49,451	31,377

The carrying amounts of the Corporation's borrowings are denominated in Australian dollars.

For an analysis of the sensitivity of borrowings to interest rate risk refer to Note 2.

## Note 20 Employee Benefits

**Current**

Annual Leave and unconditional long service leave entitlements, representing seven years of continuous service:

- Short-term employee benefits that fall due within 12 months after the end of the period, measured at nominal value	1,044	775
- Other employee benefits that do not fall due within 12 months after the end of the period, measured at present value	2,187	2,184
<b>Total Current</b>	3,231	2,959

**Non-Current**

Conditional long service leave

	169	157
--	-----	-----

Total Non-Current

	169	157
--	-----	-----

**Total Employee Benefits**

	3,400	3,116
--	-------	-------

Employee numbers at the end of financial year

	174	180
--	-----	-----

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

Weighted average increase in employee costs	4.75%	4.50%
Weighted average discount rates	6.70%	6.27%
Weighted average settlement period	7 years	7 years

## Note 21 Deferred tax liabilities

The balance comprises temporary differences attributable to:

*Amounts recognised in Operating Statement*

Unearned Receivables	1,124	1,339
Depreciation	30,817	26,410
<b>Deferred Tax Liabilities</b>	31,941	27,749

**Movements:**

Opening balance at 1 July	27,749	23,005
Charged to the operating statement	4,192	4,744
Charged to equity	-	-
<b>Closing balance at 30 June</b>	31,941	27,749

	2008 \$'000	2007 \$'000
<b>Note 22 Contributed Capital</b>		
Capital Contributions	234,284	234,284
	<u>234,284</u>	<u>234,284</u>
<b>Note 23 Reserves</b>		
Asset Revaluation Reserve	23,268	23,268
	<u>23,268</u>	<u>23,268</u>

**Nature and Purpose of Reserves****Asset Revaluation Reserve**

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy Note 1(h).

**Note 24 Retained Profits**

Opening balance at 1 July	169,526	167,946
Profit for the year	183	1,580
Closing balance at 30 June	<u>169,709</u>	<u>169,526</u>

**Note 25 Reconciliation of Profit for the Year to Net Cash Inflow from Operating Activities**

Profit for the Year	183	1,580
Add/(Less) Non Cash Flows in Profit for the Year		
Contributed Assets	(4,517)	(4,479)
Depreciation	13,403	13,108
(Profit)/Loss on Sale of Non-Current Assets	440	424
Bad Debts Written Off	43	77
Change in Operating Assets and Liabilities		
(Increase) Decrease in Receivables	890	881
(Increase) Decrease in Inventories	(141)	129
(Increase) Decrease in Prepayments	(125)	(34)
(Increase) in Deferred Tax Assets	(4,095)	(4,056)
Increase (Decrease) in Payables	1,062	1,072
Increase in Provisions	284	194
Increase in Deferred Tax Liabilities	4,192	4,744
Net Cash Inflow from Operating Activities	<u>11,619</u>	<u>13,640</u>

**Note 26 Retail Reporting**

## Retail Operations

	Urban Water		Wastewater		Total	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue						
Sales – external	27,043	25,329	21,964	21,237	49,007	46,566
Other Revenue	29	37	29	36	58	73
Total Revenue	<u>27,072</u>	<u>25,366</u>	<u>21,993</u>	<u>21,273</u>	<u>49,065</u>	<u>46,639</u>
Total Service Result	<u>6,926</u>	<u>7,186</u>	<u>4,704</u>	<u>5,264</u>	<u>11,630</u>	<u>12,450</u>
Less: Unallocated Expenses					<u>11,350</u>	<u>10,182</u>
Profit before income tax					<u>280</u>	<u>2,268</u>

This Corporation does not have any material Wholesale operations

## Note 27 Financial Instruments

### (i) Interest Rate Risk Exposures

The Corporation's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date, are recorded in the table below. Exposures arise predominantly from liabilities bearing variable interest rates as the Corporation intends to hold fixed rate liabilities to maturity.

2008	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	Non Interest Bearing	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>									
Cash	4,798	-	-	-	-	-	-	3	4,801
Receivables	-	1,000	687	596	620	659	3,756	9,478	16,796
Total Financial Assets	4,798	1,000	687	596	620	659	3,756	9,481	21,597
Weighted Average Interest Rate	6.91%	7.05%	7.00%	6.91%	6.90%	6.90%	6.87%	-	-
<b>Financial Liabilities</b>									
Payables	-	-	-	-	-	-	-	8,657	8,657
Bank Overdraft	-	-	-	-	-	-	-	-	-
Bank Loans	-	38	27	25	17	11	8	-	126
Other Loans	-	2,175	5,050	3,100	3,000	9,000	27,000	-	49,325
Total Financial Liabilities	-	2,213	5,077	3,125	3,017	9,011	27,008	8,657	58,108
Weighted average interest rate	-	5.98%	5.62%	5.36%	5.70%	6.78%	6.44%	-	-
<b>Net Financial Assets / (Liabilities)</b>	4,798	(1,213)	(4,390)	(2,529)	(2,397)	(8,352)	(23,252)	824	(36,511)
<b>2007</b>									
	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	Non Interest Bearing	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>									
Cash	-	-	-	-	-	-	-	-	-
Receivables	-	954	995	677	587	610	4,313	9,593	17,729
Total Financial Assets	-	954	995	677	587	610	4,313	9,593	17,729
Weighted Average Interest Rate	-	6.93%	7.14%	6.99%	6.89%	6.89%	6.85%	-	-
<b>Financial Liabilities</b>									
Payables	-	-	-	-	-	-	-	7,814	7,814
Bank Overdraft	4,480	-	-	-	-	-	-	-	4,480
Bank Loans	-	46	38	27	25	17	18	-	171
Other Loans	-	400	2,176	5,050	3,100	3,000	13,000	-	26,726
Total Financial Liabilities	4,480	446	2,214	5,077	3,125	3,017	13,018	7,814	39,191
Weighted average interest rate	6.58%	5.78%	5.98%	5.62%	5.36%	5.70%	5.73%	-	-
<b>Net Financial Assets / (Liabilities)</b>	(4,480)	508	(1,219)	(4,400)	(2,538)	(2,407)	(8,705)	1,779	(21,462)

**(ii) Fair Value of Financial Assets and Liabilities**

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

	2008		2007	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
<b>Financial assets</b>				
Cash and Cash Equivalents	4,801	4,801	-	-
Receivables	16,796	15,944	17,729	17,615
<b>Total Financial Assets</b>	21,597	20,745	17,729	17,615
<b>Financial liabilities</b>				
Payables	8,657	8,657	7,814	7,814
Interest Bearing Liabilities/ Borrowings	49,451	48,255	31,377	30,322
<b>Total Financial Liabilities</b>	58,108	56,912	39,191	38,136

Cash, cash equivalents and non-interest bearing financial assets and financial liabilities are carried at cost which approximates their fair value. The fair value of other financial assets and financial liabilities is based upon market prices, where a market exists or by discounting the expected future cash flows at current interest rates.

The carrying amounts of interest bearing receivables are more than their respective fair values. The Corporation intends to allow these receivables to run in accordance with their maturities and, accordingly, has decided not to write them down to their fair values.

The carrying amounts of interest bearing liabilities / borrowings are more than their respective fair values. The Corporation intends to repay these borrowings in accordance with their maturities and, accordingly, has decided not to write them down to their fair values.

**Note 28 Superannuation**

The Corporation contributes in respect of its employees to 21 superannuation schemes. Contributions to superannuation schemes expensed during the financial year were as follows:

Scheme	Contributions				Basis of Calculation
	Paid		Outstanding		
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	
Vision Super Superannuation Scheme (Defined Benefits)	458	459	-	-	3.25% of member employee's salary plus the equivalent of the employee's own contribution rate
Vision Super Saver Superannuation Scheme	817	669	64	65	9% of member employee's salary
State Superannuation Board New Scheme	34	31	8	8	Varying percentage of member employee's salary
Other Funds	217	95	13	14	Varying percentage of member employee's salary
	1,526	1,254	85	87	

Vision Super Superannuation Scheme and State Superannuation Fund are Defined Benefits funds. Any unfunded liability in respect of Vision Super Superannuation Scheme is recognised in the financial statements of the Corporation. Any unfunded liability in respect of State Superannuation Board New Scheme is recognised in the financial statements of the State Government of Victoria. The Corporation makes employer contributions to these defined benefit funds at rates determined by the Trustees on the advice of the Fund's Actuaries.

The other funds are Accumulation funds. No further liability accrues to the employer for those funds as the superannuation benefits accruing to the employees are represented by their share of the net assets of the funds.

The Vision Super Superannuation Scheme Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate

benefit liabilities, assets and costs between employers. As provided under paragraph 32(b) of AASB 119, the Corporation does not use defined benefit accounting for these contributions. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December, 2005, the Trustee has determined that the current funding arrangements are adequate for the expected Defined Benefit Plan liabilities.

There are no balances repayable in respect of loans made to the Corporation from any fund.

## Note 29 Contingent Liabilities and Contingent Assets

At balance date, the Corporation is not aware of any material contingent liabilities or contingent assets not recorded or disclosed in the accounts.

	2008	2007
	\$'000	\$'000

## Note 30 Capital and Other Commitments

### Capital Commitments

Commitments for the acquisition of property, plant and equipment contracted for at the reporting date, but not recognised as liabilities, payable:

Within one year	9,767	8,376
	<u>9,767</u>	<u>8,376</u>

### Other Commitments

The Corporation is committed to making environmental contributions as per the *Water Industry (Environmental Contributions) Act 2004* (see Note 1(q)).

The commitments for the Corporation's contribution to the consolidated fund at the reporting date, but not recognised as liabilities, are as follows:

Within one year	1,915	1,500
Two to four years	5,745	-
	<u>7,660</u>	<u>1,500</u>

These commitments will be met by revenue raised in those periods.

## Note 31 Responsible Persons of the Corporation

### (i) Responsible Persons

The names of persons holding the position of Responsible Person of the Goulburn Valley Region Water Corporation during the financial year were:

The Hon. John Thwaites MP	Minister for Water, Environment and Climate Change (1 July to 3 August, 2007)
The Hon. Timothy Holding MP	Minister for Water (3 August, 2007 to 30 June, 2008)
D.M. Cummins	Chair (appointed to Chair 1 November, 2007)
J.A. Houghton	Chair (retired 31 October, 2007)
C.L. Scott	Deputy Chair
M. Hall	Director
M.I. Rae	Director
D.W. Flett	Director
M.G. Lawlor	Director
B.H.E. Nicholls	Director (appointed 1 November, 2007)
L.J. Gleeson	Managing Director (retired 30 April, 2008)
P.A. Quinn	Managing Director (appointed 1 May, 2008)
A.J. Gale	Acting Managing Director

### (ii) Remuneration of Responsible Persons

The numbers of Responsible Persons are shown below in their relevant income bands:

Remuneration	2008 No.	2007 No.
\$0 - \$9,999	-	3
\$10,000-\$19,999	7	5
\$40,000-\$49,999	1	1

The total remuneration of Responsible Persons referred to in the above bands was \$155,256 (2007: \$143,600), which includes \$37,013 (2007: \$39,557) paid in Superannuation Contributions.

The relevant amounts relating to Ministers are reported separately in the Financial Statements of the Department of Premier and Cabinet. The remuneration of the Managing Director and Acting Managing Director is reported under "Remuneration of Executives".

### (iii) Remuneration of Executives

The number of executive officers, other than Responsible Persons included under “Remuneration of Responsible Persons” above, whose total remuneration exceeded \$100,000 during the reporting period are shown below in their relevant income bands:

Remuneration	Total Remuneration		Base Remuneration	
	2008 No.	2007 No.	2008 No.	2007 No.
\$100,000 - \$109,999	2	1	2	1
\$110,000 - \$119,999	5	5	5	5
\$120,000 - \$129,999	1	-	1	-
\$140,000 - \$149,999	1	-	1	-
\$150,000 - \$159,999	-	-	1	2
\$160,000 - \$169,999	-	2	-	1
\$170,000 - \$179,999	1	-	1	-
\$180,000 - \$189,999	-	1	1	-
\$190,000 - \$199,999	1	-	-	-
\$200,000 - \$209,999	1	-	1	-
\$220,000 - \$229,999	-	-	-	1
\$230,000 - \$239,999	1	-	-	-
\$240,000 - \$249,999	-	1	-	-
Total Numbers	13	10	13	10
Total Remuneration	\$1,880,032	\$1,441,655	\$1,792,067	\$1,373,775

### (iv) Other Transactions of Responsible Persons and Their Related Entities

Transactions between related parties are on normal commercial terms and conditions.

#### Land Development

Companies in which Responsible Persons hold an interest, contract to Goulburn Valley Region Water Corporation for the provision of land development works from time to time. The companies involved and the amount of works during the year are listed below:

Company	Director Involved	2008 \$	2007 \$
Murray River Estate Pty Ltd	M. Hall	293,837	4,389

There have been no related party transactions with the Minister during the reporting period.

There were no amounts paid by the Corporation in connection with the retirement of responsible persons of the Corporation during the financial year. Retirement benefits in the form of accumulated leave entitlements for the former Managing Director were paid by the Corporation in July 2008 and are not included in the above Remuneration of Executives note.

## Note 32 Events Occurring After Balance Date

No matters or circumstances have arisen since the end of the reporting period which significantly affect 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.

## Certification of Financial Statements

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

We further state that, in our opinion, the information set out in the Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2008 and the financial position of the Corporation as at 30 June 2008.

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

Signed on behalf of the Corporation



**C.L. Scott**  
Deputy Chairman



**P.A. Quinn**  
Managing Director



**G.D. Jolly**  
General Manager-Financial Services

Date: 3<sup>rd</sup> September 2008

# VAGO

Victorian Auditor-General's Office

## INDEPENDENT AUDITOR'S REPORT

### To the Board Members of Goulburn Valley Region Water Corporation

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2008 of Goulburn Valley Region Water Corporation which comprises an operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the certification of financial statements has been audited.

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

The Board Members of the Goulburn Valley Region Water Corporation are responsible for the preparation and the 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 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 obtained is sufficient and appropriate to provide a basis for my audit opinion.

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

This auditor's report relates to the financial statements published in both the annual report and on the website of the Goulburn Valley Region Water Corporation for the year ended 30 June 2008. The Board Members of the Goulburn Valley Region Water Corporation are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. 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 Goulburn Valley Region Water Corporation web site.

1

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au) Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

*Auditing in the Public Interest*

# VAGO

Victorian Auditor-General's Office

## Independent Auditor's Report (continued)

### *Independence*

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

### *Auditor's Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of Goulburn Valley Region Water Corporation as at 30 June 2008 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  
4 September 2008



D D R Pearson  
Auditor-General

2

Level 24, 35 Collins Street, Melbourne Vic. 3000  
Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au) Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

*Auditing in the Public Interest*